

TOWN OF GUADALUPE, ARIZONA

Annual Financial Statements
and
Independent Auditors' Report
June 30, 2015



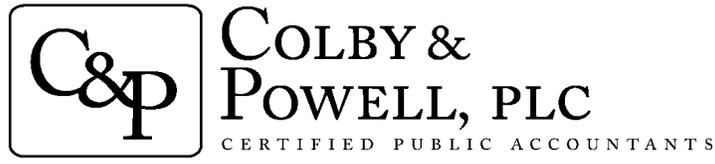
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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Guadalupe, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Guadalupe, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Guadalupe, Arizona, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2015, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement Nos. 68 and 71. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 to 14, Budgetary Comparison Schedules on pages 59 through 61, Schedule of the Town's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans on page 62, Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios – Agent Pension Plans on page 63, Schedule of Town Pension Contributions on page 64, and Schedule of Agent OPEB Plans' Funding Progress on page 66, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Guadalupe, Arizona's basic financial statements. The

schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2016, on our consideration of the Town of Guadalupe, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Guadalupe, Arizona's internal control over financial reporting and compliance.

Other Reporting Required by Arizona Revised Statutes

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Town's noncompliance with the use of highway user revenue fund monies, insofar as they relate to accounting matters.



February 2, 2016



TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2015

Management's Discussion and Analysis

We (the Town of Guadalupe, Arizona) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2015. The intended purpose of the Management Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation. When referring to prior year data in this analysis we will be drawing upon information from last year's audited financial reports.

Overview of the Financial Statements

The financial section of the Annual Financial Report (AFR) for the Town of Guadalupe, Arizona consists of this discussion and analysis, the basic financial statements and the required supplementary schedules presented after the basic financial statements. The basic financial statements include the government-wide financial statements, fund financial statements, including the budgetary statements for the General Fund and major special revenue funds and notes to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Guadalupe, Arizona's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the Town of Guadalupe, Arizona's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Guadalupe, Arizona is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Guadalupe, Arizona that are principally supported by taxes and intergovernmental revenues (Governmental Activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Business-type Activities). The Governmental Activities of the Town of Guadalupe, Arizona include general government, public safety, public works and streets, culture and recreation, community development, health and

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welfare and debt service-interest. The Business-type Activities include the Town's refuse, sewer operations and a commercial center.

The government-wide financial statements can be found on pages 16 and 17 of this report.

Fund financial statements. Also presented are the traditional financial statements for governmental funds. The fund financial statements now focus on major funds of the Town, rather than fund type used in the old model. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Guadalupe, Arizona, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Guadalupe, Arizona can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. Since the governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a matching focus, a reconciliation of the differences between the two is provided with the fund financial statements.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds. The Town of Guadalupe, Arizona maintains three different proprietary funds. Proprietary funds, also known as enterprise funds, are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Guadalupe, Arizona uses enterprise funds to account for its refuse, sewer and commercial center operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the refuse, sewer and commercial center operations. All three funds are considered to be major funds of the Town of Guadalupe, Arizona. The basic proprietary fund financial statements can be both found on pages 22-25 of this report.

Notes to the basic financial statements. The notes to the financial statements (pages 26-56) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

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Required supplementary information other than MD&A. Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The Town has chosen to present these budgetary statements as supplementary information after the footnotes.

Financial Highlight

- ◆ The assets of the Governmental Activities of the Town of Guadalupe, Arizona exceeded its liabilities at close of the most recent fiscal year by \$15,145,305 (net position). Of this amount \$19,052 is restricted for capital asset acquisition, \$133,821 is restricted for highways and streets, \$811,938 is restricted for the HOME program, \$15,203,758 is invested in capital assets, net of related debt, \$25,553 is restricted for community development activities. With recent changes in reporting state and public safety retirement obligations the Town's unrestricted net position is at a deficit of (\$1,048,817) which will hopefully improve over time due to increased contributions to those retirement plans.
- ◆ As of the close of the current fiscal year, the Town of Guadalupe, Arizona's governmental funds reported combined ending fund balances of \$819,652 resulting in a decrease of \$242,150 in comparison with prior year. The decrease is the result of two GADA bond payments being made during 2014/2015 fiscal year in efforts to reduce Town debt.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund reflects a surplus of \$630,609.

The Town's General Fund revenues fell short of estimates and were 45% lower than budgeted due to grants budgeted but not received. Local sales tax and state-shared revenues received were greater than or equal to amounts budgeted. General Fund expenditures and transfers to other funds were \$3,373,988 less than budgeted in large part due to grants budgeted but not received. Because the Town has no property tax, it relies heavily on the current economy for its revenues. With a fair improvement in the economy and a very aggressive grant proposal program, the Town budgeted revenues and transfers in for fiscal year 2015 to be \$3,039,432 higher than prior year actual mostly all in hopeful grant funded projects. Likewise budgeted expenditures and transfers out were \$4,032,519 higher than prior year. The local economy in Guadalupe did well with an increase of 10% over budget. Of that increase transient occupancy tax alone was over budget by 10%. Low interest rates on investments continued to yield very low interest revenues as compared to years past. The Town's management and budgetary committees continue to be conservative after the experience of the past couple of years in efforts to invest in capital improvements such as streets, buildings and public safety.

Excess revenues over expenditures were \$320,860 higher than budgeted in the General Fund for fiscal year 2015.

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Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Position of the Town for June 30, 2015 showing that assets exceeded liabilities by \$16,958,850.

Town of Guadalupe, Arizona
Condensed Statement of Net Position
As of June 30, 2015 and 2014

	Governmental Activities	Business-Type Activities	Total	Prior Year June 30, 2014
ASSETS				
Current and other assets	\$ 2,371,726	\$ 1,456,506	\$ 3,828,232	\$ 4,225,261
Capital assets				
Non-depreciable	7,039,174	84,703	7,123,877	7,123,877
Depreciable (net)	10,064,772	391,988	10,456,760	10,545,586
Total assets	19,475,672	1,933,197	21,408,869	21,894,724
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	260,203	8,809	269,012	118,902
LIABILITIES				
Other liabilities	720,437	25,853	746,290	899,799
Non-current liabilities				
Due within one year	53,228	1,833	55,061	316,563
Due in more than one year	3,406,854	73,102	3,479,956	4,060,242
Total liabilities	4,180,519	100,788	4,281,307	5,276,604
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	410,051	27,673	437,724	-
NET POSITION				
Net investment in capital assets	15,203,758	476,691	15,680,449	15,279,679
Restricted for:				
Capital acquisitions	19,052	-	19,052	78,351
Highways and streets	133,821	-	133,821	104,184
Community development	25,553	-	25,553	3,482
HOME program	811,938	-	811,938	851,578
Unrestricted (deficit)	(1,048,817)	1,336,854	288,037	419,748
Total net position	\$ 15,145,305	\$ 1,813,545	\$ 16,958,850	\$ 16,737,022

The unrestricted net position of the Governmental Activities for the Town of Guadalupe, Arizona has decreased to a deficit of (\$1,048,817) from the prior year of (\$863,638).

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Comparative Analysis of Government-Wide Revenues and Expenses
For the year ended June 30, 2015 and 2014

	Governmental Activities	Business-Type Activities	Total	Prior Year June 30, 2014
REVENUE				
Program revenue:				
Charges for services	\$ 270,716	\$ 528,704	\$ 799,420	\$ 969,275
Grants and contributions	1,275,983	-	1,275,983	1,512,422
Total program revenue	1,546,699	528,704	2,075,403	2,481,697
General revenue:				
Sales taxes	1,240,564	-	1,240,564	1,418,766
Franchise tax	25,494	-	25,494	25,417
Bed taxes	385,015	-	385,015	388,407
Restaurant tax	357,916	-	357,916	316,354
State sales tax revenue sharing	504,740	-	504,740	480,737
Auto lieu tax revenue sharing	210,667	-	210,667	196,774
State revenue sharing	668,593	-	668,593	615,609
Interest income	6,390	1,444	7,834	10,652
Miscellaneous	11,149	-	11,149	3,811
Total general revenue	3,410,528	1,444	3,411,972	3,456,527
Total revenue	4,957,227	530,148	5,487,375	5,938,224
EXPENSE				
General government	747,957	-	747,957	799,320
Public safety	2,615,058	-	2,615,058	2,432,569
Public works and streets	619,695	-	619,695	674,721
Culture and recreation	101,460	-	101,460	111,287
Community Development	283,266	-	283,266	270,243
Health and welfare	302,822	-	302,822	313,133
Interest on general long-term debt	41,693	-	41,693	82,747
Sewer	-	81,756	81,756	118,431
Tianguis	-	166,551	166,551	170,540
Refuse	-	305,289	305,289	293,633
Total expenses	4,711,951	553,596	5,265,547	5,266,624
Change in net position	245,276	(23,448)	221,828	671,600
Beginning net position	14,900,029	1,836,993	16,737,022	16,065,422
Ending net position	\$ 15,145,305	\$ 1,813,545	\$ 16,958,850	\$ 16,737,022

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Financial Analysis of the Town's Funds

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Town include the General Fund, special revenue funds, debt service funds and capital projects funds.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$819,652, a decrease of \$242,150 in comparison with the prior year. The decrease is directly related the Town making two bond payments during 2014/2015 fiscal year in efforts to decrease Town debt. General Fund expenditures increased by \$167,167 over prior year and revenues decreased over prior year by \$200,740. General Fund balance decreased by \$234,559 with a total fund balance of \$641,226. Local sales taxes decreased over prior year by \$136,640. State-shared revenues increased from prior year by \$101,880 generating a decrease over all in the fund balance. This trend indicates the importance of continuing to encourage local commercial development and promoting current local businesses. While it appears that the state and local economy are improving, the Town continues to budget conservatively.

Fund	Balance at June 30, 2015	Increase/(Decrease) From 2013-14
General Fund	\$ 641,226	\$ (234,559)
Comm. Dev. Grants	25,553	22,071
HURF/LTAF (non-major)	133,821	29,637
Capital Projects Fund (non-major)	19,052	(59,299)

The General Fund is the chief operating fund of the Town of Guadalupe, Arizona. At the end of the current fiscal year, the fund balance of the General Fund was a surplus of \$641,226, while the balance of all governmental funds decreased to \$819,652.

The fund balance of the Town of Guadalupe, Arizona's General Fund decreased by \$234,559 during the current fiscal year. Key factors in this change are as follows:

- ◆ Most General Fund revenues were over or at budget with the exception of budgeted court fines and forfeitures. Local sales taxes, franchise taxes, transient occupancy taxes, and restaurant/bar taxes were over budget by a total of \$183,890. However, fines and forfeitures were much lower than budgeted at 50%, or \$99,103.
- ◆ At year end, the General Fund revenues and other financing sources exceeded expenditures by \$234,559. Transfers from the General Fund to pay the bond debt and interest in the amount of \$543,527, from the General Fund to the Senior Center in the amount of \$52,602, from the General Fund to the Community Action Program in the amount of \$33,069 and resulted in General Fund expenditures and other

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financing uses exceeding revenues by \$234,559. As a result, the General Fund ended the year with a fund balance of \$641,226.

- ◆ No departments were materially over budget.

Proprietary Funds. The Town of Guadalupe, Arizona's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the Refuse, Sewer and Tianguis Economic Development Funds at the end of the year amounted to \$254,496, \$1,449,673 and \$109,376, respectively. The total change in net position for the three funds was \$20,272, \$(1,387) and \$(42,333), respectively.

General Fund Budgetary Highlights

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 59-61. These statements compare the original adopted budget, the budget if amended during the fiscal year, and the actual revenues and expenditures.

General Fund revenues of \$3,926,622 were less than budgeted revenues of \$7,166,794 by \$3,240,172 while expenditures of \$3,532,017 were less than budgeted expenses of \$7,093,049 by \$3,561,032. The primary cause in the difference between the actual revenues and expenditures and the budgeted revenues and expenditures was the result of budgeted grants that were not received or spent and planned capital projects that were suspended such as the Highline Canal Beautification Project that was budgeted at 2.5 million dollars.

Capital Asset and Debt Administration

The Town's capital assets for its governmental and business-type activities as of June 30, 2015 amounted to \$17,580,637 (net of accumulated depreciation). For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 5 in the Notes to the Basic Financial Statements for further information regarding capital assets. The current year capital asset additions were as follows:

- ◆ During fiscal year 2014, the Town, in partnership with the Salt River Municipal Aesthetics Program, began work on the Highline Canal Improvements Project that will extend a recreational path along the canal that is on the east side of Town and runs from the north side of Avenida del Yaqui south to Mineral Road and will eventually connect to the recreational path in Tempe. The expenditures for fiscal year June 30, 2015 amounted to \$26,834 and total expenditures for the project thru June 30, 2015 were \$111,862.
- ◆ The Town received CDBG grants in the amount of \$365,095 for repaving Gastello Street during fiscal year 2014 and finalized that repaving during fiscal year 2015 for an additional \$1,000. During fiscal year 2015 the Town received CDBG grants in

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the amount of \$270,531 for repaving the streets in the Biehn Colony area which is east of Avenida del Yaqui. That project was complete on June 30, 2015.

- ◆ The Town began repairs on the intersection of Avenida del Yaqui and Guadalupe Road which totaled \$2,400 the June 30, 2015. This project is expected to be complete in July 2015.
- ◆ During fiscal year 2014 the Town of Guadalupe was in the process of upgrading the computer servers, accounting software and operating systems for the entire Town staff. During fiscal year 2015 the Town completed the upgrades for an additional \$13,759 for a total of \$76,851. Town staff was able to install the software upgrades saving the Town thousands of dollars and acquiring donated computers from Maricopa County Association of Governments saving even thousands more.
- ◆ The Town replaced the carpet in the Library for \$9,786 and made improvements to the restroom at the Fire Station for \$8,035.
- ◆ The Town put up a digital Marquee sign at the north end of Town for \$71,314.
- ◆ The Town of Guadalupe Fire Department received a grant for uniforms and at June 30, 2015 the expenses totaled \$89,533. The Town also funded the purchase of fire hoses for \$8,121.
- ◆ Lastly, the Town replaced two air conditioning units and duct work on its commercial building “The Mercado” totaling \$14,045.

The following table provides a breakdown of the capital assets of the Town at June 30, 2015:

Capital Assets at June 30, 2015 and 2014
(Net of accumulated depreciation)

	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 7,039,174	\$ 7,039,174	\$ 84,703	\$ 84,703	\$ 7,123,877	\$ 7,123,877
Land improvements	218,002	215,935	-	-	218,002	215,935
Buildings and improvements	1,779,411	1,832,159	119,010	148,705	1,898,421	1,980,864
Infrastructure	3,559,895	3,410,686	272,978	320,199	3,832,873	3,730,885
Street lights	353,131	378,041	-	-	353,131	378,041
Machinery and equipment	492,609	447,101	-	-	492,609	447,101
Curbs and gutters	3,661,724	3,792,760	-	-	3,661,724	3,792,760
Total	\$ 17,103,946	\$ 17,115,856	\$ 476,691	\$ 553,607	\$ 17,580,637	\$ 17,669,463

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Long-term Debt

At the end of the current fiscal year, the Town of Guadalupe, Arizona had total long-term obligations outstanding of \$3,535,017. Of that amount \$1,715,000 outstanding debt and the loan premium of \$185,188 is secured by pledges of specific revenue sources of the Town. Net pension liabilities in the amount of \$1,596,984 will be paid down annually over the next twenty years. Compensated absences payable to employees is equal to \$37,845. The following schedule shows the outstanding debt of the Town (both current and long-term) as of June 30, 2015. Further detail on the Town's outstanding debt may be found in Note 7 on pages 36-37.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Compensated absences	\$ 35,808	\$ 55,665	\$ 2,037	\$ 8,605	\$ 37,845	\$ 64,270
Net pension liability	1,524,086	1,819,440	72,898	103,311	1,596,984	1,922,751
Loan payable	1,900,188	2,389,785	-	-	1,900,188	2,389,785
TOTAL	\$ 3,460,082	\$ 4,264,890	\$ 74,935	\$ 111,916	\$ 3,535,017	\$ 4,376,806

Economic Factors and Next Year's Budgets and Rates

- ◆ State-shared revenue makes up 35% of the Town's General Fund revenue. State-shared revenue is expected to increase by 4% or \$55,360 for fiscal year 2016. More than half of this increase is urban revenue sharing (state income tax). Urban revenue sharing is distributed two years after the State collects the funds. Therefore, this increase indicates that job growth and pay rates increased by 8% in 2014 over 2013 as indicated in the 8% increase in urban revenue sharing distributions. State-shared sales tax is forecasted to increase by 3%, or \$15,142. All state-shared revenue estimates increased by a rate less than last year indicating that the Arizona economy continues to grow but at a slower pace. The Town of Guadalupe management and budget staff remain conservative in estimating revenues.
- ◆ Local tax revenue, which makes up 41% of the General Fund revenue, is expected to increase by 5% or \$79,924. This is in large part due to a onetime tax collection expected during the 2016 fiscal year.
- ◆ Because of the slow growth rate of the economy, the Town Council continued to make reductions in expenditures when the 2015-16 budget was prepared. Expenditures and transfers exceeded revenues at year end 2015 due to additional debt servicing; therefore, the Council decreased budgeted expenditures for capital outlays and parks improvements.
- ◆ In efforts to promote businesses located in the Town's commercial center, the Town Council and Town Manager have been holding numerous special events in and

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June 30, 2015

around the building. It does appear that sales have been picking up and there is also a spike in interest of the vacant suites.

- ♦ Due to cuts in federal grant programs for housing and streets the Town is experiencing difficulties in obtaining grants for these programs. However, the Town does remain persistent in its efforts to obtain federal and local funding for these projects.

Financial contact

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the government's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

Town of Guadalupe, Arizona
Finance Department
9241 South Avenida del Yaqui
Guadalupe, AZ 85283

Or visit our website at:
www.guadalupeaz.org

BASIC FINANCIAL STATEMENTS

TOWN OF GUADALUPE, ARIZONA
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,061,782	\$ 1,407,556	\$ 2,469,338
Accounts receivable - net	-	13,764	13,764
Taxes receivable - net	58,294	-	58,294
Miscellaneous receivables	424	-	424
Due from other governments	425,835	34,125	459,960
Prepaid expenses	13,453	1,061	14,514
Notes receivable - net	811,938	-	811,938
Capital assets, not being depreciated	7,039,174	84,703	7,123,877
Capital assets, being depreciated, net	10,064,772	391,988	10,456,760
	<u>19,475,672</u>	<u>1,933,197</u>	<u>21,408,869</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	260,203	8,809	269,012
	<u>260,203</u>	<u>8,809</u>	<u>269,012</u>
LIABILITIES			
Accounts payable	88,553	14,015	102,568
Accrued expenses	41,470	1,302	42,772
Court bonds payable	108,272	-	108,272
Deferred revenue	482,142	-	482,142
Refundable deposits	-	10,536	10,536
Noncurrent liabilities			
Due within 1 year	53,228	1,833	55,061
Due in more than 1 year	3,406,854	73,102	3,479,956
	<u>4,180,519</u>	<u>100,788</u>	<u>4,281,307</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	410,051	27,673	437,724
	<u>410,051</u>	<u>27,673</u>	<u>437,724</u>
NET POSITION			
Net investment in capital assets	15,203,758	476,691	15,680,449
Restricted for:			
Capital acquisitions	19,052	-	19,052
Highways and streets	133,821	-	133,821
Community development	25,553	-	25,553
HOME program	811,938	-	811,938
Unrestricted (deficit)	(1,048,817)	1,336,854	288,037
	<u>(1,048,817)</u>	<u>1,336,854</u>	<u>288,037</u>
Total net position	<u>\$ 15,145,305</u>	<u>\$ 1,813,545</u>	<u>\$ 16,958,850</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GUADALUPE, ARIZONA
Statement of Activities
Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 747,957	\$ 151,295	\$ 245,962	\$ 12,145	\$ (338,555)	\$ -	\$ (338,555)
Public safety	2,615,058	111,678	-	2,155	(2,501,225)	-	(2,501,225)
Public works and streets	619,695	-	358,382	-	(261,313)	-	(261,313)
Culture and recreation	101,460	7,743	-	-	(93,717)	-	(93,717)
Community development	283,266	-	128,767	314,710	160,211	-	160,211
Health and welfare	302,822	-	213,862	-	(88,960)	-	(88,960)
Interest on general long-term debt	41,693	-	-	-	(41,693)	-	(41,693)
Total governmental activities	<u>4,711,951</u>	<u>270,716</u>	<u>946,973</u>	<u>329,010</u>	<u>(3,165,252)</u>	<u>-</u>	<u>(3,165,252)</u>
Business-type activities							
Sewer	81,756	78,925	-	-	-	(2,831)	(2,831)
Tianguis	166,551	124,218	-	-	-	(42,333)	(42,333)
Refuse	305,289	325,561	-	-	-	20,272	20,272
Total business-type activities	<u>553,596</u>	<u>528,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,892)</u>	<u>(24,892)</u>
Total primary government	<u>\$ 5,265,547</u>	<u>\$ 799,420</u>	<u>\$ 946,973</u>	<u>\$ 329,010</u>	<u>(3,165,252)</u>	<u>(24,892)</u>	<u>(3,190,144)</u>
General revenue:							
Taxes:							
Sales taxes					1,598,480	-	1,598,480
Franchise taxes					25,494	-	25,494
Bed taxes					385,015	-	385,015
State sales tax revenue sharing					504,740	-	504,740
Auto lieu tax revenue sharing					210,667	-	210,667
State revenue sharing					668,593	-	668,593
Interest income					6,390	1,444	7,834
Miscellaneous					11,149	-	11,149
Total general revenue					<u>3,410,528</u>	<u>1,444</u>	<u>3,411,972</u>
Change in net position					245,276	(23,448)	221,828
Net position, beginning of year, as restated					14,900,029	1,836,993	16,737,022
Net position, end of year					<u>\$ 15,145,305</u>	<u>\$ 1,813,545</u>	<u>\$ 16,958,850</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GUADALUPE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Community Development Grants Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 845,933	\$ -	\$ -	\$ 215,849	\$ 1,061,782
Taxes receivable - net	58,294	-	-	-	58,294
Miscellaneous receivables	-	812,362	-	-	812,362
Due from other governments	70,242	295,564	-	60,029	425,835
Prepaid expenses	10,617	105	-	2,731	13,453
Due from other funds	319,443	-	-	-	319,443
Total assets	1,304,529	1,108,031	-	278,609	2,691,169
Liabilities					
Accounts payable	68,425	162	-	19,966	88,553
Accrued expenses	31,794	-	-	9,676	41,470
Court bonds payable	108,272	-	-	-	108,272
Due to other funds	-	226,685	-	92,758	319,443
Unearned revenue	454,812	23,994	-	3,336	482,142
Total liabilities	663,303	250,841	-	125,736	1,039,880
Deferred in flows of resources					
Unavailable revenue	-	831,637	-	-	831,637
Fund balances					
Nonspendable	10,617	105	-	2,142	12,864
Restricted for:					
Highways and streets	-	-	-	131,679	131,679
Community development	-	25,448	-	-	25,448
Capital acquisition	-	-	-	19,052	19,052
Unassigned	630,609	-	-	-	630,609
Total fund balances	641,226	25,553	-	152,873	819,652
Total liabilities, deferred revenue, and fund balances	\$ 1,304,529	\$ 1,108,031	\$ -	\$ 278,609	\$ 2,691,169

The accompanying notes are an integral part of these financial statements.

TOWN OF GUADALUPE, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2015

Fund balances--total governmental funds		\$ 819,652
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.</p>		17,103,946
<p>Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.</p>		
Notes receivable - net	811,938	
Grant receivables	19,699	
	831,637	831,637
<p>Long-term liabilities, such as net pension liabilities and loans payable are not due and payable in the current period and, therefore, are not reported as a liability in the funds.</p>		
Compensated absences	(35,808)	
Unamortized loan premium	(185,188)	
Net pension liability	(1,524,086)	
Loan payable	(1,715,000)	
	(3,460,082)	(3,460,082)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.</p>		
		(149,848)
Net position of governmental activities		\$ 15,145,305

The accompanying notes are an integral part of these financial statements.

TOWN OF GUADALUPE, ARIZONA
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2015

	General Fund	Community Development Grants Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenue					
Intergovernmental	\$ 1,629,962	\$ 452,310	\$ -	\$ 564,535	\$ 2,646,807
Taxes	2,008,989	-	-	14,300	2,023,289
Charges for services	131,580	-	-	-	131,580
Fines and forfeitures	111,678	-	-	-	111,678
Other revenue	14,280	33,661	-	7,710	55,651
Licenses and permits	24,329	-	-	-	24,329
Interest	5,804	-	-	586	6,390
Total revenue	3,926,622	485,971	-	587,131	4,999,724
Expenditures					
Current					
Public safety	2,501,748	-	-	-	2,501,748
General government	699,680	-	-	-	699,680
Public works and streets	13,027	-	-	329,216	342,243
Community development	62,102	192,369	-	-	254,471
Health and welfare	-	-	-	299,500	299,500
Culture and recreation	99,391	-	-	-	99,391
Debt Service					
Principal	-	-	430,000	-	430,000
Interest	-	-	113,527	-	113,527
Capital outlay	156,069	271,531	-	73,714	501,314
Total expenditures	3,532,017	463,900	543,527	702,430	5,241,874
Excess (deficiency) of revenue over (under) expenditures	394,605	22,071	(543,527)	(115,299)	(242,150)
Other financing sources (uses)					
Transfers	(629,164)	-	543,527	85,637	-
Net change in fund balances	(234,559)	22,071	-	(29,662)	(242,150)
Fund balances, beginning of year	875,785	3,482	-	182,535	1,061,802
Fund balances, end of year	\$ 641,226	\$ 25,553	\$ -	\$ 152,873	\$ 819,652

The accompanying notes are an integral part of these financial statements.

TOWN OF GUADALUPE, ARIZONA
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year Ended June 30, 2015

Net change in fund balances—total governmental funds		\$ (242,150)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 501,314	
Depreciation expense	<u>(513,215)</u>	(11,901)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change HOME note receivables	(39,640)	
Unavailable grant revenues	<u>(14,070)</u>	(53,710)
Town pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Town pension contributions	121,676	
PSPRS health insurance transfer	(23,055)	
Pension expense	<u>(67,266)</u>	31,355
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Debt principal repayments	430,000	
Net change in compensated absences	19,857	
Amortization of loan premium	59,596	
Net change in accrued interest	<u>12,229</u>	521,682
Change in net position of governmental activities		<u><u>\$ 245,276</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GUADALUPE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities--Enterprise Funds			Total
	Tianguis			
	Sewer Fund	Econ. Dev. Fund	Refuse Fund	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,177,902	\$ -	\$ 229,654	\$ 1,407,556
Accounts receivable - net	-	13,764	-	13,764
Due from other governments	6,666	-	27,459	34,125
Prepaid expenses	102	636	323	1,061
Due from other funds	46,828	-	-	46,828
Total current assets	<u>1,231,498</u>	<u>14,400</u>	<u>257,436</u>	<u>1,503,334</u>
Noncurrent assets				
Capital assets, net of accumulated depreciation, where applicable:				
Land	-	84,703	-	84,703
Utilities systems, net	272,978	-	-	272,978
Buildings, net	-	119,010	-	119,010
Total noncurrent assets	<u>272,978</u>	<u>203,713</u>	<u>-</u>	<u>476,691</u>
Total assets	<u>1,504,476</u>	<u>218,113</u>	<u>257,436</u>	<u>1,980,025</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred inflows related to pensions	4,982	3,827	-	8,809
LIABILITIES				
Current liabilities				
Accounts payable	27	11,048	2,940	14,015
Accrued expenses	838	464	-	1,302
Refundable deposits	-	10,536	-	10,536
Compensated absences - current portion	1,833	-	-	1,833
Due to other funds	-	46,828	-	46,828
Total current liabilities	<u>2,698</u>	<u>68,876</u>	<u>2,940</u>	<u>74,514</u>
Noncurrent liabilities				
Compensated absences	204	-	-	204
Net pension liability	41,231	31,667	-	72,898
Total liabilities	<u>44,133</u>	<u>100,543</u>	<u>2,940</u>	<u>147,616</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	15,652	12,021	-	27,673
NET POSITION				
Net investment in capital assets	272,978	203,713	-	476,691
Unrestricted (deficit)	1,176,695	(94,337)	254,496	1,336,854
Total net position	<u>\$ 1,449,673</u>	<u>\$ 109,376</u>	<u>\$ 254,496</u>	<u>\$ 1,813,545</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GUADALUPE, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis		Total
		Econ. Dev. Fund	Refuse Fund	
Operating revenues				
Charges for services	\$ 78,925	\$ -	\$ 325,561	\$ 404,486
Rents	-	124,218	-	124,218
Total operating revenues	<u>78,925</u>	<u>124,218</u>	<u>325,561</u>	<u>528,704</u>
Operating expenses				
Professional services	302	8,901	303,312	312,515
Depreciation	47,221	43,739	-	90,960
Personnel	33,263	34,974	-	68,237
Utilities	353	57,094	-	57,447
Repairs and maintenance	-	9,127	-	9,127
Insurance	617	4,104	1,977	6,698
Materials and supplies	-	5,122	-	5,122
Miscellaneous	-	3,490	-	3,490
Total operating expenses	<u>81,756</u>	<u>166,551</u>	<u>305,289</u>	<u>553,596</u>
Operating income (loss)	<u>(2,831)</u>	<u>(42,333)</u>	<u>20,272</u>	<u>(24,892)</u>
Nonoperating revenue				
Investment income	<u>1,444</u>	<u>-</u>	<u>-</u>	<u>1,444</u>
Increase (decrease) in net position	(1,387)	(42,333)	20,272	(23,448)
Total net position, beginning of year, as restated	<u>1,451,060</u>	<u>151,709</u>	<u>234,224</u>	<u>1,836,993</u>
Total net position, end of year	<u>\$ 1,449,673</u>	<u>\$ 109,376</u>	<u>\$ 254,496</u>	<u>\$ 1,813,545</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GUADALUPE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tiauguis Econ. Dev. Fund	Refuse Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 85,985	\$ 119,268	\$ 354,905	\$ 560,158
Payments to suppliers and providers of goods and services	(14,931)	(98,467)	(304,553)	(417,951)
Payments to employees	(37,809)	(30,887)	-	(68,696)
Net cash provided (used) by operating activities	<u>33,245</u>	<u>(10,086)</u>	<u>50,352</u>	<u>73,511</u>
Cash flows from noncapital financing activities:				
Interfund loans	<u>(24,130)</u>	<u>24,130</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	<u>-</u>	<u>(14,044)</u>	<u>-</u>	<u>(14,044)</u>
Cash flows from investing activities:				
Interest received on investments	<u>1,444</u>	<u>-</u>	<u>-</u>	<u>1,444</u>
Net increase (decrease) in cash and cash equivalents	10,559	-	50,352	60,911
Cash and cash equivalents, beginning of year	<u>1,167,343</u>	<u>-</u>	<u>179,302</u>	<u>1,346,645</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,177,902</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 229,654</u></u>	<u><u>\$ 1,407,556</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GUADALUPE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015
(Continued)

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (2,831)	\$ (42,333)	\$ 20,272	\$ (24,892)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	47,221	43,739	-	90,960
Pension expense	(957)	(735)	-	(1,692)
Employer pension contributions	(2,887)	(2,219)	-	(5,106)
(Increase) decrease in:				
Accounts receivable	-	(5,660)	-	(5,660)
Due from other governments	7,060	-	29,344	36,404
Prepaid expenses	28	265	88	381
Increase (decrease) in:				
Accounts payable	2	(2,942)	648	(2,292)
Accrued expenses	(7,823)	(911)	-	(8,734)
Refundable deposits	-	710	-	710
Compensated absences payable	(6,568)	-	-	(6,568)
Net cash provided (used) by operating activities	<u>\$ 33,245</u>	<u>\$ (10,086)</u>	<u>\$ 50,352</u>	<u>\$ 73,511</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Guadalupe, Arizona, conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's significant accounting policies are as follows:

A. Reporting Entity

The Town is a general purpose local government that is governed by a separately elected Town Council. The accompanying financial statements present the activities of the Town (the primary government) and its component units.

Component units are legally separate entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. Therefore, data from these units is combined with data of the primary government. The component unit discussed below has a June 30 year-end.

The Town of Guadalupe Municipal Property Corporation is an Arizona nonprofit corporation incorporated under the laws of the State of Arizona. The principal objective of the Corporation is to assist the Town of Guadalupe, Arizona, in acquiring, constructing, operating, improving or modifying public facilities for the benefit of all the Town of Guadalupe, Arizona, residents. The Town of Guadalupe Municipal Property Corporation is a blended component unit.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the Town as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements – provide information about the primary government (the Town) and its component units. The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government. They also distinguish between the governmental and business-type activities of the Town and between the Town and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses to programs or functions. Program revenues include:

- ◆ charges to customers or applicants for goods, services, or privileges provided,
- ◆ operating grants and contributions, and
- ◆ capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements – provide information about the Town's funds, including blended component units. Separate statements are presented for the governmental and proprietary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from transactions associated with the fund's principal activity in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Town reports the following major governmental funds:

The ***General Fund*** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***Community Development Grants Fund*** accounts for specific grant revenue sources that are legally restricted to expenditures for community development.

The ***Debt Service Fund*** accounts for resources to be set aside to meet current and future debt service requirements on general long-term debt.

The Town reports the following major enterprise funds:

The ***Sewer Fund***, ***Tianguis Economic Development Fund***, and ***Refuse Fund*** account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the Town Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or for which the Town Council has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Basis of Accounting

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Cash and Investments

For purposes of its statement of cash flows, the Town considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of 1 year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable are estimated by the Town. The amount recorded as uncollectible at June 30, 2015 for the Tianguis Economic Development Fund was \$60,258. The amount recorded as uncollectible at June 30, 2015 for notes receivable in the Governmental Activities was \$1,300,903 (see Note 4).

F. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 5,000	n/a	n/a
Construction in progress	5,000	n/a	n/a
Buildings and building improvements	5,000	Straight-line	50
Land improvements	5,000	Straight-line	10
Equipment	5,000	Straight-line	5
Streets	5,000	Straight-line	40
Curbs and gutters	5,000	Straight-line	40
Street lights	5,000	Straight-line	40

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

G. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

H. Compensated Absences

Compensated absences consist of vacation leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate up to 480 hours of sick leave hours but any sick hours in excess of the maximum amount that are unused at year-end are forfeited. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J. Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) Statement No. 54 requires fund balances to be properly reported within one of the fund balance categories listed below:

1. *Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact such as fund balance associated with inventories, prepaids, long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution provisions or enabling legislation, or external resource providers,
3. *Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Town's Town Council,
4. *Assigned* fund balances are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the Town's governmental funds and includes all spendable amounts not contained in other classifications.

The Town's policy for committed fund balances is through formal Town resolutions passed through the elected town council. The process of rescinding a committed fund balance requires the same process.

The Town's policy for assigned fund balances is through motions passed by the elected town council. Assigned fund balances do not require a formal resolution.

When expenditures incur for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the Town's policy is to apply the expenditure first to restricted, and then to unrestricted in the following order of committed, assigned, and then unassigned.

K. Impact of Recently Issued Accounting Principles

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of this Statement are effective for financial statements for periods beginning after June

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

15, 2014. The Town implemented this standard during this fiscal period. See the subsequent notes for further details.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The Town implemented this standard during this fiscal period. See the subsequent notes for further details.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

The Town has not formally adopted deposit and investment policies that limit the Town’s allowable deposits or investments and address the specific types of risk to which the Town is exposed.

Deposits – At June 30, 2015, the carrying amount of the Town’s total nonpooled cash in bank was \$150,817, and the bank balance was \$154,883. The entire bank balance was covered by federal deposit insurance (FDIC).

Investments—At June 30, 2015, the investments consisted of the following.

Investment	Rating Organization	Credit Rating	Reported Amount	Fair Value
Arizona LGIP Pool 5	S&P	AAA	\$ 2,308,834	\$ 2,308,834

The State Board of Investment provides oversight for the State Treasurer’s pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from other governments for each governmental fund consisted of the following:

	General Fund	Community Development Grants Fund	HURF/LTAF Fund (non-major)	Community Service Grants Fund (non-major)
State of Arizona	\$ 52,773	\$ -	\$ 31,843	\$ -
Maricopa County	-	291,313	-	5,568
Other governments	17,469	4,251	-	22,618
	\$ 70,242	\$ 295,564	\$ 31,843	\$ 28,186

Due from other governments for the Sewer and Refuse Funds consisted of amounts due from the City of Tempe totaling \$6,666 and \$27,459, respectively.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 4 – NOTES RECEIVABLE

On the government-wide statement of net position, the Town recognizes notes receivable from individuals who are part of the Home Investment Partnership Program (HOME). Through the HOME program, qualifying families receive grant funding towards buying a home and in return sign a note agreement payable to the Town. The Town places a lien on the property for the amount of the HOME funds the family receives. Note maturities vary from 10 to 30 years with interest rates that are below market. Proceeds from principal and interest payments are applied to other HOME program expenses. Some of the loans stipulate that the loan amount is forgiven over the life of the loan on a straight-line basis. The Town has recorded the loan balance net of amounts expected to be forgiven.

Notes receivables at June 30, 2015 consisted of \$2,112,841 of which \$1,300,903 are expected to be forgiven. The notes receivable balance – net totaled \$811,938.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,039,174	\$ -	\$ -	\$ 7,039,174
Capital assets being depreciated:				
Building and building improvements	4,054,788	17,822	-	4,072,610
Land improvements	695,307	26,834	-	722,141
Equipment	2,125,023	182,727	(9)	2,307,741
Street lights	472,427	-	-	472,427
Streets	4,720,297	273,931	-	4,994,228
Curbs and gutters	4,594,274	-	-	4,594,274
Total	<u>16,662,116</u>	<u>501,314</u>	<u>(9)</u>	<u>17,163,421</u>
Less accumulated depreciation for:				
Building and building improvements	(2,222,629)	(70,570)	-	(2,293,199)
Land improvements	(479,372)	(24,767)	-	(504,139)
Equipment	(1,677,922)	(137,210)	-	(1,815,132)
Street lights	(94,386)	(24,910)	-	(119,296)
Streets	(1,309,611)	(124,722)	-	(1,434,333)
Curbs and gutters	(801,514)	(131,036)	-	(932,550)
Total	<u>(6,585,434)</u>	<u>(513,215)</u>	<u>-</u>	<u>(7,098,649)</u>
Total capital assets being depreciated, net	<u>10,076,682</u>	<u>(11,901)</u>	<u>(9)</u>	<u>10,064,772</u>
Governmental activities capital assets, net	<u>\$ 17,115,856</u>	<u>\$ (11,901)</u>	<u>\$ (9)</u>	<u>\$ 17,103,946</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 5 – CAPITAL ASSETS – Continued

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 84,703	\$ -	\$ -	\$ 84,703
Capital assets being depreciated:				
Utility systems	1,819,472	-	-	1,819,472
Equipment	27,401	-	-	27,401
Buildings	25,000	-	-	25,000
Building improvements	567,150	14,044	-	581,194
Total	<u>2,439,023</u>	<u>14,044</u>	<u>-</u>	<u>2,453,067</u>
Less accumulated depreciation for:				
Utility systems	(1,499,273)	(47,221)	-	(1,546,494)
Equipment	(27,401)	-	-	(27,401)
Buildings	(25,000)	-	-	(25,000)
Building improvements	(418,445)	(43,739)	-	(462,184)
Total	<u>(1,970,119)</u>	<u>(90,960)</u>	<u>-</u>	<u>(2,061,079)</u>
Total capital assets being depreciated, net	<u>468,904</u>	<u>(76,916)</u>	<u>-</u>	<u>391,988</u>
Business-type activities capital assets, net	<u>\$ 553,607</u>	<u>\$ (76,916)</u>	<u>\$ -</u>	<u>\$ 476,691</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Highways and streets	\$ 302,726
Public safety	91,123
General government	70,663
Community development	22,375
Health and welfare	22,690
Culture and recreation	<u>3,638</u>
Total governmental activities depreciation expense	<u>\$ 513,215</u>
Business-type activities:	
Tianguis center	\$ 43,739
Sewer	<u>47,221</u>
Total business-type activities depreciation expense	<u>\$ 90,960</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 6 – UNEARNED REVENUE

The Town has received advanced contract payments for the lease of billboard space with a term of 20-years. The Town recognizes revenue annually at 1/20th of the contract price. The remaining amount is recorded as unearned revenue that will be recognized as revenue over the life of the contract. The amount deferred for the billboard contract at June 30, 2015 is \$412,500. The remaining balance of unearned revenue in the governmental funds consists of grant advances in which the Town had not yet fulfilled contract requirements to recognize revenue.

NOTE 7 – LONG-TERM LIABILITIES

Loans – The Town’s loans payable consist of a loan of \$2,145,000 received through the Greater Arizona Development Authority (GADA). The loan requires principal payments annually beginning July 1, 2014 with interest payments of 2.00 percent paid semiannually on July 1 and January 1 with the first interest payment due July 1, 2014. Total loan net proceeds of \$2,389,785 were used to refinance a prior loan through GADA. State-shared General Fund revenues are used as security for the loan payable.

Loans payable at June 30, 2015, were as follows:

Description	Face Value	Maturity Ranges	Interest Rate	Outstanding June 30, 2015
Loan payable	\$ 2,145,000	2014-2023	2.00%	\$ 1,715,000

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2015.

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due within 1 year
Governmental activities:					
Compensated absences	\$ 55,665	\$ -	\$ 19,857	\$ 35,808	\$ 32,227
Net pension liability	1,819,440	-	295,354	1,524,086	-
Loans payable	2,145,000	-	430,000	1,715,000	-
Loan premium	244,785	-	59,597	185,188	21,001
Governmental activities long-term liabilities	\$ 4,264,890	\$ -	\$ 804,808	\$ 3,460,082	\$ 53,228
Business-type activities:					
Compensated absences	\$ 8,605	\$ -	\$ 6,568	\$ 2,037	\$ 1,833
Net pension liability	103,311	-	30,413	72,898	-
Business-type activities long-term liabilities	\$ 111,916	\$ -	\$ 36,981	\$ 74,935	\$ 1,833

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 7 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the Town’s loan payable at June 30, 2015.

Year Ending June 30	Governmental Activities		
	Loan Payable		
	Premium		
	Principal	Amortization	Interest
2016	\$ -	\$ 21,001	\$ 57,599
2017	215,000	40,381	29,619
2018	220,000	35,530	23,470
2019	235,000	29,192	18,058
2020	245,000	23,569	13,881
2021-23	800,000	35,515	5,735
Total	\$ 1,715,000	\$ 185,188	\$ 148,362

In prior years, the Town defeased a revenue bond by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bond. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the Town’s financial statements. At June 30, 2015, outstanding defeased revenue bonds totaled \$490,000.

NOTE 8 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all such risks of loss, including workers’ compensation and employees’ health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	Governmental Activities	Business-type Activities
Net position as previously reported at June 30, 2014	<u>\$ 16,605,318</u>	<u>\$ 1,935,553</u>
Prior period adjustments- implementation of GASB 68:		
Net pension liability (measurement date as of June 30, 2013)	(1,819,440)	(103,311)
Deferred outflows-Town contributions made during fiscal year 2014	<u>114,151</u>	<u>4,751</u>
Total prior period adjustment	<u>(1,705,289)</u>	<u>(98,560)</u>
Net position, as restated, July 1, 2014	<u><u>\$ 14,900,029</u></u>	<u><u>\$ 1,836,993</u></u>

	Sewer Fund	Tianguis Econ. Dev. Fund
Net position as previously reported at June 30, 2014	<u>\$ 1,506,805</u>	<u>\$ 194,524</u>
Prior period adjustments- implementation of GASB 68:		
Net pension liability (measurement date as of June 30, 2013)	(58,433)	(44,878)
Deferred outflows-Town contributions made during fiscal year 2014	<u>2,688</u>	<u>2,063</u>
Total prior period adjustment	<u>(55,745)</u>	<u>(42,815)</u>
Net position, as restated, July 1, 2014	<u><u>\$ 1,451,060</u></u>	<u><u>\$ 151,709</u></u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Town contributes to the pension plans described below. The plans are component units of the State of Arizona.

At June 30, 2015, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net pension liabilities	\$ 1,524,086	\$ 72,898	\$ 1,596,984
Deferred outflows of resources	260,203	8,809	269,012
Deferred inflows of resources	410,051	27,673	437,724
Pension expense	67,266	(1,692)	65,574

The Town reported \$121,676 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

Plan Description – Town employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS	Retirement	
	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members’ annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members’ annual covered payroll. The Town’s contributions to the pension plan for the year ended June 30, 2015,

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

were \$68,427. The Town’s contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS	<u>Health Benefit Supplement Fund</u>	<u>Long-term Disability Fund</u>
Year ended June 30,		
2015	\$ 3,716	\$ 743
2014	3,312	1,325
2013	4,078	1,699

During fiscal year 2015, the Town paid for ASRS pension and OPEB contributions as follows: 51.17 percent from the General Fund, 19.39 percent from the HURF Fund, 21.27 percent from the Community Services Grants Fund, .75 percent from the Community Development Grants Fund, 3.19 percent from the Tianguis Economic Development Fund, and 4.23 percent from the Sewer Fund.

Pension Liability – At June 30, 2015, the Town reported a liability of \$977,331 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The Town’s proportion of the net pension liability was based on the Town’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2014. The Town’s proportion measured as of June 30, 2014, was .006605 percent, which was a decrease of .001727 from its proportion measured as of June 30, 2013.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2015, the Town recognized pension expense for ASRS of (\$22,689). At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,671	\$ -
Net difference between projected and actual earnings on pension plan investments	-	371,010
Town contributions subsequent to the measurement date	68,427	-
Total	\$ 118,098	\$ 371,010

The \$68,427 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ended June 30,		
2016	\$	(108,132)
2017		(108,132)
2018		(62,348)
2019		(42,727)
2020		-
Thereafter		-

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

ASRS

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	63%	7.03%
Fixed income	25%	3.20%
Real estate	8%	4.50%
Commodities	4%	4.75%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
Town's proportionate share of the net pension liability	\$ 1,235,296	\$ 977,331	\$ 837,372

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System

Plan Descriptions – Town fire employees participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS Web site at www.psprs.com.

Benefits Provided – The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS

	<u>Initial membership date:</u>	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited services over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% of retired member's pension benefit	
Active Members	80% if accidental disability retirement benefit or 100% of average monthly compensation if death was result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2015, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Fire
Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	-
Active employees	4
Total	5

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS Fire
Active Members - Pension	11.05%
Town Pension	21.51%
Health insurance premium benefit	1.40%

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

For the agent plans, the Town’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

PSPRS

Pension	<u>PSPRS Fire</u>	
Contributions Made	\$	58,355

Health Insurance Premium Benefit

Annual OPEB cost	4,008
Contributions made	4,008

During fiscal year 2015, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Net Pension Liability (Asset) – At June 30, 2015, the Town reported the following net pension liability:

PSPRS

	Net Pension Liability
	(Asset)
PSPRS Fire	<u>\$ 619,653</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions:

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

PSPRS

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0%-80%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed Income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private Equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Discount Rates – The following discount rates were used to measure the total pension liabilities:

PSPRS

PSPRS Fire

Discount rates	7.85%
----------------	-------

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net Pension Liability (Asset)

PSPRS	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	\$ 1,221,566	\$ 683,882	\$ 537,684
Changes for the year			
Service Cost	50,552	-	50,552
Interest on the total pension liability	96,007	-	96,007
Changes of benefit terms	21,443	-	21,443
Differences between expected and actual experience in the measurement of the pension liability	(41,101)	-	(41,101)
Changes of assumptions or other inputs	106,427	-	106,427
Contributions-employer	-	55,194	(55,194)
Contributions-employee	-	27,116	(27,116)
Net investment income	-	92,104	(92,104)
Benefit payments, including refunds of employee contributions	(47,649)	(47,649)	-
Administrative expense	-	-	-
Other changes	-	(23,055)	23,055
Net changes	185,679	103,710	81,969
Balances at June 30, 2015	\$ 1,407,245	\$ 787,592	\$ 619,653

Sensitivity of the Town’s Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s net pension liabilities calculated using the discount rates noted above, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

PSPRS	1% Decrease	Current Discount Rate	1% Increase
PSPRS Fire			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 815,265	\$ 619,653	\$ 456,802

Pension Plan Fiduciary Net Position – Detailed information about the pension plans’ fiduciary net position is available in the separately issued PSPRS financial reports.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense – For the year ended June 30, 2015, the Town recognized the following pension expense:

PSPRS

		<u>Pension Expense</u>
PSPRS Fire	\$	88,263

Pension Deferred Outflows/Inflows of Resources – At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$	35,745
Changes of assumptions or other inputs	92,559		-
Net difference between projected and actual earnings on pension plan investments	-		30,969
Town contributions subsequent to the measurement date			
	<u>58,355</u>		<u>-</u>
Total	<u>\$ 150,914</u>	<u>\$</u>	<u>66,714</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

PSPRS

Year ended June 30,	PSPRS Fire	
2016	\$	769
2017		769
2018		770
2019		770
2020		8,512
Thereafter		14,255

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Projections of benefits are based on (1) the plans as understood by the Town and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements are as follows:

PSPRS - OPEB Contribution Requirements

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.5%

Agent Plan OPEB Trend Information – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

PSPRS

Year ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Fire			
2015	\$ 4,008	100%	\$ 22,310
2014	3,514	100%	22,611
2013	3,529	0%	48,005

TOWN OF GUADALUPE, ARIZONA

Notes to Financial Statements

June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Agent Plan OPEB Funded Status – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

PSPRS

		PSPRS Fire
Actuarial value of assets (a)	\$	32,693
Actuarial accrued liability (b)	\$	55,003
Unfunded actuarial accrued liability (funding excess) (b) - (a)	\$	22,310
Funded ratio (a)/(b)		59.44%
Annual covered payroll (c)	\$	272,878
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) - (a) / (c)		8.18%

The actuarial methods and assumptions for the most recent valuation date are as follows:

PSPRS - OPEB Funded Status

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%-8%
Wage growth	4%

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 11 – INTERFUND BALANCES AND ACTIVITY

Interfund payables – Interfund payables for the year ended June 30, 2015, were as follows:

Payable from	Payable to		Total
	General Fund	Sewer Fund	
Community Services Grants Fund (non-major)	\$ 92,758	\$ -	\$ 92,758
Tianguis Econ. Dev. Fund	-	46,828	46,828
Community Development Grants Fund	226,685	-	226,685
Total	<u>\$ 319,443</u>	<u>\$ 46,828</u>	<u>\$ 366,271</u>

The purpose of the interfund payables shown above were to temporarily fund the operations of the aforementioned departments/activities.

Interfund transfers – Interfund transfers for the year ended June 30, 2015, were as follows:

Transfer To	Transfer From
	General Fund
Debt Service Fund	\$ 543,527
Community Services Grants Fund (non-major)	85,637
Total	<u>\$ 629,164</u>

The purpose of the interfund transfer shown above to the Community Service Grants Fund was to help pay for expenditures not reimbursable under grant contracts. The purpose of the transfer to the Debt Service Fund was to pay for debt service expenditures related to the GADA revenue bonds (see Note 7).

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2015

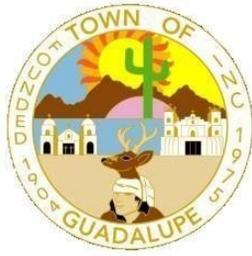
NOTE 12 – COMMITMENTS

Refuse Collection Contract – The Town has contracted with a waste management firm to provide trash, and rubbish collection services to certain designated areas. The contract period is March 1, 2015 through February 28, 2020. Payments under the current contract for the year ended June 30, 2015, were approximately \$87,144. Payments are based on the number of residences in the Town times a monthly rate of \$16.07. The monthly rate is adjusted annually on March 1 based on the Consumer Price Index as published by the Bureau of Labor Statistics. The approximate total obligation under the contract for each fiscal year based on the current number of residences in the Town is as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2016	\$ 261,431
2017	261,431
2018	261,431
2019	261,431
2020	174,287

Public Safety – The Town of Guadalupe entered into a contract with the Maricopa County Sheriff’s Department for public safety services for the next fiscal year. Based on this agreement, the rendition of police services, the standards of performance, the discipline of officers, and other matters incidental to the performance of such services, and the control of personnel so employed shall remain in the County Sheriff’s Department. For the year ending June 30, 2015, the Town paid the County Sheriff \$1,383,363 and has agreed to monthly installments of \$122,944 for the 2016 fiscal year. Under the contract, a notice of termination of contract may be given by either party 180 days prior to the date of intended termination.

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 4,895,106	\$ 4,895,106	\$ 1,629,962	\$ (3,265,144)
Taxes	1,825,099	1,825,099	2,008,989	183,890
Charges for services	148,089	148,089	131,580	(16,509)
Fines and forfeitures	250,000	250,000	111,678	(138,322)
Other revenue	10,000	10,000	14,280	4,280
Licenses and permits	38,000	38,000	24,329	(13,671)
Interest	500	500	5,804	5,304
Total revenue	<u>7,166,794</u>	<u>7,166,794</u>	<u>3,926,622</u>	<u>(3,240,172)</u>
Expenditures				
Current				
Public safety	3,099,250	3,099,250	2,501,748	597,502
General government	1,209,838	1,209,838	699,680	510,158
Public works and streets	14,599	14,599	13,027	1,572
Community development	56,930	56,930	62,102	(5,172)
Culture and recreation	146,432	146,432	99,391	47,041
Capital outlay	2,566,000	2,566,000	156,069	2,409,931
Total expenditures	<u>7,093,049</u>	<u>7,093,049</u>	<u>3,532,017</u>	<u>3,561,032</u>
Excess (deficiency) of revenue over expenditures	73,745	73,745	394,605	320,860
Other financing sources (uses)				
Transfers	(442,120)	(442,120)	(629,164)	(187,044)
Net changes in fund balances	(368,375)	(368,375)	(234,559)	133,816
Fund balances, beginning of year	875,785	875,785	875,785	-
Fund balances, end of year	<u>\$ 507,410</u>	<u>\$ 507,410</u>	<u>\$ 641,226</u>	<u>\$ 133,816</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Community Development Grants Fund
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 3,276,340	\$ 3,276,340	\$ 452,310	\$ (2,824,030)
Other revenue	226,639	226,639	33,661	(192,978)
Total revenue	<u>3,502,979</u>	<u>3,502,979</u>	<u>485,971</u>	<u>(3,017,008)</u>
Expenditures				
Current				
Community development	2,744,872	2,744,872	192,369	2,552,503
Capital outlay	758,107	758,107	271,531	486,576
Total expenditures	<u>3,502,979</u>	<u>3,502,979</u>	<u>463,900</u>	<u>3,039,079</u>
Net changes in fund balances	-	-	22,071	22,071
Fund balances, beginning of year	<u>3,482</u>	<u>3,482</u>	<u>3,482</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,482</u>	<u>\$ 3,482</u>	<u>\$ 25,553</u>	<u>\$ 22,071</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2015

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

Arizona Revised Statutes (A.R.S.) require the Town to prepare and adopt a balanced budget annually for each governmental fund. The Town Council must approve such operating budgets on or before the third Monday in July. A.R.S. prohibit expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Town Councils' approval.

For the year ending June 30, 2015, the Community Development Department in the General Fund exceeded budget appropriations by \$5,172.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The Town's budget is prepared on a basis consistent with generally accepted accounting principles.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension Liability
Cost-Sharing Pension Plans
June 30, 2015

Arizona State Retirement System

	Reporting Fiscal Year	
	(Measurement Date)	
	2015	2014 through
	(2014)	2006
Town's proportion of the net pension liability	0.006605%	Information
Town's proportionate share of the net pension liability	\$ 977,331	not available
Town's covered-employee payroll	\$ 628,925	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	155.40%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

See accompanying notes to pension plan schedules.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension Liability (Asset) and Related Ratios
Agent Pension Plans
June 30, 2015

PSPRS

	<u>Reporting Fiscal Year</u> <u>(Measurement Date)</u>	
	<u>2015</u> <u>(2014)</u>	<u>2014 through</u> <u>2006</u>
Total pension liability		Information not available
Service cost	\$ 50,552	
Interest on the total pension liability	96,007	
Changes of benefit terms	21,443	
Differences between expected and actual experience in the measurement of the pension liability	(41,101)	
Changes of assumptions or other inputs	106,427	
Benefit payments, including refunds of employee contributions	<u>(47,649)</u>	
Net change in total pension liability	185,679	
Total pension liability - beginning	<u>1,221,566</u>	
Total pension liability - ending (a)	<u><u>\$ 1,407,245</u></u>	
Plan fiduciary net position		
Contributions - employer	\$ 55,194	
Contributions - employee	27,116	
Net investment income	92,104	
Benefit payments, including refunds of employee contributions	(47,649)	
Administrative expense	-	
Other changes	<u>(23,055)</u>	
Net change in plan fiduciary net position	103,710	
Plan fiduciary net position - beginning	<u>683,882</u>	
Plan fiduciary net position - ending (b)	<u><u>\$ 787,592</u></u>	
Town's net pension liability (asset) - ending (a) - (b)	<u><u>\$ 619,653</u></u>	
Plan fiduciary net position as a percentage of the total pension liability	55.97%	
Covered-employee payroll	\$ 261,991	
Town's net pension liability (asset) as a percentage of covered- employee payroll	236.52%	

See accompanying notes to pension plan schedules.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of Town Pension Contributions
June 30, 2015

Arizona State Retirement System

	<u>Reporting Fiscal Year</u>		2013 through 2006
	2015	2014	
Statutorily required contribution	\$ 68,427	\$ 63,708	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(68,427)</u>	<u>(63,708)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 628,925</u>	<u>\$ 595,402</u>	
Town's contributions as a percentage of covered-employee payroll	10.88%	10.70%	

PSPRS

	<u>Reporting Fiscal Year</u>		2013 through 2006
	2015	2014	
Actuarially determined contribution	\$ 58,355	\$ 55,194	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(58,355)</u>	<u>(55,194)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 272,878</u>	<u>\$ 261,991</u>	
Town's contributions as a percentage of covered-employee payroll	21.39%	21.07%	

See accompanying notes to pension plan schedules.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2015

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2013 actuarial valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	In 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%
Wage growth	In 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

Health Insurance Premium Benefit - PSPRS

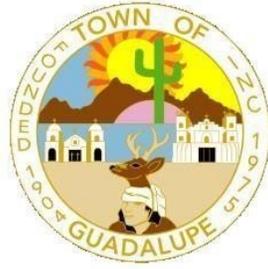
Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
06/30/15	\$ 32,693	\$ 55,003	\$ 22,310	59.4 %	\$ 272,878	8.18 %
06/30/14	28,702	51,313	22,611	55.9	261,990	8.63
06/30/13	-	48,005	48,005	0.0	262,193	18.31

See accompanying notes to schedule of agent OPEB plans' funding progress.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Notes to Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

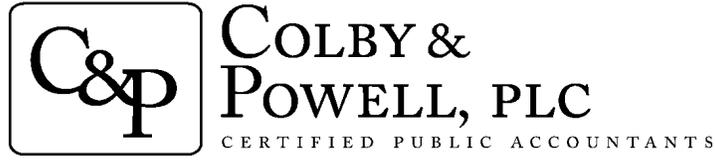
NOTE 1 – FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plan transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from the plan's Pension Fund to the new Health Insurance Fund.



SINGLE AUDIT ACT REPORTS SECTION





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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Town Council
Town of Guadalupe, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Guadalupe, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Guadalupe, Arizona's, basic financial statements, and have issued our report thereon dated February 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Guadalupe, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Guadalupe, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Guadalupe, Arizona's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal

control labeled as **14-01**, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness.

Compliance and Other Matters

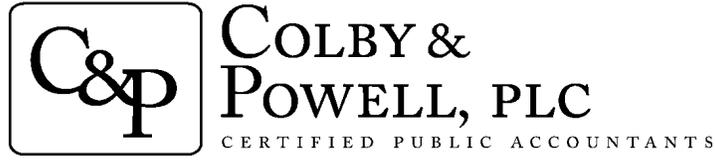
As part of obtaining reasonable assurance about whether the Town of Guadalupe, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



February 2, 2016



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Town Council
Town of Guadalupe, Arizona

Report on Compliance for Each Major Federal Program

We have audited the Town of Guadalupe, Arizona's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Guadalupe, Arizona's major federal programs for the year ended June 30, 2015. The Town of Guadalupe, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Guadalupe, Arizona's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Guadalupe, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Guadalupe, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Guadalupe, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Town of Guadalupe, Arizona is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Guadalupe, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Guadalupe, Arizona's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



February 2, 2016

TOWN OF GUADALUPE, ARIZONA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through Area Agency on Aging:			
Aging Cluster:			
Special Programs for the Aging_ Title III, Part B	93.044	2015-18-GUA	\$ 38,819
Special Programs for the Aging_ Title III, Part C	93.045	2015-18-GUA	63,049
Nutrition Services Incentive Program	93.053	2015-18-GUA	<u>8,348</u>
Total Aging Cluster			110,216
Social Services Block Grant	93.667	2015-18-GUA	5,700
Passed through Maricopa County Community Development:			
Social Services Block Grant	93.667	C-22-14-013-2-02	<u>45,000</u>
Total U.S. Department Health and Human Services			<u>160,916</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Arizona Department of Housing:			
Home Investment Partnerships Program	14.239	307-13	132,202
Passed through Maricopa County Community Development:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants	14.218	DG1303	1,000
Community Development Block Grants	14.218	DG1209	48,994
Community Development Block Grants	14.218	DG1405	<u>270,541</u>
Total CDBG - Entitlement Grants Cluster			<u>320,535</u>
Total U.S. Department of Housing and Urban Development			<u>452,737</u>
Total Federal Assistance			<u>\$ 613,653</u>

The accompanying notes are an integral part of this schedule.

TOWN OF GUADALUPE, ARIZONA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Guadalupe, Arizona, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

TOWN OF GUADALUPE, ARIZONA
Schedule of Findings and Questioned Costs
June 30, 2015

Section 1	Summary Of Auditors' Results
<i>Financial Statements</i>	
1. Type of auditor's report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses?	Yes
b. Significant deficiencies identified not considered to be material weaknesses?	No
c. Noncompliance material to the financial statements noted?	No
<i>Federal Awards</i>	
1. Internal control over major program:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
2. Type of auditor's report issued on compliance for major program:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510 (a)?	No
4. Identification of major program:	
<u>Name of Federal Program</u>	<u>CFDA Number</u>
CDBG – Entitlement Grants Cluster:	
Community Development Block Grants	14.218
5. Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	No

TOWN OF GUADALUPE, ARIZONA
Schedule of Findings and Questioned Costs
June 30, 2015

Financial Statement Findings

Item: 14-01

Subject: Misstatements requiring audit adjustments.

Condition: During our audit we noted misstatements that were not identified by the Town's finance department which required us to propose adjusting journal entries.

Recommendation: We recommend that management review all audit entries to help in identifying areas in the accounting system that required adjustment. The finance department should ensure that these areas are complete before each audit.

Response: Management agrees with this finding and will work on improving the accounting reconciliations to ensure that there are less audit adjustments.

Federal Award Findings and Questioned Costs

None

TOWN OF GUADALUPE, ARIZONA
Summary Schedule of Prior Audit Findings
June 30, 2015

The status of audit findings from the prior year is as follows:

No prior year audit findings.