

**TOWN OF GUADALUPE, ARIZONA**

Annual Financial Statements  
and  
Independent Auditors' Report  
June 30, 2016



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## **INDEPENDENT AUDITORS' REPORT**

To the Town Council  
Town of Guadalupe, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Guadalupe, Arizona, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Guadalupe, Arizona, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

The Town of Guadalupe, Arizona has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing 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.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 49 through 52, Schedule of the Town's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans on page 53, Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios – Agent Pension Plans on page 54, Schedule of Town Pension Contributions on page 55, and Schedule of Agent OPEB Plans' Funding Progress on page 57, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2017, on our consideration of the Town of Guadalupe, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Guadalupe, Arizona's internal control over financial reporting and compliance.

### **Other Reporting Required by Arizona Revised Statutes**

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

*Lobby & Powell, PLC*

January 31, 2017



**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Net Position**  
**June 30, 2016**

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,258,775	\$ 1,470,728	\$ 2,729,503
Accounts receivable - net	-	9,432	9,432
Taxes receivable - net	78,082	-	78,082
Miscellaneous receivables	424	-	424
Due from other governments	877,275	67,689	944,964
Prepaid expenses	12,470	1,117	13,587
Notes receivable - net	774,128	-	774,128
Capital assets, not being depreciated	7,039,174	84,703	7,123,877
Capital assets, being depreciated, net	10,389,218	304,252	10,693,470
<b>Total assets</b>	<b>20,429,546</b>	<b>1,937,921</b>	<b>22,367,467</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	320,521	10,642	331,163
<b>LIABILITIES</b>			
Accounts payable	497,771	32,101	529,872
Accrued expenses	78,658	2,386	81,044
Court bonds payable	101,005	-	101,005
Unearned revenue	436,525	-	436,525
Refundable deposits	-	11,234	11,234
Noncurrent liabilities			
Due within 1 year	68,119	1,371	69,490
Due in more than 1 year	3,288,826	79,981	3,368,807
<b>Total liabilities</b>	<b>4,470,904</b>	<b>127,073</b>	<b>4,597,977</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	245,630	15,134	260,764
<b>NET POSITION</b>			
Net investment in capital assets	15,761,785	388,955	16,150,740
Restricted for:			
Capital acquisitions	8	-	8
Highways and streets	117,288	-	117,288
Community development	858,529	-	858,529
Unrestricted (deficit)	(704,077)	1,417,401	713,324
<b>Total net position</b>	<b>\$ 16,033,533</b>	<b>\$ 1,806,356</b>	<b>\$ 17,839,889</b>

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



**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2016**

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities							
Public safety	\$ 2,823,673	\$ 150,636	\$ -	\$ 41,586	\$ (2,631,451)	\$ -	\$ (2,631,451)
General government	837,477	279,230	101,871	-	(456,376)	-	(456,376)
Public works and streets	702,138	-	374,596	400	(327,142)	-	(327,142)
Health and welfare	342,186	-	211,913	-	(130,273)	-	(130,273)
Culture and recreation	128,007	6,118	-	-	(121,889)	-	(121,889)
Community development	110,051	-	4,637	747,041	641,627	-	641,627
Interest on general long-term debt	36,396	-	-	-	(36,396)	-	(36,396)
<b>Total governmental activities</b>	<b>4,979,928</b>	<b>435,984</b>	<b>693,017</b>	<b>789,027</b>	<b>(3,061,900)</b>	<b>-</b>	<b>(3,061,900)</b>
Business-type activities							
Sewer	86,742	108,652	-	-	-	21,910	21,910
Tianguis	173,288	128,511	-	-	-	(44,777)	(44,777)
Refuse	312,564	325,300	-	-	-	12,736	12,736
<b>Total business-type activities</b>	<b>572,594</b>	<b>562,463</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,131)</b>	<b>(10,131)</b>
<b>Total primary government</b>	<b>\$ 5,552,522</b>	<b>\$ 998,447</b>	<b>\$ 693,017</b>	<b>\$ 789,027</b>	<b>(3,061,900)</b>	<b>(10,131)</b>	<b>(3,072,031)</b>
<b>General revenue:</b>							
Taxes:							
Sales taxes					2,015,816	-	2,015,816
Franchise taxes					25,360	-	25,360
Bed taxes					468,632	-	468,632
State sales tax revenue sharing					525,765	-	525,765
Auto lieu tax revenue sharing					228,726	-	228,726
State revenue sharing					664,968	-	664,968
Interest income					6,036	2,942	8,978
Gain (loss) on disposal of capital assets					3,021	-	3,021
Miscellaneous					11,804	-	11,804
Total general revenue					3,950,128	2,942	3,953,070
Change in net position					888,228	(7,189)	881,039
Net position, beginning of year					15,145,305	1,813,545	16,958,850
Net position, end of year					\$ 16,033,533	\$ 1,806,356	\$ 17,839,889

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

**TOWN OF GUADALUPE, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General Fund	Community Development Grants Fund	Community Service Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,038,637	\$ 107,784	\$ -	\$ 112,354	\$ 1,258,775
Taxes receivable - net	78,082	-	-	-	78,082
Miscellaneous receivables	-	774,552	-	-	774,552
Due from other governments	814,611	303	28,457	33,904	877,275
Prepaid expenses	12,013	129	298	30	12,470
Due from other funds	1,598	-	-	-	1,598
<b>Total assets</b>	<b>1,944,941</b>	<b>882,768</b>	<b>28,755</b>	<b>146,288</b>	<b>3,002,752</b>
<b>Liabilities</b>					
Accounts payable	459,446	205	15,536	22,584	497,771
Accrued expenses	63,963	-	8,287	6,408	78,658
Court bonds payable	101,005	-	-	-	101,005
Due to other funds	-	-	1,598	-	1,598
Unearned revenue	408,733	24,458	3,334	-	436,525
<b>Total liabilities</b>	<b>1,033,147</b>	<b>24,663</b>	<b>28,755</b>	<b>28,992</b>	<b>1,115,557</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue	-	774,128	-	-	774,128
<b>Fund balances</b>					
Nonspendable	13,611	129	-	30	13,770
Restricted for:					
Highways and streets	-	-	-	117,258	117,258
Community development	-	83,848	-	-	83,848
Capital acquisition	-	-	-	8	8
Unassigned	898,183	-	-	-	898,183
<b>Total fund balances</b>	<b>911,794</b>	<b>83,977</b>	<b>-</b>	<b>117,296</b>	<b>1,113,067</b>
<b>Total liabilities, deferred revenue, and fund balances</b>	<b>\$ 1,944,941</b>	<b>\$ 882,768</b>	<b>\$ 28,755</b>	<b>\$ 146,288</b>	<b>\$ 3,002,752</b>

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

**TOWN OF GUADALUPE, ARIZONA**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**Governmental Funds**  
**June 30, 2016**

Fund balances--total governmental funds \$ 1,113,067

Amounts reported for governmental activities in the  
Statement of Net Position are different because:

Capital assets used in governmental activities  
are not financial resources and therefore, are  
not reported in the funds. 17,428,392

Some receivables are not available to pay for  
current-period expenditures and therefore, are  
deferred in the funds.  
Notes receivable - net 774,128

Long-term liabilities, such as net pension liabilities  
and loans payable are not due and payable in  
the current period and, therefore, are not  
reported as a liability in the funds.

Capital lease	(5,162)	
Compensated absences	(53,085)	
Unamortized loan premium	(142,984)	
Loan payable	(1,500,000)	
Net pension liability	<u>(1,655,714)</u>	(3,356,945)

Deferred outflows and inflows of resources  
related to pensions are applicable to future  
reporting periods and, therefore, are not  
reported in the funds. 74,891

**Net position of governmental activities \$16,033,533**

*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, 2016**

	General Fund	Community Development Grants Fund	Community Service Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Intergovernmental	\$ 2,380,070	\$ 19,736	\$ 205,152	\$ 374,996	\$ 2,979,954
Taxes	2,509,809	-	-	-	2,509,809
Charges for services	159,150	-	-	-	159,150
Licenses and permits	126,198	-	-	-	126,198
Fines and forfeitures	72,707	-	-	-	72,707
Other revenue	11,800	50,229	6,761	-	68,790
Interest	4,908	-	-	1,128	6,036
<b>Total revenue</b>	<u>5,264,642</u>	<u>69,965</u>	<u>211,913</u>	<u>376,124</u>	<u>5,922,644</u>
<b>Expenditures</b>					
Current					
Public safety	2,791,576	-	-	-	2,791,576
General government	777,278	-	-	446	777,724
Public works and streets	14,334	-	-	388,246	402,580
Health and welfare	-	-	338,057	-	338,057
Culture and recreation	126,063	-	-	-	126,063
Community development	79,856	11,541	-	-	91,397
Debt Service					
Principal	1,520	-	-	215,000	216,520
Interest	-	-	-	78,600	78,600
Capital outlay	792,960	-	-	23,455	816,415
<b>Total expenditures</b>	<u>4,583,587</u>	<u>11,541</u>	<u>338,057</u>	<u>705,747</u>	<u>5,638,932</u>
Excess (deficiency) of revenue over (under) expenditures	681,055	58,424	(126,144)	(329,623)	283,712
<b>Other financing sources (uses)</b>					
Sale of capital assets	3,021	-	-	-	3,021
Capital lease agreement	6,682	-	-	-	6,682
Transfers	(420,190)	-	126,144	294,046	-
<b>Total other financing sources (uses)</b>	<u>(410,487)</u>	<u>-</u>	<u>126,144</u>	<u>294,046</u>	<u>9,703</u>
<b>Net change in fund balances</b>	270,568	58,424	-	(35,577)	293,415
Fund balances, beginning of year	641,226	25,553	-	152,873	819,652
<b>Fund balances, end of year</b>	<u>\$ 911,794</u>	<u>\$ 83,977</u>	<u>\$ -</u>	<u>\$ 117,296</u>	<u>\$ 1,113,067</u>

*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, 2016**

Net change in fund balances--total governmental funds \$ 293,415

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	\$ 816,415	
Depreciation expense	<u>(491,969)</u>	
		324,446

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 position differ from the  
change in fund balance by the book value of the capital  
assets sold.

Gain on disposal of assets	3,021	
Proceeds from the sale of assets	<u>(3,021)</u>	
		-

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

Change HOME note receivables	(45,589)	
Unavailable grant revenues	<u>(11,920)</u>	
		(57,509)

Town pension contributions are reported as expenditures  
in the governmental funds when made. However,  
they are reported as deferred outflows of resources in  
the Statement of Net Position because the reported net  
pension liability is measured a year before the Town's  
report date. Pension expense, which is the change in  
the net pension liability adjusted for changes in deferred  
outflows and inflows of resources related to pensions,  
is reported in the Statement of Activities.

Town pension contributions	156,700	
Pension expense	<u>(63,589)</u>	
		93,111

Debt proceeds provide current financial resources to  
governmental funds, but issuing debt increases long-term  
liabilities in the Statement of Net Position.

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

Debt principal repayments	216,520	
Amortization of loan premium	42,204	
Capital lease acquisition	(6,682)	
Net change in compensated absences	<u>(17,277)</u>	
		<u>234,765</u>

<b>Change in net position of governmental activities</b>	<b><u>\$ 888,228</u></b>
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*The accompanying notes are an integral part of these financial statements.*

**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,250,391	\$ -	\$ 220,337	\$ 1,470,728
Accounts receivable - net	-	9,432	-	9,432
Due from other governments	13,589	-	54,100	67,689
Prepaid expenses	110	832	175	1,117
Due from other funds	39,673	-	-	39,673
<b>Total current assets</b>	<u>1,303,763</u>	<u>10,264</u>	<u>274,612</u>	<u>1,588,639</u>
Noncurrent assets				
Capital assets, net of accumulated depreciation, where applicable:				
Land	-	84,703	-	84,703
Utilities systems, net	225,757	-	-	225,757
Buildings, net	-	78,495	-	78,495
<b>Total noncurrent assets</b>	<u>225,757</u>	<u>163,198</u>	<u>-</u>	<u>388,955</u>
<b>Total assets</b>	<u>1,529,520</u>	<u>173,462</u>	<u>274,612</u>	<u>1,977,594</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	<u>6,067</u>	<u>4,575</u>	<u>-</u>	<u>10,642</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	4,125	20,596	7,380	32,101
Accrued expenses	1,277	1,109	-	2,386
Refundable deposits	-	11,234	-	11,234
Compensated absences - current portion	1,371	-	-	1,371
Due to other funds	-	39,673	-	39,673
<b>Total current liabilities</b>	<u>6,773</u>	<u>72,612</u>	<u>7,380</u>	<u>86,765</u>
Noncurrent liabilities				
Compensated absences	152	-	-	152
Net pension liability	45,509	34,320	-	79,829
<b>Total noncurrent liabilities</b>	<u>45,661</u>	<u>34,320</u>	<u>-</u>	<u>79,981</u>
<b>Total liabilities</b>	<u>52,434</u>	<u>106,932</u>	<u>7,380</u>	<u>166,746</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	<u>8,628</u>	<u>6,506</u>	<u>-</u>	<u>15,134</u>
<b>NET POSITION</b>				
Net investment in capital assets	225,757	163,198	-	388,955
Unrestricted (deficit)	1,248,768	(98,599)	267,232	1,417,401
<b>Total net position</b>	<u>\$ 1,474,525</u>	<u>\$ 64,599</u>	<u>\$ 267,232</u>	<u>\$ 1,806,356</u>

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

**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Revenue, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2016**

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
<b>Operating revenues</b>				
Charges for services	\$ 108,652	\$ -	\$ 325,300	\$ 433,952
Rents	-	128,511	-	128,511
<b>Total operating revenues</b>	<u>108,652</u>	<u>128,511</u>	<u>325,300</u>	<u>562,463</u>
<b>Operating expenses</b>				
Professional services	4,434	8,252	310,201	322,887
Depreciation	47,221	40,515	-	87,736
Utilities	391	65,655	-	66,046
Personnel	29,948	14,901	-	44,849
Repairs and maintenance	4,116	24,545	-	28,661
Materials and supplies	-	12,536	-	12,536
Insurance	632	3,699	2,363	6,694
Miscellaneous	-	3,185	-	3,185
<b>Total operating expenses</b>	<u>86,742</u>	<u>173,288</u>	<u>312,564</u>	<u>572,594</u>
<b>Operating income (loss)</b>	<u>21,910</u>	<u>(44,777)</u>	<u>12,736</u>	<u>(10,131)</u>
<b>Nonoperating revenue</b>				
Investment income	2,942	-	-	2,942
<b>Increase (decrease) in net position</b>	<u>24,852</u>	<u>(44,777)</u>	<u>12,736</u>	<u>(7,189)</u>
Total net position, beginning of year	<u>1,449,673</u>	<u>109,376</u>	<u>254,496</u>	<u>1,813,545</u>
<b>Total net position, end of year</b>	<u>\$ 1,474,525</u>	<u>\$ 64,599</u>	<u>\$ 267,232</u>	<u>\$ 1,806,356</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, 2016**

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 101,729	\$ 133,541	\$ 298,659	\$ 533,929
Payments to suppliers and providers of goods and services	(9,314)	(112,130)	(307,976)	(429,420)
Payments to employees	(30,023)	(14,256)	-	(44,279)
<b>Net cash provided (used) by             operating activities</b>	<u>62,392</u>	<u>7,155</u>	<u>(9,317)</u>	<u>60,230</u>
<b>Cash flows from noncapital financing activities:</b>				
Interfund loans	<u>7,155</u>	<u>(7,155)</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Interest received on investments	<u>2,942</u>	<u>-</u>	<u>-</u>	<u>2,942</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	72,489	-	(9,317)	63,172
Cash and cash equivalents, beginning of year	<u>1,177,902</u>	<u>-</u>	<u>229,654</u>	<u>1,407,556</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 1,250,391</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 220,337</u></u>	<u><u>\$ 1,470,728</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, 2016**  
*(Continued)*

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 21,910	\$ (44,777)	\$ 12,736	\$ (10,131)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	47,221	40,515	-	87,736
Pension expense	(566)	(426)	-	(992)
Employer pension contributions	(3,265)	(3,184)	-	(6,449)
(Increase) decrease in:				
Accounts receivable	-	4,332	-	4,332
Due from other governments	(6,923)	-	(26,641)	(33,564)
Prepaid expenses	(8)	(196)	148	(56)
Increase (decrease) in:				
Accounts payable	4,098	9,548	4,440	18,086
Accrued expenses	439	645	-	1,084
Refundable deposits	-	698	-	698
Compensated absences payable	(514)	-	-	(514)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 62,392</u>	<u>\$ 7,155</u>	<u>\$ (9,317)</u>	<u>\$ 60,230</u>

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

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

**A. Reporting Entity**

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

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

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

**B. Basis of Presentation**

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

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

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

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

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

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

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

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major enterprise funds:

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

**C. Basis of Accounting**

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

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

**D. Cash and Investments**

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

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

**E. Allowance for Uncollectible Accounts**

Allowances for uncollectible accounts receivable are estimated by the Town. The amount recorded as uncollectible at June 30, 2016 for the Tianguis Economic Development Fund was \$61,916. The amount recorded as uncollectible at June 30, 2016 for notes receivable in the Governmental Activities was \$1,056,791 (see Note 4).

**F. Capital Assets**

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

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

	<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, 2016**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

**G. Investment Income**

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

**H. Compensated Absences**

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

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

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

**I. Deferred Outflows/Inflows of Resources**

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

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

**J. Fund Balance Reporting**

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

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

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

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

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

**K. Impact of Recently Issued Accounting Principles**

In January 31015, the GASB issued Statement 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Town implemented this standard during this fiscal period.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Town implemented this standard during this fiscal period.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2017. Upon implementation, it is anticipated that this Statement will cause a restatement of beginning net position of the Governmental Activities, Business-type Activities, and the proprietary funds.

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Town implemented this standard during this fiscal period.

In March 2016, the GASB issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.



**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

**L. Pensions**

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

**M. Budgets**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

Expenditures may not legally exceed budgeted appropriations at the fund level. The individual budgetary comparison schedules as listed in the table of contents present all major governmental funds which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2016, if any.

***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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE 2 – DEPOSITS AND INVESTMENTS – Continued**

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, 2016, the carrying amount of the Town's total nonpooled cash in bank was \$210,036, and the bank balance was \$245,145. The entire bank balance was covered by federal deposit insurance (FDIC).

*Investments*—At June 30, 2016, 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	AAA	<u>\$2,509,778</u>	<u>\$2,509,778</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>Community Development Grants Fund</u>	<u>Community Service Grants Fund</u>	<u>HURF/LTAF Fund (non-major)</u>
State of Arizona	\$ 57,917	\$ -	\$ -	\$ 33,904
Maricopa County	-	303	3,604	-
Other governments	<u>756,694</u>	<u>-</u>	<u>24,853</u>	<u>-</u>
	<u>\$ 814,611</u>	<u>\$ 303</u>	<u>\$ 28,457</u>	<u>\$ 33,904</u>

Due from other governments for the Sewer and Refuse Funds consisted of amounts due from the City of Tempe totaling \$13,589 and \$54,100, respectively.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE 4 – NOTES RECEIVABLE**

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

Notes receivables at June 30, 2016 consisted of \$1,830,919 of which \$1,056,791 are expected to be forgiven. The notes receivable balance – net totaled \$774,128.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 7,039,174	\$ -	\$ -	\$ 7,039,174
<b>Capital assets being depreciated:</b>				
Building and building improvements	4,072,610	-	-	4,072,610
Land improvements	722,141	760,110	-	1,482,251
Equipment	2,307,741	32,850	(20,745)	2,319,846
Street lights	472,427	-	-	472,427
Streets	4,994,228	23,455	-	5,017,683
Curbs and gutters	4,594,274	-	-	4,594,274
<b>Total</b>	<u>17,163,421</u>	<u>816,415</u>	<u>(20,745)</u>	<u>17,959,091</u>
Less accumulated depreciation for:				
Building and building improvements	(2,293,199)	(72,249)	-	(2,365,448)
Land improvements	(504,139)	(25,495)	-	(529,634)
Equipment	(1,815,132)	(109,384)	20,745	(1,903,771)
Street lights	(119,296)	(24,910)	-	(144,206)
Streets	(1,434,333)	(129,569)	-	(1,563,902)
Curbs and gutters	(932,550)	(130,362)	-	(1,062,912)
<b>Total</b>	<u>(7,098,649)</u>	<u>(491,969)</u>	<u>20,745</u>	<u>(7,569,873)</u>
<b>Total capital assets being depreciated, net</b>	<u>10,064,772</u>	<u>324,446</u>	<u>-</u>	<u>10,389,218</u>
Governmental activities capital assets, net	<u>\$ 17,103,946</u>	<u>\$ 324,446</u>	<u>\$ -</u>	<u>\$ 17,428,392</u>

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE 5 – CAPITAL ASSETS – Continued**

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 84,703	\$ -	\$ -	\$ 84,703
<b>Capital assets being depreciated:</b>				
Utility systems	1,819,472	-	-	1,819,472
Equipment	27,401	-	-	27,401
Buildings	25,000	-	-	25,000
Building improvements	581,194	-	-	581,194
<b>Total</b>	<u>2,453,067</u>	<u>-</u>	<u>-</u>	<u>2,453,067</u>
Less accumulated depreciation for:				
Utility systems	(1,546,494)	(47,221)	-	(1,593,715)
Equipment	(27,401)	-	-	(27,401)
Buildings	(25,000)	-	-	(25,000)
Building improvements	(462,184)	(40,515)	-	(502,699)
<b>Total</b>	<u>(2,061,079)</u>	<u>(87,736)</u>	<u>-</u>	<u>(2,148,815)</u>
<b>Total capital assets being depreciated, net</b>	<u>391,988</u>	<u>(87,736)</u>	<u>-</u>	<u>304,252</u>
Business-type activities capital assets, net	<u>\$ 476,691</u>	<u>\$ (87,736)</u>	<u>\$ -</u>	<u>\$ 388,955</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Highways and streets	\$ 306,898
Public safety	61,877
General government	73,763
Community development	23,104
Health and welfare	22,689
Culture and recreation	<u>3,638</u>
Total governmental activities depreciation expense	<u>\$ 491,969</u>
Business-type activities:	
Tianguis center	\$ 40,515
Sewer	<u>47,221</u>
Total business-type activities depreciation expense	<u>\$ 87,736</u>

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE 6 – UNEARNED REVENUE**

The Town has received advanced contract payments for the lease of billboard space with a term of 20-years. The Town recognizes revenue annually at 1/20<sup>th</sup> of the contract price. The remaining amount is recorded as unearned revenue that will be recognized as revenue over the life of the contract. The amount deferred for the billboard contract at June 30, 2016 is \$357,500. The remaining balance of unearned revenue in the governmental funds consists of grant advances in which the Town had not yet fulfilled contract requirements to recognize revenue.

**NOTE 7 – LONG-TERM LIABILITIES**

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

Loans payable at June 30, 2016, were as follows:

Description	Face Value	Maturity Ranges	Interest Rate	Outstanding June 30, 2016
Loan payable	\$ 2,145,000	2014-2023	2.00%	<u>\$ 1,500,000</u>

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2016.

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due within 1 year
Governmental activities:					
Compensated absences	\$ 35,808	\$ 17,277	\$ -	\$ 53,085	\$ 47,777
Net pension liability	1,524,086	131,628	-	1,655,714	-
Capital lease payable	-	6,682	1,520	5,162	1,164
Loans payable	1,715,000	-	215,000	1,500,000	-
Loan premium	185,188	-	42,204	142,984	19,178
Governmental activities long-term liabilities	<u>\$ 3,460,082</u>	<u>\$ 155,587</u>	<u>\$ 258,724</u>	<u>\$ 3,356,945</u>	<u>\$ 68,119</u>
Business-type activities:					
Compensated absences	\$ 2,037	\$ -	\$ 514	\$ 1,523	\$ 1,371
Net pension liability	72,898	6,931	-	79,829	-
Business-type activities long-term liabilities	<u>\$ 74,935</u>	<u>\$ 6,931</u>	<u>\$ 514</u>	<u>\$ 81,352</u>	<u>\$ 1,371</u>

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

***NOTE 7 – LONG-TERM LIABILITIES – Continued***

The following schedule details debt service requirements to maturity for the Town's loan payable at June 30, 2016.

Year Ending June 30	Governmental Activities		
	Loan Payable		
	Premium		
	Principal	Amortization	Interest
2017	\$ -	\$ 19,178	\$ 50,822
2018	220,000	35,530	23,470
2019	235,000	29,192	18,058
2020	245,000	23,569	13,881
2021	255,000	18,816	8,434
2022-23	545,000	16,669	(2,669)
Total	<u>\$ 1,500,000</u>	<u>\$ 142,954</u>	<u>\$ 111,996</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, 2016, outstanding defeased revenue bonds totaled \$335,000.

Capital leases—The Town has acquired equipment under the provisions of a long-term lease agreement classified as a capital lease 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 leases are as follows:

	Governmental Activities
Copier	\$ 9,702
Less: accumulated depreciation	<u>(647)</u>
Carrying value	<u>\$ 9,055</u>

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

***NOTE 7 – LONG-TERM LIABILITIES – Continued***

The following schedule details debt service requirements to maturity for the Town's capital leases payable at June 30, 2016:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2017	\$ 1,520
2018	1,520
2019	1,520
2020	<u>1,520</u>
Total minimum lease payments	6,080
Less amount representing interest	<u>(918)</u>
Present value of net minimum lease payments	<u><u>\$ 5,162</u></u>

***NOTE 8 – RISK MANAGEMENT***

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

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

At June 30, 2016, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activities	Total
Net pension liabilities	\$ 1,655,714	\$ 79,829	\$ 1,735,543
Deferred outflows of resources	320,521	10,642	331,163
Deferred inflows of resources	245,630	15,134	260,764
Pension expense	63,589	(992)	62,597

The Town reported \$156,700 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

**A. Arizona State Retirement System**

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



**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

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

\*With actuarially reduced benefits.

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

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. The Town's contributions to the pension plan for the year ended June 30, 2016,

**TOWN OF GUADALUPE, ARIZONA**  
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**June 30, 2016**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

were \$79,628. The Town's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

<b>ASRS</b>	<b>Health Benefit Supplement Fund</b>	<b>Long-term Disability Fund</b>
Year ended June 30,		
2016	\$ 3,670	\$ 881
2015	3,753	763
2014	3,572	1,429

During fiscal year 2016, the Town paid for ASRS pension and OPEB contributions as follows: 51.17 percent from the General Fund, 19.39 percent from the HURF Fund, 21.27 percent from the Community Services Grants Fund, .75 percent from the Community Development Grants Fund, 3.19 percent from the Tianguis Economic Development Fund, and 4.23 percent from the Sewer Fund.

**Pension Liability** – At June 30, 2016, the Town reported a liability of \$1,075,859 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The Town's proportion measured as of June 30, 2015, was .006910 percent, which was an increase of .000305 from its proportion measured as of June 30, 2014.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Pension Expense and Deferred Outflows/Inflows of Resources** – For the year ended June 30, 2016, the Town recognized pension expense for ASRS of (\$13,367). At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 29,358	\$ 56,376
Net difference between projected and actual earnings on pension plan investments	-	34,479
Changes in proportion and differences between Town contributions and proportionate share of contributions	34,435	113,103
Town contributions subsequent to the measurement date	<u>79,628</u>	<u>-</u>
Total	<u>\$ 143,421</u>	<u>\$ 203,958</u>

The \$79,628 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	\$ (94,182)
2018	(49,088)
2019	(21,784)
2020	24,889
2021	-
Thereafter	-

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

**ASRS**

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

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

**ASRS**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Arithmetic Expected Real Rate of Return</b>
Equity	58%	6.79%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset class	5%	3.41%
Commodities	2%	3.93%
Total	100%	

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

**ASRS**

	<u>1% Decrease (7% )</u>	<u>Current Discount Rate (8% )</u>	<u>1% Increase (9% )</u>
Town's proportionate share of the net pension liability	\$ 1,409,743	\$ 1,075,859	\$ 847,039

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

**B. Public Safety Personnel Retirement System**

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

The PSPRS issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS Web site at [www.psprs.com](http://www.psprs.com).

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

**PSPRS**

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
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***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

**Employees Covered by Benefit Terms** – At June 30, 2016, the following employees were covered by the agent pension plans' benefit terms:

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

**Contributions and Annual OPEB Cost** – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2016, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u><b>PSPRS Fire</b></u>
Active Members - Pension	11.65%
Town	
Pension	26.33%
Health insurance premium benefit	0.87%

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

For the agent plans, the Town's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2016, were:

<b>Pension</b>	<u><b>PSPRS Fire</b></u>
Contributions Made	\$ 82,014

**Health Insurance Premium**

**Benefit**

Annual OPEB cost	2,465
Contributions made	2,465

During fiscal year 2016, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

**Net Pension Liability (Asset)** – At June 30, 2016, the Town reported the following net pension liability:

	<u><b>Net Pension Liability (Asset)</b></u>
PSPRS Fire	\$ 659,684

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the Town's net pension liability as a result of the statutory adjustments is not known.



**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
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**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

**PSPRS**

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0%-8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Geometric Real Rate of Return</b>
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed Income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private Equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	100%	

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
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***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

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

	<u><b>PSPRS Fire</b></u>
Discount rates	7.85%

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
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**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Changes in the Net Pension Liability (Asset)**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (Asset) (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
Balances at June 30, 2015	\$ 1,407,245	\$ 787,592	\$ 619,653
Changes for the year			
Service Cost	50,177	-	50,177
Interest on the total pension liability	110,540	-	110,540
Differences between expected and actual experience in the measurement of the pension liability	(4,211)	-	(4,211)
Contributions-employer	-	58,412	(58,412)
Contributions-employee	-	30,153	(30,153)
Net investment income	-	29,544	(29,544)
Benefit payments, including refunds of employee contributions	(48,359)	(48,359)	-
Administrative expense	-	(1,107)	1,107
Other changes	-	(527)	527
Net changes	108,147	68,116	40,031
Balances at June 30, 2016	<u>\$ 1,515,392</u>	<u>\$ 855,708</u>	<u>\$ 659,684</u>

**Sensitivity of the Town's Net Pension Liability to Changes in the Discount Rate** – The following table presents the Town's net pension liabilities (assets) calculated using the discount rate of 7.85 percent, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.85 percent) or 1 percentage point higher (8.85 percent) than the current rate:

	<b>1% Decrease (6.85%)</b>	<b>Current Discount Rate (7.85%)</b>	<b>1% Increase (8.85%)</b>
PSPRS fire			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 867,933	\$ 659,684	\$ 486,133

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

**Pension Expense** – For the year ended June 30, 2016, the Town recognized the following pension expense:

	<u>Pension Expense</u>
PSPRS Fire	\$ 75,964

**Pension Deferred Outflows/Inflows of Resources** – At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 34,028
Changes of assumptions or other inputs	78,691	-
Net difference between projected and actual earnings on pension plan investments	27,037	22,778
Town contributions subsequent to the measurement date	82,014	-
	<u>187,742</u>	<u>56,806</u>
Total	<u>\$ 187,742</u>	<u>\$ 56,806</u>

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2016**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u><b>PSPRS Fire</b></u>
Year ended June 30,	
2017	\$ 7,106
2018	7,106
2019	7,107
2020	14,700
2021	7,940
Thereafter	4,963

**Agent Plan OPEB Actuarial Assumptions** – The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
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**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

Projections of benefits are based on (1) the plans as understood by the Town and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial methods and assumptions used to establish the fiscal year 2016 contribution requirements are as follows:

**PSPRS - OPEB Contribution Requirements**

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

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

Year ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Fire			
2016	\$ 2,465	100%	\$ 24,879
2015	4,008	100%	22,310
2014	3,514	100%	22,610

**Agent Plan OPEB Funded Status** – The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow.

**TOWN OF GUADALUPE, ARIZONA**  
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***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

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

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

**PSPRS - OPEB Funded Status**

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4%-8%
Wage growth	4%

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
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***NOTE 10 – INTERFUND BALANCES AND ACTIVITY***

Interfund payables – Interfund payables for the year ended June 30, 2016, were as follows:

Payable from	Payable to		Total
	General Fund	Sewer Fund	
Community Services Grants Fund	\$ 1,598	\$ -	\$ 1,598
Tianguis Econ. Dev. Fund	-	39,673	39,673
Total	<u>\$ 1,598</u>	<u>\$ 39,673</u>	<u>\$ 41,271</u>

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

Interfund transfers – Interfund transfers for the year ended June 30, 2016, were as follows:

Transfer To	Transfer From General Fund
Community Services Grants Fund	\$ 126,144
Debt Service Fund (nonmajor fund)	<u>294,046</u>
Total	<u>\$ 420,190</u>

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



**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
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***NOTE 11 – COMMITMENTS***

***Refuse Collection Contract*** – The Town has contracted with a waste management firm to provide trash, and rubbish collection services to certain designated areas. The contract period is March 1, 2015 through January 31, 2020. Payments under the current contract for the year ended June 30, 2016, were approximately \$259,364. Payments are based on the number of residences in the Town times a monthly rate of \$16.07. The monthly rate is adjusted annually on March 1 based on the Consumer Price Index as published by the Bureau of Labor Statistics. The approximate total obligation under the contract for each fiscal year based on the current number of residences in the Town is as follows:

Fiscal Year Ending June 30	Amount
2017	261,431
2018	261,431
2019	261,431
2020	174,287

***Public Safety*** – The Town of Guadalupe entered into a contract with the Maricopa County Sheriff's Department for public safety services for the next fiscal year. Based on this agreement, the rendition of police services, the standards of performance, the discipline of officers, and other matters incidental to the performance of such services, and the control of personnel so employed shall remain in the County Sheriff's Department. For the year ending June 30, 2016, the Town paid the County Sheriff \$1,475,328 and has agreed to monthly installments of \$141,448 for the 2017 fiscal year. Under the contract, a notice of termination of contract may be given by either party 180 days prior to the date of intended termination.



**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenue</b>				
Intergovernmental	\$ 5,142,084	\$ 5,142,084	\$ 2,380,070	\$ (2,762,014)
Taxes	1,949,252	1,949,252	2,509,809	560,557
Charges for services	148,089	148,089	159,150	11,061
Licenses and permits	28,000	28,000	126,198	98,198
Fines and forfeitures	151,000	151,000	72,707	(78,293)
Other revenue	118,600	118,600	11,800	(106,800)
Interest	200	200	4,908	4,708
<b>Total revenue</b>	<u>7,537,225</u>	<u>7,537,225</u>	<u>5,264,642</u>	<u>(2,272,583)</u>
<b>Expenditures</b>				
Current				
Public safety	3,667,919	3,667,919	2,791,576	876,343
General government	1,109,936	1,109,936	777,278	332,658
Public works and streets	15,514	15,514	14,334	1,180
Culture and recreation	131,382	131,382	126,063	5,319
Community development	33,783	33,783	79,856	(46,073)
Debt Service				
Principal	-	-	1,520	(1,520)
Capital outlay	<u>2,550,000</u>	<u>2,550,000</u>	<u>792,960</u>	<u>1,757,040</u>
<b>Total expenditures</b>	<u>7,508,534</u>	<u>7,508,534</u>	<u>4,583,587</u>	<u>2,924,947</u>
Excess (deficiency) of revenue over expenditures	28,691	28,691	681,055	652,364
<b>Other financing sources (uses)</b>				
Sale of capital assets	-	-	3,021	3,021
Capital lease agreement	-	-	6,682	6,682
Transfers	<u>(436,976)</u>	<u>(436,976)</u>	<u>(420,190)</u>	<u>16,786</u>
<b>Total other financing sources (uses)</b>	<u>(436,976)</u>	<u>(436,976)</u>	<u>(410,487)</u>	<u>26,489</u>
<b>Net changes in fund balances</b>	<u>(408,285)</u>	<u>(408,285)</u>	<u>270,568</u>	<u>678,853</u>
Fund balances, beginning of year	<u>641,226</u>	<u>641,226</u>	<u>641,226</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 232,941</u>	<u>\$ 232,941</u>	<u>\$ 911,794</u>	<u>\$ 678,853</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, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenue</b>				
Intergovernmental	\$ 2,631,340	\$ 2,631,340	\$ 19,736	\$ (2,611,604)
Other revenue	-	-	50,226	50,226
<b>Total revenue</b>	<u>2,631,340</u>	<u>2,631,340</u>	<u>69,962</u>	<u>(2,561,378)</u>
<b>Expenditures</b>				
Current				
Community development	<u>2,631,340</u>	<u>2,631,340</u>	<u>11,541</u>	<u>2,619,799</u>
<b>Net changes in fund balances</b>	-	-	58,421	58,421
Fund balances, beginning of year	<u>25,553</u>	<u>25,553</u>	<u>25,553</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 25,553</u>	<u>\$ 25,553</u>	<u>\$ 83,974</u>	<u>\$ 58,421</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Community Services Grants Fund**  
**Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenue</b>				
Intergovernmental	\$ 523,102	\$ 523,102	\$ 205,152	\$ (317,950)
Other revenue	-	-	6,761	6,761
<b>Total revenue</b>	<u>523,102</u>	<u>523,102</u>	<u>211,913</u>	<u>(311,189)</u>
<b>Expenditures</b>				
Current				
Health and welfare	<u>669,378</u>	<u>669,378</u>	<u>338,057</u>	<u>331,321</u>
Excess (deficiency) of revenue over expenditures	(146,276)	(146,276)	(126,144)	20,132
<b>Other financing sources (uses)</b>				
Transfers	<u>146,276</u>	<u>146,276</u>	<u>126,144</u>	<u>(20,132)</u>
<b>Net changes in fund balances</b>	-	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<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, 2016**

***NOTE 1 – BUDGETING AND BUDGETARY CONTROL***

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

Expenditures may not legally exceed appropriations at the fund 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 the Town's Proportionate**  
**Share of the Net Pension Liability**  
**Cost-Sharing Pension Plans**  
**June 30, 2016**

**Arizona State Retirement System**

	<b>Reporting Fiscal Year</b>		
	<b>(Measurement Date)</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>(2015)</b>	<b>(2014)</b>	<b>through</b>
			<b>2007</b>
Town's proportion of the net pension liability	0.006910%	0.006605%	Information
Town's proportionate share of the net pension liability	\$ 1,075,859	\$ 977,331	not available
Town's covered-employee payroll	\$ 733,899	\$ 636,171	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	146.59%	153.63%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%	

*See accompanying notes to pension plan schedules.*



**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Town's**  
**Net Pension Liability (Asset) and Related Ratios**  
**Agent Pension Plans**  
**June 30, 2016**

**PSPRS**

	<b>Reporting Fiscal Year (Measurement Date)</b>		
	<b>2016 (2015)</b>	<b>2015 (2014)</b>	<b>2014 through 2007</b>
Total pension liability			Information not available
Service cost	\$ 50,177	\$ 50,552	
Interest on the total pension liability	110,540	96,007	
Changes of benefit terms	-	21,443	
Differences between expected and actual experience in the measurement of the pension liability	(4,211)	(41,101)	
Changes of assumptions or other inputs	-	106,427	
Benefit payments, including refunds of employee contributions	(48,359)	(47,649)	
Net change in total pension liability	108,147	185,679	
Total pension liability - beginning	1,407,245	1,221,566	
Total pension liability - ending (a)	<u>\$ 1,515,392</u>	<u>\$ 1,407,245</u>	
Plan fiduciary net position			
Contributions - employer	\$ 58,412	\$ 55,194	
Contributions - employee	30,153	27,116	
Net investment income	29,544	92,104	
Benefit payments, including refunds of employee contributions	(48,359)	(47,649)	
Administrative expense	(1,107)	-	
Other changes	(527)	(23,055)	
Net change in plan fiduciary net position	68,116	103,710	
Plan fiduciary net position - beginning	787,592	683,882	
Plan fiduciary net position - ending (b)	<u>\$ 855,708</u>	<u>\$ 787,592</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 659,684</u>	<u>\$ 619,653</u>	
Plan fiduciary net position as a percentage of the total pension liability	56.47%	55.97%	
Covered-employee payroll	\$ 272,878	\$ 261,991	
Town's net pension liability (asset) as a percentage of covered-employee payroll	241.75%	236.52%	

*See accompanying notes to pension plan schedules.*

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town Pension Contributions**  
**June 30, 2016**

**Arizona State Retirement System**

	<b>Reporting Fiscal Year</b>			<b>2013 through 2007</b>
	<b>2016</b>	<b>2015</b>	<b>2014</b>	
Statutorily required contribution	\$ 79,628	\$ 69,279	\$ 63,708	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(79,628)</u>	<u>(69,279)</u>	<u>(63,708)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 733,899	\$ 636,171	\$ 595,402	
Town's contributions as a percentage of covered- employee payroll	10.85%	10.89%	10.70%	

**PSPRS**

	<b>Reporting Fiscal Year</b>			<b>2013 through 2007</b>
	<b>2016</b>	<b>2015</b>	<b>2014</b>	
Actuarially determined contribution	\$ 82,014	\$ 58,412	\$ 55,194	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(82,014)</u>	<u>(58,412)</u>	<u>(55,194)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 311,485	\$ 272,878	\$ 261,991	
Town's contributions as a percentage of covered- employee payroll	26.33%	21.41%	21.07%	

*See accompanying notes to pension plan schedules.*

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension Plan Schedules**  
**June 30, 2016**

***NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES***

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

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2014 actuarial valuation	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0%. In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%.
Wage growth	In 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Agent OPEB Plans' Funding Progress**  
**June 30, 2016**

**Health Insurance Premium Benefit - PSPRS**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([b-a]/c)
06/30/16	\$ 36,548	\$ 61,427	\$ 24,879	59.5 %	\$ 311,485	7.99 %
06/30/15	32,693	55,003	22,310	59.4	272,878	8.18 %
06/30/14	28,702	51,313	22,611	55.9	261,990	8.63 %

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

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Notes to Schedule of Agent OPEB Plans' Funding Progress**  
**June 30, 2016**

***NOTE 1 – FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS***

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



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

To the Town Council  
Town of Guadalupe, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Guadalupe, Arizona, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Guadalupe, Arizona's basic financial statements and have issued our report thereon dated January 31, 2017.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Lobby & Powell, PLC". The signature is written in a cursive, flowing style.

January 31, 2017