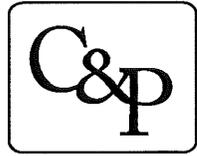


TOWN OF GUADALUPE, ARIZONA

Annual Financial Statements
and
Independent Auditors' Report
June 30, 2010

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COLBY &
POWELL, PLC

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Guadalupe, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Guadalupe, Arizona as of and for the year ended June 30, 2010 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2010, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of agent retirement plans' funding progress on pages 3 through 12, 39 through 43, and page 44, respectively, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Guadalupe, Arizona's financial statements as a whole. The accompanying 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Colby Powell".

November 1, 2010

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2010

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, 2010. 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 assets presents information on all of the Town of Guadalupe, Arizona's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, and health and welfare. The

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2010

business-type activities include the Town's refuse, sewer operations and a commercial center (Tianguis).

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. Also presented are the traditional financial statements for governmental funds. The fund financial statements focus on major funds of the Town. 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 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 out flows 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.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary funds. The Town of Guadalupe, Arizona maintains three different types of proprietary funds. *Proprietary 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 found on pages 19-22 of this report.

Notes to the basic financial statements. The notes to the financial statements (pages 23-38) 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.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2010

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. Additionally, governments are required to disclose certain information about employee pension funds. The Town has disclosed this information as required 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 \$12,982,528 (net assets). Of this amount \$765,379 is restricted for capital asset acquisition and \$272,481 is restricted for highways and streets, \$12,025,830 is invested in capital assets, net of related debt. A significant amount of net assets were restricted for capital acquisition purposes, resulting in a deficit of net unrestricted assets of \$81,162. The Town will use business-type activities revenues to balance this deficit.
- ♦ As of the close of the current fiscal year, Town of Guadalupe, Arizona's governmental funds reported combined ending fund balances of \$1,074,020 resulting in a decrease of \$1,186,933 in comparison with prior year.
- ♦ At the end of the current fiscal year, unreserved fund balance for the General Fund reflects a deficit of \$12,135.
- ♦ The Town's General Fund revenues fell short of estimates and were 32% lower than budgeted. Current year revenues were 8% higher than prior year as a result of pass-through gaming grants. General Fund expenses and transfers to other funds were \$1,851,819, or 31%, less than budgeted. The Town experienced significant decreases in local and state sales tax revenue and transient Occupancy (or bed tax). Because the Town has no property tax, it relies heavily on the current economy for its revenues. Therefore, even though expenses were under budget, the economy proved to have much more of an impact than anticipated. In addition to low interest rates, investments continued to yield very low interest revenues as compared to years past. Revenues were \$1,851,819 lower than the final budget in the General Fund for fiscal year 2010. Of that amount \$250,000 was due to the public safety grant aid budgeted but not received and \$1,471,000 of pass-thru grant aid budgeted but not received. Additionally, the fire department expenses were under budget by \$274,000 as a result of not receiving the grant aid that was budgeted and other purchases of equipment not made. Pass-thru grant expenses were also under budget by \$1,471,000 as a result of not receiving the budgeted grant aid.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2010

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets of the Town for June 30, 2010 showing that assets exceeded liabilities by \$15,187,221.

Town of Guadalupe, Arizona
Condensed Statement of Net Assets
As of June 30, 2010 and 2009

	Governmental Activities	Business-Type Activities	Total	Prior Year June 30, 2009
ASSETS				
Non-capital assets	\$ 3,935,769	\$ 1,395,541	\$ 5,331,310	\$ 7,329,381
Capital assets				
Non-depreciable	7,720,937	84,703	7,805,640	7,155,377
Depreciable (net)	<u>7,312,429</u>	<u>783,310</u>	<u>8,095,739</u>	<u>7,442,379</u>
Total assets	<u>18,969,135</u>	<u>2,263,554</u>	<u>21,232,689</u>	<u>21,927,137</u>
LIABILITIES				
Other liabilities	2,861,749	52,557	2,914,306	3,741,381
Non-current liabilities				
Due within one year	149,816	5,674	155,490	153,163
Due in more than one year	<u>2,975,042</u>	<u>630</u>	<u>2,975,672</u>	<u>3,204,898</u>
Total liabilities	<u>5,986,607</u>	<u>58,861</u>	<u>6,045,468</u>	<u>7,099,442</u>
NET ASSETS				
Invested in capital assets, net of related debt	12,025,830	868,013	12,893,843	11,363,317
Restricted for:				
Capital acquisitions	765,379	-	765,379	1,883,507
Highways and streets	272,481	-	272,481	371,740
Unrestricted (deficit)	<u>(81,162)</u>	<u>1,336,680</u>	<u>1,255,518</u>	<u>1,209,131</u>
Total net assets	<u>\$ 12,982,528</u>	<u>\$ 2,204,693</u>	<u>\$ 15,187,221</u>	<u>\$ 14,827,695</u>

The unrestricted net assets of the Governmental Activities for the Town of Guadalupe, Arizona have decreased to a deficit of \$81,162 from a prior year balance of \$5,412.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2010

Comparative Analysis of Government-Wide Revenues and Expenses
For the year ended June 30, 2010 and 2009

	Governmental Activities	Business-Type Activities	Total	Prior Year June 30, 2009
REVENUE				
Program revenue:				
Charges for services	\$ 347,796	\$ 575,575	\$ 923,371	\$ 915,393
Grants and contributions	2,794,348	-	2,794,348	6,121,427
Total program revenue	3,142,144	575,575	3,717,719	7,036,820
General revenue:				
Sales taxes	1,195,564	-	1,195,564	1,236,584
Franchise tax	22,981	-	22,981	21,777
Bed taxes	285,657	-	285,657	349,503
State sales tax revenue sharing	407,656	-	407,656	441,973
Auto lieu tax revenue sharing	186,137	-	186,137	201,658
State revenue sharing	717,209	-	717,209	831,775
Interest income	9,272	3,026	12,298	49,806
Gain (Loss) on disposal of assets	(48,326)	-	(48,326)	18,103
Miscellaneous	49,521	-	49,521	14,874
Total general revenue	2,825,671	3,026	2,828,697	3,166,053
Total revenue	5,967,815	578,601	6,546,416	10,202,873
EXPENSE				
General government	1,212,269	-	1,212,269	1,196,548
Public safety	2,416,440	-	2,416,440	2,443,830
Public works and streets	677,476	-	677,476	792,642
Culture and recreation	100,437	-	100,437	116,947
Community development	874,754	-	874,754	821,919
Health and welfare	362,987	-	362,987	298,185
Sewer	-	85,797	85,797	86,212
Tianguis	-	155,634	155,634	168,577
Refuse	-	301,096	301,096	314,377
Total expenses	5,644,363	542,527	6,186,890	6,239,237
Transfers	(30,790)	30,790	-	-
Change in net assets	292,662	66,864	359,526	3,963,636
Beginning net assets	12,689,866	2,137,829	14,827,695	10,864,059
Ending net assets	<u>\$ 12,982,528</u>	<u>\$ 2,204,693</u>	<u>\$ 15,187,221</u>	<u>\$ 14,827,695</u>

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2010

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, unreserved 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 \$1,074,020, a decrease of \$1,186,933 in comparison with the prior year. Although General Fund expenses were reduced again (\$3,472,716 net of pass-thru and direct gaming grants) during the year revenues declined even further and as a result of the General Fund balance reflected a decrease of \$70,204 with a remaining fund balance of \$0. The Town continues to budget conservatively as the state and local economy is and we feel will continue to be sluggish.

<u>Fund</u>	<u>Balance at June 30, 2010</u>	<u>Increase/(Decrease) From 2008-09</u>
General Fund	\$ -	\$ (70,204)
HURF/LTAF	272,481	(110,616)
Comm. Dev. Grants	36,160	112,015
Capital Projects Fund	765,379	(1,118,128)

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 \$0, while the balance of all funds declined to \$1,074,020.

The fund balance of Town of Guadalupe, Arizona's General Fund decreased by \$70,204 during the current fiscal year. Key factors in this change are as follows:

- ♦ Local sales taxes were \$116,100 lower than budgeted. Retail stores, restaurants and hotels are all experiencing slowing sales due to the down turn in the economy.
- ♦ Transient occupancy tax (bed tax) was \$74,000 (rounded) lower than budgeted because of the economy reducing our winter visitor population.
- ♦ Budgeted fire department grants and other pass-thru grants were not received in the amount of \$250,000 and \$1,471,000, respectively. However, no monies were spent for grants not received.
- ♦ A transfer in from other funds of \$117,300 and subsidizing the bond payment in the amount of \$288,102 with transfers from other funds prevented the General Fund from experiencing a deficit.
- ♦ Those departments under budget were the fire department and town manager in the amount of \$24,000 and \$56,000 respectively. Those departments over budget were

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2010

the town attorney, community development and parks in the amount of \$47,000, \$138,000 and \$30,000 respectively.

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.

Unrestricted net assets/(deficit) of the Refuse, Sewer and Commercial Center Funds at the end of the year amounted to \$66,341, \$1,245,492 and \$24,847 respectively. The total change in net assets for the three funds was \$37,168, \$34,075 and (\$4,379) 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 39-43. These statements compare the original adopted budget, the budget if amended during the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$3,884,951 were less than budgeted revenues of \$5,736,770 by \$1,851,819 while expenditures of \$3,990,667 were less than budgeted expenses of \$5,547,653 by \$1,556,986. The primary cause in the difference between the revenues and expenditures and the budgeted revenues and expenditures was the result of public safety and pass-thru grant funding not received or expended and loss of tax dollars based on the health of the economy.

Capital Asset and Debt Administration

The Town's capital assets for its governmental and business-type activities as of June 30, 2010 amount to \$15,901,379 (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 4 in the Notes to the Basic Financial Statements for further information regarding capital assets. The current year capital asset additions were as follows;

- ♦ During the year the Town received gaming funds of \$50,000 from the Pascua Yaqui Tribe to pave the senior center parking lot.
- ♦ The Stottlemeyer park restroom was completed using gaming funds from the Pascua Yaqui Tribe and capital project funds to total \$112,824
- ♦ The Town installed new lighting for Beihn Park Using impact fees in the amount of \$16,000.
- ♦ The Salt River Pima Maricopa Indian Community provided a grant to the fire department to purchase oxygen tanks and other fire fighting gear. At June 30, 2010 gear had been purchased for \$102,000. The remaining funds from the grant will be used to purchase firefighting clothing during fiscal year 2011.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2010

- ♦ The parks department purchased a new riding lawnmower for the parks in the amount of \$13,000.
- ♦ Residential street improvements and curb and gutters were added throughout the Town using federal grants, HURF funds, impact fees and bond funds that totaled \$866,715.
- ♦ The Guadalupe Town Hall computer servers were replaced for \$18,300 as the current servers reached their maximum useful lives.
- ♦ As of June 30, 2010, the Town had five street projects under construction. Those streets were Avenida del Yaqui, Guadalupe Road, Calle Magdalena, Vauo Nawi and La Cuarenta. Bond funds, impact fees, and HURF funds were being used for the projects and project costs to date were \$65,704, \$245,381, \$116,509, \$159,051 and \$63,618 respectively.
- ♦ The Tianguis (Mercado) building has seen an increase in use for cultural events and was improved to include a new stage, lighting, and multiple electrical repairs and improvements for a total of \$30,790 and was paid for using impact fees.

The following table provides a breakdown of the capital assets of the Town at June 30, 2010

Capital Assets at June 30, 2010 and 2009
(Net of accumulated depreciation)

	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 7,070,674	\$ 7,070,674	\$ 84,703	\$ 84,703	\$ 7,155,377	\$ 7,155,377
Land and improvements	250,506	211,039	-	-	250,506	211,039
Buildings and improvements	2,048,569	2,075,309	310,082	330,654	2,358,651	2,405,963
Infrastructure	1,693,754	1,430,706	473,228	518,753	2,166,982	1,949,459
Street lights	40,723	41,953	-	-	40,723	41,953
Machinery and equipment	521,369	533,034	-	-	521,369	533,034
Curbs and gutters	2,757,508	2,300,931	-	-	2,757,508	2,300,931
Construction in progress	650,263	-	-	-	650,263	-
Total	\$ 15,033,366	\$ 13,663,646	\$ 868,013	\$ 934,110	\$ 15,901,379	\$ 14,597,756

Long-term Debt

At the end of the current fiscal year, the Town of Guadalupe, Arizona had total long-term obligations outstanding of \$3,131,162. Of that amount \$2,910,000 outstanding debt is secured by pledges of specific revenue sources of the Town. Capital leases payable amount to \$97,536 and the remaining \$123,626 is compensated absences payable to employees. The following schedule

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2010

shows the outstanding debt of the Town (both current and long-term) as of June 30, 2010. Further detail on the Town's outstanding debt may be found in Note 6 on pages 32-34.

Outstanding Debt

	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue bonds	\$ 2,910,000	\$ 3,095,000	\$ -	\$ -	\$ 2,910,000	\$ 3,095,000
Capital leases payable	97,536	139,439	-	-	97,536	139,439
Compensated absences	117,322	118,955	6,304	4,667	123,626	123,622
TOTAL	\$ 3,124,858	\$ 3,353,394	\$ 6,304	\$ 4,667	\$ 3,131,162	\$ 3,358,061

Economic Factors and Next Year's Budgets and Rates

- ♦ State Shared Revenue makes up 34% of the Town's General Fund revenue. State Shared Revenue is expected to decrease by 12% or \$160,636 for fiscal year 2011. This is a result of the slow economy, foreclosures, high unemployment with very little population growth as indicated from the slow home sales to out of state home buyers.
- ♦ Local tax revenue, which makes up 42% of the General Fund revenue, is expected to decrease by 10% or \$93,900. This decrease is expected based on current unemployment rates, local small business closures, loss of winter visitors, and the fact that the Town experienced construction of a new multi family residential property. This was a one time increase in local sales tax that is not expected during fiscal year 2010/2011.
- ♦ The Town has nearly completed the improvements to the Town owned and operated commercial center using the last of the two federal grants awarded in 2005-06. The vacancy rate for this commercial building has continued to increase due to the slow economy. We are anticipating that to continue to worsen until the economy rebounds from its current slump. We are hoping that as a result of the improvements sales tax revenue will increase from those retailers. The cultural aspects of the building have been restored and enhanced providing a nice relaxing atmosphere for both local residents and visitors from out of state. Many cultural events are taking place at the commercial center thus improving revenues for upkeep to the building.
- ♦ Because of the sluggish economy and with no rebound in sight, the Town Council continued to make reductions in staffing and other expenditures when the 2009-10 budget was prepared. However, expenses from the General Fund exceeded revenues by \$105,716. In noting this shortfall, Town Council is considering additional significant reductions in staffing and other expenditures to the 2010-2011 budget that will certainly impact services including hours of operation, staff shortages, capital

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2010

project delays, suspend park improvements, suspend vehicle and equipment replacements as well as many other areas.

- ♦ During the fiscal year 2009-10 the Community Action Program and the Americor program applied for and received stimulus funding. These stimulus grants were used to provide additional services to the users and maintain current staff levels and reduce transfers from the General Fund and in turn aided the General Fund in maintaining, with one exception, its staffing levels.
- ♦ In an effort to generate additional revenues, the Town continues to participate in the State Wild Land Fire Program. As a result of participation in this program, the Town has received \$51,981 in additional revenues in 2010. After considering the related expenses of the program, approximately $\frac{1}{4}$ of the funds represent revenues exceeding related expenses and these funds are used by the fire department for equipment maintenance, replacement purchases and fire department operating expenses.

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

TOWN OF GUADALUPE, ARIZONA
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,070,365	\$ 1,350,483	\$ 3,420,848
Accounts receivable - net	-	11,163	11,163
Taxes receivable	19,657	-	19,657
Miscellaneous receivables	22,026	-	22,026
Due from other governments	336,367	32,815	369,182
Prepaid expenses	23,441	1,080	24,521
Notes receivable	1,463,913	-	1,463,913
Capital assets, not being depreciated	7,720,937	84,703	7,805,640
Capital assets, being depreciated, net	7,312,429	783,310	8,095,739
Total assets	18,969,135	2,263,554	21,232,689
LIABILITIES			
Accounts payable	365,951	36,564	402,515
Accrued expenses	86,793	3,778	90,571
Court bonds payable	81,187	-	81,187
Deferred revenue	2,327,818	-	2,327,818
Refundable deposits	-	12,215	12,215
Compensated absences			
Due within 1 year	105,590	5,674	111,264
Due in more than 1 year	11,732	630	12,362
Noncurrent liabilities			
Due within 1 year	44,226	-	44,226
Due in more than 1 year	2,963,310	-	2,963,310
Total liabilities	5,986,607	58,861	6,045,468
NET ASSETS			
Invested in capital assets, net of related debt	12,025,830	868,013	12,893,843
Restricted for:			
Capital acquisitions	765,379	-	765,379
Highways and streets	272,481	-	272,481
Unrestricted (deficit)	(81,162)	1,336,680	1,255,518
Total net assets	\$ 12,982,528	\$ 2,204,693	\$ 15,187,221

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

TOWN OF GUADALUPE, ARIZONA
Statement of Activities
Year Ended June 30, 2010

Functions / Programs	Expenses		Program Revenue		Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities							
General government	\$ 1,212,269	\$ 60,084	\$ 111,445	\$ 350	\$ (1,040,390)	\$ -	\$ (1,040,390)
Public safety	2,416,440	184,167	35,225	125,054	(2,071,994)	-	(2,071,994)
Public works and streets	677,476	-	338,049	266,959	(72,468)	-	(72,468)
Culture and recreation	100,437	29,000	-	44,305	(27,132)	-	(27,132)
Community development	874,754	74,545	990,880	557,043	747,714	-	747,714
Health and welfare	362,987	-	275,038	50,000	(37,949)	-	(37,949)
Total governmental activities	5,644,363	347,796	1,750,637	1,043,711	(2,502,219)	-	(2,502,219)
Business-type activities							
Sewer	85,797	116,846	-	-	-	31,049	31,049
Tianguis	155,634	120,465	-	-	-	(35,169)	(35,169)
Refuse	301,096	338,264	-	-	-	37,168	37,168
Total business-type activities	542,527	575,575	-	-	-	33,048	33,048
Total primary government	\$ 6,186,890	\$ 923,371	\$ 1,750,637	\$ 1,043,711	(2,502,219)	33,048	(2,469,171)

General revenue:

Taxes:		
Sales taxes	1,195,564	1,195,564
Franchise taxes	22,981	22,981
Bed taxes	285,657	285,657
State sales tax revenue sharing	407,656	407,656
Auto lieu tax revenue sharing	186,137	186,137
State revenue sharing	717,209	717,209
Interest income	9,272	3,026
Gain (Loss) on disposal of capital assets	(48,326)	-
Miscellaneous	49,521	49,521
Total general revenue	2,825,671	3,026
Transfers	(30,790)	30,790
Change in net assets	292,662	66,864
Net assets, July 1, 2009	12,689,866	2,137,829
Net assets, June 30, 2010	\$ 12,982,528	\$ 2,204,693

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

TOWN OF GUADALUPE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	HURF/LTAF Fund	Community Development Grants Fund	Community Service Grants Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 1,021,563	\$ 257,049	\$ -	\$ -	\$ 791,753	\$ -	\$ 2,070,365
Taxes receivable	19,657	-	-	-	-	-	19,657
Miscellaneous receivables	17,756	-	4,270	-	-	-	22,026
Due from other governments	131,383	29,056	111,779	64,149	-	-	336,367
Prepaid expenses	12,135	2,449	221	636	8,000	-	23,441
Due from other funds	51,671	-	-	-	-	-	51,671
Total assets	\$ 1,254,165	\$ 288,554	\$ 116,270	\$ 64,785	\$ 799,753	\$ -	\$ 2,523,527
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 285,684	\$ 5,736	\$ 17,464	\$ 22,693	\$ 34,374	\$ -	\$ 365,951
Accrued expenses	57,673	10,337	5,221	13,562	-	-	86,793
Court bonds payable	81,187	-	-	-	-	-	81,187
Due to other funds	-	-	24,595	27,076	-	-	51,671
Deferred revenue	829,621	-	32,830	1,454	-	-	863,905
Total liabilities	1,254,165	16,073	80,110	64,785	34,374	-	1,449,507
Fund balances							
Reserved for:							
Prepaid expenses	12,135	2,449	221	636	8,000	-	23,441
Unreserved, reported in:							
General fund	(12,135)	-	-	-	-	-	(12,135)
Special revenue funds	-	270,032	35,939	(636)	-	-	305,335
Capital projects funds	-	-	-	-	757,379	-	757,379
Total fund balances	-	272,481	36,160	-	765,379	-	1,074,020
Total liabilities and fund balances	\$ 1,254,165	\$ 288,554	\$ 116,270	\$ 64,785	\$ 799,753	\$ -	\$ 2,523,527

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 Assets
Governmental Funds
June 30, 2010

Fund balances--total governmental funds		\$ 1,074,020
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		15,033,366
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
HOME loan note receivables		1,463,913
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds		
HOME loan deferred revenue	(1,463,913)	
Compensated absences	(117,322)	
Capital leases payable	(97,536)	
Bonds payable	(2,910,000)	
		<u>(4,588,771)</u>
Net assets of governmental activities		<u><u>\$ 12,982,528</u></u>

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, 2010

	General	HURF/LTAF	Community Development Grants	Community Service Grants	Capital Projects	Debt Service	Total Governmental Funds
	Fund	Fund	Fund	Fund	Fund	Fund	Funds
Revenue							
Intergovernmental	\$ 1,981,490	\$ 338,049	\$ 1,008,829	\$ 530,290	\$ -	\$ -	\$ 3,858,658
Taxes	1,504,202	-	-	-	192,725	-	1,696,927
Fines and forfeitures	184,167	-	-	-	-	-	184,167
Charges for services	89,084	-	-	-	-	-	89,084
Other revenue	49,521	-	21,322	13,304	138,002	-	222,149
Interest	1,942	859	-	-	4,981	1,490	9,272
Licenses and permits	74,545	-	-	-	-	-	74,545
Total revenue	3,884,951	338,908	1,030,151	543,594	335,708	1,490	6,134,802
Expenditures							
Current							
Public safety	2,305,800	-	-	-	-	-	2,305,800
General government	1,156,395	-	-	-	2,125	10	1,158,530
Community development	170,426	-	391,572	268,678	-	-	830,676
Public works and streets	13,492	350,237	-	-	2,891	-	366,620
Health and welfare	-	-	-	322,689	-	-	322,689
Culture and recreation	100,240	-	-	-	-	-	100,240
Debt Service							
Principal	41,903	-	-	-	-	185,000	226,903
Interest	7,691	-	-	-	-	134,511	142,202
Capital outlay	194,720	99,287	526,564	4,085	1,012,629	-	1,837,285
Total expenditures	3,990,667	449,524	918,136	595,452	1,017,645	319,521	7,290,945
Excess (deficiency) of revenue over (under) expenditures	(105,716)	(110,616)	112,015	(51,858)	(681,937)	(318,031)	(1,156,143)
Other financing sources (uses)							
Transfers in	117,300	-	-	51,858	-	318,031	487,189
Transfers out	(81,788)	-	-	-	(436,191)	-	(517,979)
Total other financing sources (uses)	35,512	-	-	51,858	(436,191)	318,031	(30,790)
Net change in fund balances	(70,204)	(110,616)	112,015	-	(1,118,128)	-	(1,186,933)
Fund balances, July 1, 2009	70,204	383,097	(75,855)	-	1,883,507	-	2,260,953
Fund balances, June 30, 2010	\$ -	\$ 272,481	\$ 36,160	\$ -	\$ 765,379	\$ -	\$ 1,074,020

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, 2010

Net change in fund balances--total governmental funds \$ (1,186,933)
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	\$ 1,837,285	
Depreciation expense	<u>(419,239)</u>	
		1,418,046

In the Statement of Activities, only the gain/loss on the sale
of capital assets is reported whereas in the governmental
funds, the proceeds from the sale increase financial
resources. Thus, the change in net assets differ from the
change in fund balance by the book value of the capital
assets sold.

(48,326)

Revenues in the Statement of Activities that do not provide
current financial resources are not reported as revenues
in the funds.

Prior year deferred grant revenue	(118,661)
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Debt proceeds provide current financial resources to
governmental funds, but issuing debt increases long-term
liabilities in the Statement of Net Assets.

Repayment of debt principal is an expenditure in the
governmental funds, but the repayment reduces
long-term liabilities in the Statement of Net Assets.

Debt principal repayments	226,903	
Net change in compensated absences	<u>1,633</u>	
		<u>228,536</u>

Change in net assets of governmental activities	<u><u>\$ 292,662</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF GUADALUPE, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2010

Business-type Activities—Enterprise Funds

	Business-type Activities—Enterprise Funds			Total
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,247,851	\$ 40,609	\$ 62,023	\$ 1,350,483
Accounts receivable - net	-	11,163	-	11,163
Due from other governments	4,563	-	28,252	32,815
Prepaid expenses	129	587	364	1,080
Total current assets	<u>1,252,543</u>	<u>52,359</u>	<u>90,639</u>	<u>1,395,541</u>
Noncurrent assets				
Capital assets, net of accumulated depreciation, where applicable:				
Land	-	84,703	-	84,703
Utilities systems, net	473,228	-	-	473,228
Buildings, net	-	310,082	-	310,082
Total noncurrent assets	<u>473,228</u>	<u>394,785</u>	<u>-</u>	<u>868,013</u>
Total assets	<u>1,725,771</u>	<u>447,144</u>	<u>90,639</u>	<u>2,263,554</u>
LIABILITIES				
Current liabilities				
Accounts payable	22	12,244	24,298	36,564
Accrued expenses	1,974	1,804	-	3,778
Refundable deposits	-	12,215	-	12,215
Compensated absences - current portion	4,550	1,124	-	5,674
Total current liabilities	<u>6,546</u>	<u>27,387</u>	<u>24,298</u>	<u>58,231</u>
Noncurrent liabilities				
Compensated absences	505	125	-	630
Total liabilities	<u>7,051</u>	<u>27,512</u>	<u>24,298</u>	<u>58,861</u>
Net assets				
Invested in capital assets, net of related debt	473,228	394,785	-	868,013
Unrestricted (deficit)	1,245,492	24,847	66,341	1,336,680
Total net assets	<u>\$ 1,718,720</u>	<u>\$ 419,632</u>	<u>\$ 66,341</u>	<u>\$ 2,204,693</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 Assets
Proprietary Funds
Year Ended June 30, 2010

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
Operating revenues				
Charges for services	\$ 116,846	\$ -	\$ 338,264	\$ 455,110
Rents	-	120,465	-	120,465
Total operating revenues	<u>116,846</u>	<u>120,465</u>	<u>338,264</u>	<u>575,575</u>
Operating expenses				
Professional services	246	1,229	288,570	290,045
Depreciation	45,525	51,362	-	96,887
Personnel	37,781	36,395	-	74,176
Utilities	230	50,930	-	51,160
Repairs and maintenance	1,205	10,763	10,355	22,323
Insurance	772	3,517	2,171	6,460
Materials and supplies	-	1,438	-	1,438
Miscellaneous	38	-	-	38
Total operating expenses	<u>85,797</u>	<u>155,634</u>	<u>301,096</u>	<u>542,527</u>
Operating income (loss)	<u>31,049</u>	<u>(35,169)</u>	<u>37,168</u>	<u>33,048</u>
Nonoperating revenue				
Investment income	3,026	-	-	3,026
Income (loss) before transfers	34,075	(35,169)	37,168	36,074
Transfers in	-	30,790	-	30,790
Increase (decrease) in net assets	34,075	(4,379)	37,168	66,864
Total net assets, July 1, 2009	1,684,645	424,011	29,173	2,137,829
Total net assets, June 30, 2010	<u>\$ 1,718,720</u>	<u>\$ 419,632</u>	<u>\$ 66,341</u>	<u>\$ 2,204,693</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, 2010

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 116,894	\$ 117,064	\$ 338,319	\$ 572,277
Payments to suppliers and providers of goods and services	(12,849)	(73,363)	(303,474)	(389,686)
Payments to employees	(24,281)	(29,638)	-	(53,919)
Net cash provided (used) by operating activities	<u>79,764</u>	<u>14,063</u>	<u>34,845</u>	<u>128,672</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	(30,790)	-	(30,790)
Transfer from Capital Projects Fund	-	30,790	-	30,790
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest received on investments	5,088	-	-	5,088
Net cash provided (used) by investing activities	<u>5,088</u>	<u>-</u>	<u>-</u>	<u>5,088</u>
Net increase (decrease) in cash and cash equivalents	84,852	14,063	34,845	133,760
Cash and cash equivalents, July 1, 2009	<u>1,162,999</u>	<u>26,546</u>	<u>27,178</u>	<u>1,216,723</u>
Cash and cash equivalents, June 30, 2010	<u><u>\$ 1,247,851</u></u>	<u><u>\$ 40,609</u></u>	<u><u>\$ 62,023</u></u>	<u><u>\$ 1,350,483</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, 2010
(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)	\$ 31,049	\$ (35,169)	\$ 37,168	\$ 33,048
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	45,525	51,362	-	96,887
(Increase) decrease in:				
Accounts receivable	-	(5,635)	-	(5,635)
Due from other governments	48	-	55	103
Prepaid expenses	(2)	(5)	(10)	(17)
Increase (decrease) in:				
Accounts payable	3	1,203	(2,368)	(1,162)
Accrued expenses	1,266	311	-	1,577
Refundable deposits	-	2,234	-	2,234
Compensated absences payable	1,875	(238)	-	1,637
Net cash provided (used) by operating activities	\$ 79,764	\$ 14,063	\$ 34,845	\$ 128,672

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2010

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 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 assets 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, 2010

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.

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 ***HURF/LTAF Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund and from State of Arizona Local Transportation Assistance Fund which are legally restricted to expenditures for specified purposes.

The ***Capital Projects Fund*** accounts for resources to be used for acquiring or constructing major capital facilities, other than those financed by proprietary funds.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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.

The Town's business-type activities follow FASB Statements and Interpretations issued after November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2010

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 3 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 in the proprietary funds are estimated by the Town. The amount recorded as uncollectible at June 30, 2010 for the Tianguis Economic Development Fund was \$54,000.

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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, 2010

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.

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.

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, 2010, the carrying amount of the Town's total nonpooled cash in bank was \$121,264, and the bank balance was \$246,374. The entire bank balance at June 30, 2010 was covered by federal depository insurance.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 2 – DEPOSITS AND INVESTMENT S – Continued

Investments—At June 30, 2010, the investments consisted of the following.

<u>Investment</u>	<u>Rating Organization</u>	<u>Credit Rating</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Arizona LGIP Pool 5	S&P	AAAf/S1	<u>\$ 3,289,899</u>	<u>\$ 3,289,899</u>

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:

	<u>General Fund</u>	<u>HURF/LTAF Fund</u>	<u>Community Development Grants Fund</u>	<u>Community Service Grants Fund</u>
U.S. Dept of Labor	\$ -	\$ -	\$ -	\$ 23,832
State of Arizona	131,383	29,056	25,000	-
Maricopa County	-	-	77,945	7,855
Other governments	-	-	8,834	32,462
	<u>\$ 131,383</u>	<u>\$ 29,056</u>	<u>\$ 111,779</u>	<u>\$ 64,149</u>

Due from other governments for the Sewer and Refuse Funds consisted of amounts due from the City of Tempe totaling \$4,563 and \$28,252, respectively.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 650,263	\$ -	\$ 650,263
Land	7,070,674	-	-	7,070,674
Total capital assets not being depreciated	<u>7,070,674</u>	<u>650,263</u>	<u>-</u>	<u>7,720,937</u>
Capital assets being depreciated:				
Building and building improvements	3,877,516	58,709	-	3,936,225
Land improvements	504,637	128,825	(55,924)	577,538
Equipment	1,903,021	132,773	(71,505)	1,964,289
Street lights	49,361	-	-	49,361
Streets	2,310,531	326,361	-	2,636,892
Curbs and gutters	2,600,408	540,354	-	3,140,762
Total	<u>11,245,474</u>	<u>1,187,022</u>	<u>(127,429)</u>	<u>12,305,067</u>
Less accumulated depreciation for:				
Building and building improvements	(1,802,207)	(85,449)	-	(1,887,656)
Land improvements	(293,598)	(45,376)	11,942	(327,032)
Equipment	(1,369,987)	(140,094)	67,161	(1,442,920)
Street lights	(7,408)	(1,230)	-	(8,638)
Streets	(879,825)	(63,313)	-	(943,138)
Curbs and gutters	(299,477)	(83,777)	-	(383,254)
Total	<u>(4,652,502)</u>	<u>(419,239)</u>	<u>79,103</u>	<u>(4,992,638)</u>
Total capital assets being depreciated, net	<u>6,592,972</u>	<u>767,783</u>	<u>(48,326)</u>	<u>7,312,429</u>
Governmental activities capital assets, net	<u>\$ 13,663,646</u>	<u>\$ 1,418,046</u>	<u>\$ (48,326)</u>	<u>\$ 15,033,366</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 4 – CAPITAL ASSETS – Continued

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 84,703	\$ -	\$ -	\$ 84,703
Total capital assets not being depreciated	<u>84,703</u>	<u>-</u>	<u>-</u>	<u>84,703</u>
Capital assets being depreciated:				
Utility systems	1,786,122	-	-	1,786,122
Equipment	27,401	-	-	27,401
Buildings	25,000	-	-	25,000
Building improvements	514,903	30,790	-	545,693
Total	<u>2,353,426</u>	<u>30,790</u>	<u>-</u>	<u>2,384,216</u>
Less accumulated depreciation for:				
Utility systems	(1,267,369)	(45,525)	-	(1,312,894)
Equipment	(27,401)	-	-	(27,401)
Buildings	(25,000)	-	-	(25,000)
Building improvements	(184,249)	(51,362)	-	(235,611)
Total	<u>(1,504,019)</u>	<u>(96,887)</u>	<u>-</u>	<u>(1,600,906)</u>
Total capital assets being depreciated, net	<u>849,407</u>	<u>(66,097)</u>	<u>-</u>	<u>783,310</u>
Business-type activities capital assets, net	<u>\$ 934,110</u>	<u>\$ (66,097)</u>	<u>\$ -</u>	<u>\$ 868,013</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 4 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
Highways and streets	\$ 176,506
Public safety	104,853
General government	52,909
Community development	44,338
Health and welfare	40,406
Culture and recreation	<u>227</u>
Total governmental activities depreciation expense	<u>\$ 419,239</u>
Business-type activities:	
Tianguis center	\$ 51,362
Sewer	<u>45,525</u>
Total business-type activities depreciation expense	<u>\$ 96,887</u>

NOTE 5 – DEFERRED REVENUE

The Town has received 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 deferred revenue that will be recognized as revenue over the life of the contract. The amount deferred for the billboard contract at June 30, 2010 is \$687,500.

On the government-wide statement of net assets, the Town also 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. The Town, in turn, places a lien on the property for the amount of HOME funds the family receives. The Town forgives a portion of the HOME funds on a straight-line basis over the life of the lien. If the family sells the home before the entire amount of the lien has been forgiven, the remaining amount of the HOME funds not already forgiven must be paid back to the Town. The total amount of unforgiven HOME loans at June 30, 2010 was \$1,463,913. The Town, in turn, has recorded \$1,463,913 of deferred revenue from these unforgiven HOME loans.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 6 – LONG-TERM LIABILITIES

Bonds – The Town’s bonded debt consists of a 2002 revenue bonds issuance of \$3,445,000 received through the Greater Arizona Development Authority. The revenue bonds require principal payments annually beginning August 1, 2008 with interest payments that vary from 2.25 percent to 4.75 percent paid semiannually on August 1, and February 1 with the first interest payment due August 1, 2003. Bond net proceeds of \$3,218,300 were used to provide for an advanced refunding of \$1,935,000 towards the Town’s Municipal Facilities Revenue Bond with the remaining proceeds to be used to finance capital improvements. State-shared general fund revenues are used as security for the revenue bonds.

Bonds outstanding at June 30, 2010, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding June 30, 2010
Revenue bonds	\$ 3,445,000	2008-2022	2.25 - 4.75%	<u>\$ 2,910,000</u>

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2010.

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due within 1 year
Governmental activities:					
Compensated absences	\$ 118,955	\$ -	\$ 1,633	\$ 117,322	\$ 105,590
Capital leases payable	139,439	-	41,903	97,536	44,226
Bonds payable	<u>3,095,000</u>	-	<u>185,000</u>	<u>2,910,000</u>	-
Governmental activities long-term liabilities	<u>\$ 3,353,394</u>	<u>\$ -</u>	<u>\$ 228,536</u>	<u>\$ 3,124,858</u>	<u>\$ 149,816</u>
Business-type activities:					
Compensated absences	\$ 4,667	\$ 1,637	\$ -	\$ 6,304	\$ 5,674
Business-type activities long-term liabilities	<u>\$ 4,667</u>	<u>\$ 1,637</u>	<u>\$ -</u>	<u>\$ 6,304</u>	<u>\$ 5,674</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 6 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the Town’s bonds payable at June 30, 2010.

Year Ending June 30	Governmental Activities	
	Revenue Bonds Payable	
	Principal	Interest
2011	-	130,831
2012	190,000	123,331
2013	200,000	115,531
2014	205,000	107,431
2015	215,000	99,031
2016-20	1,225,000	346,835
2021-23	875,000	63,392
Total	<u>\$2,910,000</u>	<u>\$ 986,382</u>

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, 2010, outstanding defeased revenue bonds totaled \$1,265,000.

Capital leases – The Town has acquired equipment under the provisions of a long-term lease agreements classified as capital leases for accounting purposes because it provides for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital lease are as follows:

	Governmental Activities
Copier	\$ 20,745
Wireless network	171,290
Fire truck	381,618
	573,653
Less: accumulated depreciation	(296,066)
Carrying value	<u>\$ 277,587</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 6 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2010.

Year Ending June 30	Governmental Activities
2011	\$ 49,594
2012	49,594
2013	4,929
2014	2,054
Total minimum lease payments	106,171
Less amount representing interest	(8,635)
Present value of net minimum lease payments	\$ 97,536

Interest expense – The amount of interest expense incurred for all debt related to governmental activities has been allocated to the appropriate functional direct expense categories on the Statement of Activities as follows:

General government	\$ 1,189
Public safety	6,502
Highways and streets	134,511
Total interest expense	\$ 142,202

NOTE 7 – 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, 2010

NOTE 8 – RETIREMENT PLANS

Plan Descriptions – The Town contributes to the two plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the Town. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS
3300 N. Central Ave.
Phoenix, AZ 85012-0250
(602) 240-2000

PSPRS
3010 E. Camelback Rd., Ste. 200
Phoenix, AZ 85016
(602) 255-5575

Funding Policy – The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates.

Cost-sharing plans – For the year ended June 30, 2010, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 9.45 percent (9.40 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2010, 2009, and 2008, were \$74,386, \$85,172, and \$79,364, respectively, which were equal to the required contributions for the year.

Agent plans – For the year ended June 30, 2010, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 17.07 percent.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 8 – RETIREMENT PLANS – Continued

Annual Pension Cost – The Town’s pension cost for the agent plan for the year ended June 30, 2010, and related information follows:

	PSPRS
Contribution rates:	
Town	17.07%
Plan members	7.65%
Annual pension cost	\$ 67,540
Contributions made	\$ 67,540

At the time of the issue of these financial statements, information for the year ended June 30, 2010 was unavailable. The prior year annual required contributions for the PSPRS were determined as part of its June 30, 2009, actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 8.50 percent investment rate of return and (b) projected salary increases ranging from 5.50 percent to 8.50 percent per year. Both (a) and (b) included an inflation component of 5.50 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010, was 27 years.

Trend Information – Annual pension cost information for the current and 2 preceding years follows for each of the agent plans.

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2010	\$ 67,540	100 %	\$ -
	2009	53,424	100	-
	2008	30,060	100	-

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables – During the year ended June 30, 2010, the Community Services Grants Fund and Community Development Grants Fund borrowed \$27,076 and \$24,595, respectively from the General Fund.

Interfund transfers – Interfund transfers for the year ended June 30, 2010, were as follows:

Transfer To	Transfer From		
	General Fund	Capital Projects Fund	Total
General Fund	\$ -	\$ 117,300	\$ 117,300
Community Service Grants Fund	51,858	-	51,858
Debt Service Fund	29,930	288,101	318,031
Tianguis Econ. Dev. Fund	-	30,790	30,790
Total	<u>\$ 81,788</u>	<u>\$ 436,191</u>	<u>\$ 517,979</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 6). The purpose of the interfund transfer shown above to the General Fund was to help pay for capital expenditures. The purpose of the interfund transfer shown above to the Tianguis Economic Development Fund was to help pay for capital expenditures.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 10 – 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, 2010 through February 28, 2015. Payments under the current and prior contract for the year ended June 30, 2010, were \$267,603. Payments are based on the number of residences in the Town times a fixed monthly rate of \$16.07. The 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>
2011	\$ 271,904
2012	271,904
2013	271,904
2014	271,904
2015	181,270

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, 2010, the Town paid the County Sheriff \$1,208,886 and has agreed to monthly installments of \$98,833 for the 2011 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.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 3,596,299	\$ 3,596,299	\$ 1,981,490	\$ (1,614,809)
Taxes	1,689,000	1,689,000	1,504,202	(184,798)
Fines and forfeitures	176,000	176,000	184,167	8,167
Charges for services	75,000	75,000	89,084	14,084
Other revenue	136,471	136,471	49,521	(86,950)
Interest	25,000	25,000	1,942	(23,058)
Licenses and permits	39,000	39,000	74,545	35,545
Total revenue	5,736,770	5,736,770	3,884,951	(1,851,819)
Expenditures				
Current				
Public safety	2,736,903	2,736,903	2,305,800	431,103
General government	2,560,029	2,560,029	1,156,395	1,403,634
Community development	32,259	32,259	170,426	(138,167)
Public works and streets	47,534	47,534	13,492	34,042
Culture and recreation	105,999	105,999	100,240	5,759
Debt Service				
Principal	-	-	41,903	(41,903)
Interest	-	-	7,691	(7,691)
Capital outlay	64,929	64,929	194,720	(129,791)
Total expenditures	5,547,653	5,547,653	3,990,667	1,556,986
Excess (deficiency) of revenue over expenditures	189,117	189,117	(105,716)	(294,833)
Other financing sources (uses)				
Transfers in	117,300	117,300	117,300	-
Transfers out	(376,621)	(376,621)	(81,788)	294,833
Total other financing sources (uses)	(259,321)	(259,321)	35,512	294,833
Net changes in fund balances	(70,204)	(70,204)	(70,204)	-
Fund balances, July 1, 2009	70,204	70,204	70,204	-
Fund balances, June 30, 2010	\$ -	\$ -	\$ -	\$ -

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF/LTAF Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 2,235,864	\$ 2,235,864	\$ 338,049	\$ (1,897,815)
Interest	-	-	859	859
Total revenue	<u>2,235,864</u>	<u>2,235,864</u>	<u>338,908</u>	<u>(1,896,956)</u>
Expenditures				
Current				
Public works and streets	2,395,479	2,395,479	350,237	2,045,242
Capital outlay	-	-	99,287	(99,287)
Total expenditures	<u>2,395,479</u>	<u>2,395,479</u>	<u>449,524</u>	<u>1,945,955</u>
Net changes in fund balances	(159,615)	(159,615)	(110,616)	48,999
Fund balances, July 1, 2009	<u>383,097</u>	<u>383,097</u>	<u>383,097</u>	-
Fund balances, June 30, 2010	<u><u>\$ 223,482</u></u>	<u><u>\$ 223,482</u></u>	<u><u>\$ 272,481</u></u>	<u><u>\$ 48,999</u></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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 1,305,701	\$ 1,305,701	\$ 1,008,829	\$ (296,872)
Other revenue	-	-	21,322	21,322
Total revenue	<u>1,305,701</u>	<u>1,305,701</u>	<u>1,030,151</u>	<u>(275,550)</u>
Expenditures				
Current				
Community development	1,305,701	1,305,701	391,572	914,129
Capital outlay	-	-	526,564	(526,564)
Total expenditures	<u>1,305,701</u>	<u>1,305,701</u>	<u>918,136</u>	<u>387,565</u>
Net changes in fund balances	-	-	112,015	112,015
Fund balances, July 1, 2009	<u>(75,855)</u>	<u>(75,855)</u>	<u>(75,855)</u>	-
Fund balances, June 30, 2010	<u><u>\$ (75,855)</u></u>	<u><u>\$ (75,855)</u></u>	<u><u>\$ 36,160</u></u>	<u><u>\$ 112,015</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Community Service Grants Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 895,183	\$ 895,183	\$ 530,290	\$ (364,893)
Other revenue	-	-	13,304	13,304
Total revenue	<u>895,183</u>	<u>895,183</u>	<u>543,594</u>	<u>(351,589)</u>
Expenditures				
Current				
Community development	657,714	657,714	268,678	389,036
Health and welfare	291,311	291,311	322,689	(31,378)
Capital outlay	-	-	4,085	4,085
Total expenditures	<u>949,025</u>	<u>949,025</u>	<u>595,452</u>	<u>361,743</u>
Excess (deficiency) of revenue over expenditures	(53,842)	(53,842)	(51,858)	1,984
Other financing sources (uses)				
Transfers in	53,842	53,842	51,858	(1,984)
Net changes in fund balances	-	-	-	-
Fund balances, July 1, 2009	-	-	-	-
Fund balances, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2010

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 to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. 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.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

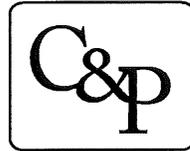
The Town's budget is prepared on a basis consistent with generally accepted accounting principles.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of Agent Retirement Plans' Funding Progress
June 30, 2010

Public Safety Personnel Retirement System

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
06/30/09	\$ 575,818	\$ 1,168,802	\$ (592,984)	49.3 %	\$ 450,187	131.7 %
06/30/08	509,696	1,117,991	(608,295)	45.6	454,750	133.8
06/30/07	766,618	843,353	(76,735)	90.9	441,819	17.4

SINGLE AUDIT ACT REPORTS SECTION



COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

**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 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, 2010, which collectively comprise the Town of Guadalupe, Arizona's basic financial statements and have issued our report thereon dated November 1, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Guadalupe, Arizona's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Guadalupe, Arizona's internal control over financial reporting.

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.

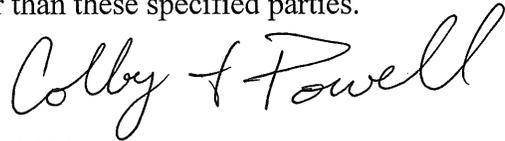
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or

material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

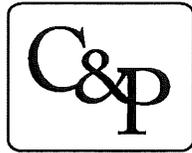
Compliance and Other Matters

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*.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Colby F. Powell".

November 1, 2010



**COLBY &
POWELL, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

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**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Town Council
Town of Guadalupe, Arizona

Compliance

We have audited the compliance of the Town of Guadalupe, Arizona, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Guadalupe, Arizona's management. Our responsibility is to express an opinion on the Town of Guadalupe, Arizona's compliance based on our audit.

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. Our audit does not provide a legal determination of the Town of Guadalupe, Arizona's compliance with those requirements.

In our opinion, the Town of Guadalupe, Arizona, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with

OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item **2010-01**.

Internal Control Over Compliance

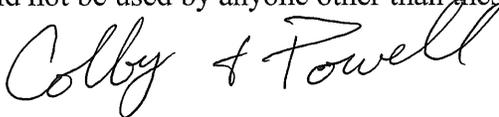
Management of the Town of Guadalupe, Arizona, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Guadalupe, Arizona's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Town of Guadalupe, Arizona's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Guadalupe, Arizona's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



November 1, 2010

TOWN OF GUADALUPE, ARIZONA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

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 Maricopa County Human Services:			
Social Services Block Grant	93.667	C-22-08-071-2	16,694
ARRA - Community Services Block Grant	93.710	C-22-08-071-2	62,550
Passed through Area Agency on Aging:			
Aging Cluster:			
Title III - Part B	93.044	2910-21-GUA	40,111
Title III - Part C	93.045	2910-21-GUA	60,847
Nutrition Services Incentive Program	93.053	2910-21-GUA	13,345
Aging Home-Delivered Nutrition Services for States	93.705	2910-21-GUA	17,844
Aging Congregate Nutrition Services for States	93.707	2910-21-GUA	6,400
Total Aging Cluster			138,547
Social Services Block Grant	93.667	2910-21-GUA	4,365
Total U.S. Department Health and Human Services			222,156
<u>U.S. Department of Labor</u>			
Youthbuild	17.274	YB-19062-09-60-A-4	137,248
<u>U.S. Department of Agriculture</u>			
Passed through the Office of Economic Development and Empowerment Services:			
Rural Self-Help Housing Technical Assistance	10.420	--	98,421
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Maricopa County Community Development:			
Home Investment Partnerships Program	14.239	UC0907	87,822
Home Investment Partnerships Program	14.239	UC0807	177,361
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants	14.218	DG0804	85,322
Community Development Block Grants	14.218	DG0704	49,979
Community Development Block Grants	14.218	DG0903	259,060
ARRA - Community Development Block Grants	14.253	DG0804	132,204
Total CDBG - Entitlement Grants Cluster			526,565
Total U.S. Department of Housing and Urban Development			791,748
<u>Corporation For National and Community Services</u>			
Passed through the State of Arizona Division of Volunteerism:			
AmeriCorps	94.006	AC-VSG-07-0273-03Y3	52,324
AmeriCorps	94.006	AC-VSG-07-9273-03Y3	57,776
Total Corporation For National and Community Services			110,100
Total Federal Assistance			\$ 1,359,673

The accompanying notes are an integral part of this schedule.

TOWN OF GUADALUPE, ARIZONA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2010

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, 2010

<u>Section 1</u>	<u>Summary Of Auditors' Results</u>
<i>Financial Statements</i>	
1. Type of auditor's report issued	Unqualified
2. Internal control over financial reporting:	
a. Material weaknesses?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
c. Noncompliance material to the financial statements noted?	None
<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:	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510 (a)?	Yes
4. Identification of major program:	
<u>Name of Federal Program</u>	<u>CFDA Number</u>
CDBG – Entitlement Grants Cluster	
Community Development Block Grant	14.218
ARRA - Community Development Block Grant	14.253
Home Investment Partnerships Program	14.239
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, 2010

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

Item: 2010-01

Community Development Block Grant – CDBG - Entitlement Grants Cluster
CFDA #'s 14.218 and 14.253; Grant year ended June
30, 2010.

Condition: Prevailing wages were not paid to workers as required under the Davis-Bacon Act.

Criteria: Prevailing wages are to be paid to workers as required under the Davis-Bacon Act.

Questioned Costs: The total amount of underpayment to workers was \$5,940.

Context: During the review of certified payrolls, it came to our attention that many of the wage rates paid to workers were not in accordance with the Davis-Bacon Act. From discussions with the Grant Administrator, the wrong wage determination was provided to contractors at the initiation of their contracts with the Town. On January 28, 2010, auditors from Maricopa County discovered that the Town had used the wrong wage determination. From that point forward, the error was corrected.

Effect: Not all contract workers were paid the prevailing wage amounts under Davis-Bacon from July 1, 2009 to January 28, 2010.

Cause: Wage determination amounts were not verified by management at the beginning of the grant period.

Recommendation: Management must obtain current prevailing wage information at the initiation of any contracts in which Davis-Bacon is applicable.

Management Response: The wrong wage determination was provided to a contractor. The error was identified in a monitoring visit from Maricopa County in January 2010. To prevent this error in the future, management will obtain current wage determination at the beginning of any new contract in which Davis-Bacon is applicable.

TOWN OF GUADALUPE, ARIZONA
Summary Schedule of Prior Audit Findings
June 30, 2010

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

Item: 2009-01

Subject: Purchasing policies and procedures.

Condition: It was determined that not all purchase orders were being approved by the Town Manager, and, therefore, the Town's policy was not being followed consistently.

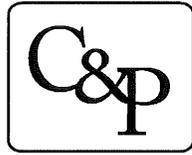
Status: The Town has updated its purchasing policies and procedures and has corrected the issue.

Item: 2009-02

Subject: Employee policies and procedures.

Condition: The Town did not have an up-to-date employee policies and procedures manual.

Status: The Town has updated its employee policies and procedures and has made the updated policies and procedures available to all employees.



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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE USES OF HIGHWAY USER
REVENUE FUND MONIES IN ACCORDANCE
WITH ARS TITLE 28, CHAPTER 18, ARTICLE 2**

To the Town Council
Town of Guadalupe, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Guadalupe as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 1, 2010.

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.

This report is intended solely for the information and use of management and the members of the Arizona State Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in cursive script that reads "Colby Powell".

November 1, 2010