

**TOWN OF GUADALUPE, ARIZONA**

Annual Financial Statements  
and  
Independent Auditors' Report  
June 30, 2019





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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, 2019, and the related notes to the financial statements, which collectively comprise the Town of Guadalupe, Arizona'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, 2019, 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*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pgs 5 to 15), Budgetary Comparison Schedules (pgs 58 to 61) , Schedule of the Town's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Pension Plans (pgs 62 to 63), Schedule of Changes in the Town's Net Pension/OPEB Liability and Related Ratios – Agent Pension Plans (pgs 64 to 65), and the Schedule of Town Pension/OPEB Contributions (pgs 66 to 67) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Guadalupe, Arizona's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures



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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019, 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 solely 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 the effectiveness of the Town of Guadalupe, Arizona's 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.

*Colby & Powell, PLC*

December 17, 2019

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**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2019**

**Management's Discussion and Analysis**

We (the Town of Guadalupe, Arizona) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2019. The intended purpose of the Management Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation. When referring to prior year data in this analysis we will be drawing upon information from last year's audited financial reports.

**Overview of the Financial Statements**

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town of Guadalupe, Arizona that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Guadalupe, Arizona include general government, public safety, public works and streets, culture and recreation, community development, health and welfare and debt service-interest. The business-type activities include the Town's refuse, sewer operations and a commercial center.

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

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

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

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

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

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

**Notes to the basic financial statements.** The notes to the financial statements (pages 26 to 55) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

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

**Financial Highlight**

- ♦ The assets of the Governmental Activities of the Town of Guadalupe, Arizona exceeded its liabilities at close of the most recent fiscal year by \$18,128,265 (net position). Of this amount \$38,286 is restricted for community service programs, \$17,966,829 is invested in capital assets, net of related debt, and \$735,559 is restricted for community development activities. With recent changes in reporting State and public safety retirement obligations, the Town's Governmental Activities unrestricted net position is at a deficit of (\$612,409) which should improve over time due to increased contributions to those retirement plans.
- ♦ As of the close of the current fiscal year, the Town of Guadalupe, Arizona's governmental funds reported combined ending fund balances of \$1,353,957 resulting in an increase \$57,261 in comparison with prior year. The increase is a result of a slow but steady improvement of the local economy.
- ♦ At the end of the current fiscal year, unassigned fund balance for the General Fund reflects a surplus of \$1,272,977.

Local sales tax and state-shared revenues received were greater than amounts budgeted. Due to those increases in revenues the Town's General Fund revenues were 4% higher than budgeted indicating a strong local economy. General Fund expenses and transfers to other funds were \$835,706 less than budgeted in large part due to contingency amounts not spent and transfers to other funds were lower than budgeted. Because the Town has no property tax, it relies heavily on the current economy for its revenues. In removing grant revenues and expenditures from the General Fund and creating a separate Grants Fund, the Town budgeted revenues and transfers in for the General Fund for fiscal year 2019 to be \$708,363 lower than prior year. This eliminated hopeful grant funded projects from distorting General Fund operations. Likewise, budgeted expenditures and transfers out in the General Fund were \$65,857 lower than prior year with a contingency amount created in the General Fund of \$248,722. The local economy in Guadalupe did well with an increase of 12% over budget. Restaurant and bar taxes alone were over budget by 17%. A high return on investments yielded much better results than prior years. The Town's management and budgetary committees continue to be conservative after the experience of the past couple of years in efforts to invest in capital improvements such as streets, buildings and public safety.

Excess revenues over expenditures excluding transfers out were \$1,022,686 higher than budgeted in the General Fund for fiscal year 2019.

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2019**

**Government-Wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Position of the Town for June 30, 2019 showing that assets exceeded liabilities by \$19,447,155.

**Town of Guadalupe, Arizona**  
**Condensed Statement of Net Position**  
**As of June 30, 2019 and 2018**

	Governmental Activities	Business-Type Activities	Total	Prior Year June 30, 2018
<b>ASSETS</b>				
Current and other assets	\$ 2,979,985	\$ 1,191,079	\$ 4,171,064	\$ 4,266,799
Capital assets				
Non-depreciable	7,073,380	84,703	7,158,083	7,134,872
Depreciable (net)	12,254,863	189,499	12,444,362	12,044,739
<b>Total assets</b>	<b>22,308,228</b>	<b>1,465,281</b>	<b>23,773,509</b>	<b>23,446,410</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	573,619	14,548	588,167	632,963
<b>LIABILITIES</b>				
Other liabilities	898,548	61,975	960,523	1,066,960
Non-current liabilities				
Due within one year	140,774	4,715	145,489	123,490
Due in more than one year	3,442,387	82,193	3,524,580	3,967,809
<b>Total liabilities</b>	<b>4,481,709</b>	<b>148,883</b>	<b>4,630,592</b>	<b>5,158,259</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	271,873	12,056	283,929	161,420
<b>NET POSITION</b>				
Net investment in capital assets	17,966,829	274,202	18,241,031	17,496,869
Restricted for:				
Community service	38,286	-	38,286	1,631
Community development	735,559	-	735,559	862,240
Unrestricted (deficit)	(612,409)	1,044,688	432,279	398,954
<b>Total net position</b>	<b>\$ 18,128,265</b>	<b>\$ 1,318,890</b>	<b>\$ 19,447,155</b>	<b>\$ 18,759,694</b>

The unrestricted net position of the Governmental Activities for the Town of Guadalupe, Arizona has increased to a deficit of \$(612,409) from the prior year of \$(712,382).

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
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**Comparative Analysis of Government-Wide Revenues and Expenses**  
**For the year ended June 30, 2019 and 2018**

	Governmental Activities	Business-Type Activities	Total	Prior Year June 30, 2018
<b>REVENUE</b>				
<b>Program revenue:</b>				
Charges for services	\$ 319,323	\$ 591,831	\$ 911,154	\$ 1,026,289
Grants and contributions	1,906,882	-	1,906,882	1,328,781
<b>Total program revenue</b>	<b>2,226,205</b>	<b>591,831</b>	<b>2,818,036</b>	<b>2,355,070</b>
<b>General revenue:</b>				
Sales taxes	2,127,078	-	2,127,078	2,137,573
Franchise tax	26,303	-	26,303	26,574
Bed taxes	364,824	-	364,824	405,035
Restaurant tax	292,579	-	292,579	269,394
State sales tax revenue sharing	656,929	-	656,929	610,177
Auto lieu tax revenue sharing	280,769	-	280,769	262,424
State revenue sharing	790,177	-	790,177	784,774
Interest income	30,145	24,416	54,561	32,068
Miscellaneous	10,486	-	10,486	15,530
<b>Total general revenue</b>	<b>4,579,290</b>	<b>24,416</b>	<b>4,603,706</b>	<b>4,543,549</b>
<b>Total revenue</b>	<b>6,805,495</b>	<b>616,247</b>	<b>7,421,742</b>	<b>6,898,619</b>
<b>EXPENSE</b>				
General government	1,070,486	-	1,070,486	1,020,658
Public safety	3,459,080	-	3,459,080	3,146,777
Public works and streets	690,765	-	690,765	744,849
Culture and recreation	150,687	-	150,687	161,763
Community development	296,884	-	296,884	181,624
Health and welfare	372,119	-	372,119	352,541
Interest on general long-term debt	38,408	-	38,408	27,103
Sewer	-	140,951	140,951	156,529
Tianguis	-	161,164	161,164	131,490
Refuse	-	353,737	353,737	326,756
<b>Total expenses</b>	<b>6,078,429</b>	<b>655,852</b>	<b>6,734,281</b>	<b>6,250,090</b>
<b>Transfers</b>	<b>100,698</b>	<b>(100,698)</b>	<b>-</b>	<b>-</b>
Change in net position	827,764	(140,303)	687,461	648,529
Beginning net position	17,300,501	1,459,193	18,759,694	18,380,559
Ending net position	<u>\$ 18,128,265</u>	<u>\$ 1,318,890</u>	<u>\$ 19,447,155</u>	<u>\$ 19,029,088</u>

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
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**Financial Analysis of the Town's Funds**

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,353,957, an increase of \$57,261 in comparison with the prior year. The increase is directly related to the increase in local sales taxes. General Fund expenditures were decreased by \$412,371 over prior year and revenues increased over prior year by \$122,423. General Fund balance increased by \$170,099 with a total fund balance of \$1,305,690. Local sales taxes increased over prior year by \$282,084. State-shared revenues increased from prior year by \$52,155 generating an increase overall in the fund balance. This trend indicates the importance of continuing to encouraging local commercial development and promoting current local businesses. While it appears that the state and local economy are improving, the Town continues to budget conservatively.

Fund	Balance at	Increase/(Decrease)
	June 30, 2019	From 2017-18
General Fund	\$ 1,305,690	\$ 170,099
Comm. Dev. Grants Fund	68,521	(90,953)
Grants Fund	(57,653)	(57,653)
HURF/LTAF Fund (non-major)	(184)	(184)
Comm. Serv. Grants Fund (non-major)	37,583	35,952
Debt Service Fund (non-major)	-	-
Capital Projects Fund (non-major)	-	-

The General Fund is the chief operating fund of the Town of Guadalupe, Arizona. At the end of the current fiscal year, the fund balance of the General Fund was a surplus of \$1,305,690, and the balance of all governmental funds increased to \$1,353,957.

The fund balance of the Town of Guadalupe, Arizona's General Fund increased by \$170,099 during the current fiscal year. Key factors in this change are as follows:

- ♦ Most General Fund revenues were over or at budget: local sales taxes, franchise taxes, and restaurant and bar taxes were over budget by a total of \$271,397. As of budget year 2018/2019, grants are no longer budgeted in the General Fund but can be found in the Grants Fund.
- ♦ One-time revenues are revenues that are not anticipated nor budgeted. Those one-time revenues that attributed to the surplus in the General Fund included a sales tax audit and revenues from building permits.



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- ♦ At year end, the General Fund revenues and other financing sources exceeded expenditures by \$636,857. However, transfers from the General Fund to pay the bond payment and interest in the amount of \$292,245, from the General Fund to HURF in the amount of \$48,947, from the General Fund to the Senior Center in the amount of \$66,357, from the General Fund to the Community Action Program in the amount of \$59,209 and resulted in General Fund revenues and other financing sources exceeding transfers and expenditures by \$170,099. As a result, the General Fund ended the year with a surplus of \$1,305,690.
- ♦ No departments were materially over budget.

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

Net position of the Refuse, Sewer and Tianguis Economic Development Funds at the end of the year amounted to \$251,061, \$1,024,873, and \$42,956, respectively. The total change in net position for the three funds was \$(25,438), \$(136,719) and \$21,854, respectively.

### **General Fund Budgetary Highlights**

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 58 to 61. These statements compare the original adopted budget, the budget if amended during the fiscal year, and the actual revenues and expenditures.

General Fund revenues of \$5,044,527 were more than budgeted revenues of \$4,837,333 by \$207,194 while expenditures of \$4,407,670 were less than budgeted expenses of \$5,223,162 by \$815,492. The primary cause in the difference between the actual revenues and expenditures and the budgeted revenues and expenditures was the result of one-time revenues received, Administration costs being under budget and no contingency expenses were incurred.

### **Capital Asset and Debt Administration**

The Town's capital assets for its Governmental and Business-type Activities as of June 30, 2019 amounted to \$19,602,445 (net of accumulated depreciation). For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 5 in the notes to the basic financial statements for further information regarding capital assets. The current year capital asset additions were as follows:

- ♦ The Town entered into an agreement with Maricopa County Association of Governments and Arizona Department of Transportation to begin work on the Avenida del Yaqui Bicycle and Pedestrian Improvement Project. The project will replace current curbs and sidewalk and add a bicycle lane in both the north bound and south bound lanes from Highline Canal south to Carmen. The Avenue will be

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
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resurfaced and safety features will be added. The expenditures for fiscal year June 30, 2019 amounted to \$34,206. As of June 30, 2019, the total projects costs are estimated to be \$3,638,189.

- ♦ During fiscal year 2019, the Town completed two flood control projects on Naranja and Sahuaro for a total \$480,989 using mostly State Flood Control grant funding.
- ♦ With the use of Community Development Block grants, the Town repaired streets in the Sende Vista area of Town totaling \$568,652.
- ♦ Guadalupe Fire Department completed upgrading the new fire pumper with additional parts that totaled \$27,133.
- ♦ The Guadalupe Fire Department purchased a thermal imager with the use of a Fire House Subs grant that totaled \$18,529.
- ♦ With assistance from Maricopa County, the Town installed a drinking fountain in the Maricopa County Library-Guadalupe location for \$6,000.
- ♦ The Town received gaming funds to buy maintenance vehicles that amounted to \$18,540.
- ♦ During the year, the Town began replacing/repairing the Headstart and Senior Center roof. At June 30, 2019 only the engineering costs were completed totaling \$4,440.
- ♦ The remaining purchases of \$14,888 included a stove, air curtain and air conditioning units for the Senior Center. The following table provides a breakdown of the capital assets of the Town at June 30, 2019:

**Capital Assets at June 30, 2019 and 2018**  
**(Net of accumulated depreciation)**

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 7,039,174	\$ 7,039,174	\$ 84,703	\$ 84,703	\$ 7,123,877	\$ 7,123,877
Construction in progress	34,206	10,995	-	-	34,206	-
Land improvements	2,234,150	1,879,777	-	-	2,234,150	1,879,777
Buildings and improvements	1,520,403	1,584,780	44,392	58,024	1,564,795	1,642,804
Infrastructure	4,284,526	3,900,438	113,097	160,316	4,397,623	4,060,754
Street lights	253,492	278,402	-	-	253,492	278,402
Machinery and equipment	807,280	867,508	32,010	44,814	839,290	912,322
Curbs and gutters	3,155,012	3,270,680	-	-	3,155,012	3,270,680
<b>Total</b>	<b>\$ 19,328,243</b>	<b>\$ 18,831,754</b>	<b>\$ 274,202</b>	<b>\$ 347,857</b>	<b>\$ 19,602,445</b>	<b>\$ 19,168,616</b>

**TOWN OF GUADALUPE, ARIZONA**  
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**Long-term Debt**

At the end of the current fiscal year, the Town of Guadalupe, Arizona had total long-term obligations outstanding of \$3,670,069. Of that amount, \$800,000 is outstanding loan debt and the loan premium of \$46,092. The loan payable is secured by pledges of specific revenue sources of the Town. Net pension liabilities in the amount of \$2,216,562 will be paid down annually over the next twenty years. Capital leases payable outstanding were \$515,322. Compensated absences payable to employees is equal to \$92,093. The following schedule shows the outstanding debt of the Town (both current and long-term) as of June 30, 2019. Further detail on the Town's outstanding debt may be found in Note 7 on pages 36 to 38.

**Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Compensated absences	\$ 86,854	\$ 63,406	\$ 5,239	\$ 3,433	\$ 92,093	\$ 66,839
Net pension and OPEB liability	2,134,893	2,253,422	81,669	88,296	2,216,562	2,341,718
Capital lease payable	515,322	565,789	-	-	515,322	565,789
Loans payable	846,092	1,116,953	-	-	846,092	1,116,953
<b>TOTAL</b>	<b>\$ 3,583,161</b>	<b>\$ 3,999,570</b>	<b>\$ 86,908</b>	<b>\$ 91,729</b>	<b>\$ 3,670,069</b>	<b>\$ 4,091,299</b>

**Economic Factors and Next Year's Budgets and Rates**

- ♦ State-shared revenue makes up 34% of the Town's General Fund revenue. State-shared revenue is expected to increase by 7% or \$119,400 for fiscal year 2020. More than half of this increase is Urban Revenue Sharing (State income taxes). Urban Revenue Sharing is distributed two years after the State collects the funds. Therefore, this increase indicates that job growth and pay rates increased by 9% in 2019 over 2017 as indicated in the 9% increase in Urban Revenue Sharing distributions. State-shared sales taxes are forecasted to increase by 4%, or by \$28,770. All State-shared revenue estimates increased by a rate equal to last year indicating that the Arizona economy continues to grow, but at a slow pace. The Town of Guadalupe management and budget staff remain conservative in estimating revenues.
- ♦ Local sales tax revenue, which makes up 42% of the General Fund revenue, is expected to decrease by 11% or \$227,077. This is in large part due to one-time tax collections in the 2018/2019 fiscal year.

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2019**

**Economic Factors and Next Year's Budgets and Rates (continued)**

- ♦ Because of the slow growth rate of the economy, the Town Council continued to make reductions in expenditures when the 2019-20 budget was prepared. Revenues did exceed expenditures and transfers at fiscal year-end 2019; therefore, the Council did increase budgeted expenditures for capital outlays, public safety, parks improvements and community outreach programs.
- ♦ The Town Council and staff will be preparing neighbors throughout Town for improvements to the main north/south bound arterial going through Town. The improvements will include bike paths and sidewalk improvements on both sides as well as overlay on both lanes. Guadalupe Road (East/West) will be getting improvements but on a smaller scale to keep it safe for pedestrians and motorists alike. During fiscal year 2019, the fire department completed the upgrades needed to its new fire engine. The Senior Center and Head Start building will be getting repairs to include a new roof and air conditioning units so that the programs can continue to provide much needed community services.
- ♦ In efforts to promote businesses located in the Town's Commercial Center, the Town Council and Town Manager have been holding numerous special events in and around the building. It does appear that sales have been picking up and there is also a spike in interest of the vacant suites. In addition, short-term patio rentals and multipurpose room rentals have increased by 240%, or by \$20,857. These activities also bring new clients to the Mercado that would not have otherwise been introduced to the local flavor that the shops provide.
- ♦ The Town Council and the Town Manager have aggressively been seeking property developers to develop vacant land around Town in order to increase local sales tax revenues.
- ♦ Management has been reviewing rental and long-term lease contracts as they come up for renewal to ensure the Town is getting fair market value from the activities.
- ♦ And lastly, an assessment study will be done on the Town's sewer system during fiscal year 2020 to determine conditions and provide grant and budgetary repair/replacement information. The Town Council and Manager will also go out for bid for refuse services to begin in March of 2020 due to the current price increases in both solid waste and recycling.

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2019**

**Financial contact**

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

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

Or visit our website at:  
[www.guadalupeaz.org](http://www.guadalupeaz.org)

**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Net Position**  
**June 30, 2019**

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,742,116	\$ 1,113,073	\$ 2,855,189
Accounts receivable - net	-	5,788	5,788
Taxes receivable - net	337,895	-	337,895
Miscellaneous receivables	40	-	40
Due from other governments	184,833	68,732	253,565
Prepaid expenses	45,274	3,287	48,561
Notes receivable - net	667,361	-	667,361
Net other postemployment benefits asset	2,466	199	2,665
Capital assets, not being depreciated	7,073,380	84,703	7,158,083
Capital assets, being depreciated, net	12,254,863	189,499	12,444,362
<b>Total assets</b>	<b>22,308,228</b>	<b>1,465,281</b>	<b>23,773,509</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions and other postemployment benefits	573,619	14,548	588,167
<b>LIABILITIES</b>			
Accounts payable	154,023	50,098	204,121
Accrued expenses	81,597	3,989	85,586
Court bonds payable	93,164	-	93,164
Unearned revenue	569,764	-	569,764
Refundable deposits	-	7,888	7,888
Noncurrent liabilities			
Due within 1 year	140,774	4,715	145,489
Due in more than 1 year	3,442,387	82,193	3,524,580
<b>Total liabilities</b>	<b>4,481,709</b>	<b>148,883</b>	<b>4,630,592</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions and other postemployment benefits	271,873	12,056	283,929
<b>NET POSITION</b>			
Net investment in capital assets	17,966,829	274,202	18,241,031
Restricted for:			
Community service	38,286	-	38,286
Community development	735,559	-	735,559
Unrestricted (deficit)	(612,409)	1,044,688	432,279
<b>Total net position</b>	<b>\$ 18,128,265</b>	<b>\$ 1,318,890</b>	<b>\$ 19,447,155</b>

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

**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2019**

Functions / Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities							
Public safety	\$ 3,459,080	\$ 107,088	\$ 105,084	\$ 132,931	\$ (3,113,977)	\$ -	\$ (3,113,977)
General government	1,070,486	177,585	102,208	-	(790,693)	-	(790,693)
Public works and streets	690,765	-	461,241	250,000	20,476	-	20,476
Health and welfare	372,119	-	270,558	8,338	(93,223)	-	(93,223)
Culture and recreation	150,687	34,650	3,000	-	(113,037)	-	(113,037)
Community development	296,884	-	4,870	568,652	276,638	-	276,638
Interest on general long-term debt	38,408	-	-	-	(38,408)	-	(38,408)
<b>Total governmental activities</b>	<b>6,078,429</b>	<b>319,323</b>	<b>946,961</b>	<b>959,921</b>	<b>(3,852,224)</b>	<b>-</b>	<b>(3,852,224)</b>
Business-type activities							
Sewer	140,951	80,514	-	-	-	(60,437)	(60,437)
Tianguis	161,164	183,018	-	-	-	21,854	21,854
Refuse	353,737	328,299	-	-	-	(25,438)	(25,438)
<b>Total business-type activities</b>	<b>655,852</b>	<b>591,831</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(64,021)</b>	<b>(64,021)</b>
<b>Total primary government</b>	<b>\$ 6,734,281</b>	<b>\$ 911,154</b>	<b>\$ 946,961</b>	<b>\$ 959,921</b>	<b>(3,852,224)</b>	<b>(64,021)</b>	<b>(3,916,245)</b>
<b>General revenues:</b>							
Taxes:							
Sales taxes					2,419,657	-	2,419,657
Bed taxes					364,824	-	364,824
Franchise taxes					26,303	-	26,303
State revenue sharing					790,177	-	790,177
State sales tax revenue sharing					656,929	-	656,929
Auto lieu tax revenue sharing					280,769	-	280,769
Interest income					30,145	24,416	54,561
Miscellaneous					10,486	-	10,486
<b>Transfers</b>					<b>100,698</b>	<b>(100,698)</b>	<b>-</b>
Total general revenues and transfers					<b>4,679,988</b>	<b>(76,282)</b>	<b>4,603,706</b>
Change in net position					827,764	(140,303)	687,461
Net position, beginning of year					17,300,501	1,459,193	18,759,694
Net position, end of year					<b>\$ 18,128,265</b>	<b>\$ 1,318,890</b>	<b>\$ 19,447,155</b>

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

**TOWN OF GUADALUPE, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	General Fund	Community Development Grants Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,540,910	\$ 89,612	\$ 67,871	\$ 43,723	\$ 1,742,116
Taxes receivable - net	337,895	-	-	-	337,895
Miscellaneous receivables	40	667,361	-	-	667,401
Due from other governments	54,908	400	57,653	71,872	184,833
Prepaid expenses	32,713	323	-	12,238	45,274
<b>Total assets</b>	<u>1,966,466</u>	<u>757,696</u>	<u>125,524</u>	<u>127,833</u>	<u>2,977,519</u>
<b>Liabilities</b>					
Accounts payable	82,237	22	-	71,764	154,023
Accrued expenses	59,944	-	5,780	15,873	81,597
Court bonds payable	93,164	-	-	-	93,164
Unearned revenue	425,431	21,792	119,744	2,797	569,764
<b>Total liabilities</b>	<u>660,776</u>	<u>21,814</u>	<u>125,524</u>	<u>90,434</u>	<u>898,548</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue	-	667,361	57,653	-	725,014
<b>Fund balances</b>					
Nonspendable	32,713	323	-	12,238	45,274
Restricted for:					
Community development	-	68,198	-	-	68,198
Community service	-	-	-	38,286	38,286
Unassigned	1,272,977	-	(57,653)	(13,125)	1,202,199
<b>Total fund balances</b>	<u>1,305,690</u>	<u>68,521</u>	<u>(57,653)</u>	<u>37,399</u>	<u>1,353,957</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 1,966,466</u>	<u>\$ 757,696</u>	<u>\$ 125,524</u>	<u>\$ 127,833</u>	<u>\$ 2,977,519</u>

*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, 2019**

Fund balances-total governmental funds	\$ 1,353,957
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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.	19,328,243
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Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	725,014
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Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.	2,466
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Long-term liabilities, such as net pension/OPEB liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(3,583,161)
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Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>301,746</u>
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<b>Net position of governmental activities</b>	<b><u><u>\$ 18,128,265</u></u></b>
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*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, 2019**

	General Fund	Community Development Grants Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Intergovernmental	\$ 1,960,085	\$ 568,652	\$ 391,269	\$ 722,414	\$ 3,642,420
Taxes	2,810,783	-	-	-	2,810,783
Charges for services	156,625	-	-	-	156,625
Other revenue	27,749	40,374	-	9,385	77,508
Licenses and permits	38,349	-	-	-	38,349
Interest	23,420	-	-	6,725	30,145
Fines and forfeitures	27,516	-	-	-	27,516
<b>Total revenue</b>	<u>5,044,527</u>	<u>609,026</u>	<u>391,269</u>	<u>738,524</u>	<u>6,783,346</u>
<b>Expenditures</b>					
Current					
Public safety	3,221,727	-	72,653	-	3,294,380
General government	975,617	-	6,399	-	982,016
Health and welfare	-	-	-	360,172	360,172
Public works and streets	12,071	-	-	334,064	346,135
Community development	38,647	131,327	-	-	169,974
Culture and recreation	151,988	-	-	-	151,988
Debt Service					
Principal	1,330	-	49,137	245,000	295,467
Interest	190	-	16,834	47,245	64,269
Capital outlay	6,100	568,652	303,899	283,731	1,162,382
<b>Total expenditures</b>	<u>4,407,670</u>	<u>699,979</u>	<u>448,922</u>	<u>1,270,212</u>	<u>6,826,783</u>
Excess (deficiency) of revenue over (under) expenditures	636,857	(90,953)	(57,653)	(531,688)	(43,437)
<b>Other financing sources (uses)</b>					
Transfers in (out)	<u>(466,758)</u>	<u>-</u>	<u>-</u>	<u>567,456</u>	<u>100,698</u>
<b>Net change in fund balances</b>	170,099	(90,953)	(57,653)	35,768	57,261
Fund balances, beginning of year	<u>1,135,591</u>	<u>159,474</u>	<u>-</u>	<u>1,631</u>	<u>1,296,696</u>
<b>Fund balances, end of year</b>	<u>\$ 1,305,690</u>	<u>\$ 68,521</u>	<u>\$ (57,653)</u>	<u>\$ 37,399</u>	<u>\$ 1,353,957</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, 2019**

Net change in fund balances-total governmental funds \$ 57,261

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,162,382	
Depreciation expense	(665,893)	
		496,489

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

Change in unavailable revenue	57,653	
Change in HOME note receivables	(35,504)	
		22,149

Town pension/OPEB 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/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.

Town pension/OPEB contributions	250,617	
Pension/OPEB expense	(296,632)	
		(46,015)

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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are amortized in the statement of activities.

Debt principal repayments	295,467	
Amortization of loan premium	25,861	
		321,328

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

Increase in compensated absences payable		(23,448)

<b>Change in net position of governmental activities</b>		<b>\$ 827,764</b>

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

**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 889,509	\$ -	\$ 223,564	\$ 1,113,073
Accounts receivable - net	-	5,788	-	5,788
Due from other governments	13,544	-	55,188	68,732
Prepaid expenses	313	1,923	1,051	3,287
Due from other funds	41,615	-	-	41,615
<b>Total current assets</b>	<u>944,981</u>	<u>7,711</u>	<u>279,803</u>	<u>1,232,495</u>
Noncurrent assets				
Net other postemployment benefits asset	147	52	-	199
Capital assets, net of accumulated depreciation, where applicable:				
Land	-	84,703	-	84,703
Utilities systems, net	145,107	-	-	145,107
Buildings, net	-	44,392	-	44,392
<b>Total noncurrent assets</b>	<u>145,254</u>	<u>129,147</u>	<u>-</u>	<u>274,401</u>
<b>Total assets</b>	<u>1,090,235</u>	<u>136,858</u>	<u>279,803</u>	<u>1,506,896</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions and other postemployment benefits	<u>10,711</u>	<u>3,837</u>	<u>-</u>	<u>14,548</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	29	21,327	28,742	50,098
Accrued expenses	2,546	1,443	-	3,989
Refundable deposits	-	7,888	-	7,888
Compensated absences - current portion	4,041	674	-	4,715
Due to other funds	-	41,615	-	41,615
<b>Total current liabilities</b>	<u>6,616</u>	<u>72,947</u>	<u>28,742</u>	<u>108,305</u>
Noncurrent liabilities				
Compensated absences	449	75	-	524
Net pension and other postemployment benefits liability	60,131	21,538	-	81,669
<b>Total noncurrent liabilities</b>	<u>60,580</u>	<u>21,613</u>	<u>-</u>	<u>82,193</u>
<b>Total liabilities</b>	<u>67,196</u>	<u>94,560</u>	<u>28,742</u>	<u>190,498</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions and other postemployment benefits	<u>8,877</u>	<u>3,179</u>	<u>-</u>	<u>12,056</u>
<b>NET POSITION</b>				
Net investment in capital assets	145,107	129,095	-	274,202
Unrestricted (deficit)	879,766	(86,139)	251,061	1,044,688
<b>Total net position</b>	<u>\$ 1,024,873</u>	<u>\$ 42,956</u>	<u>\$ 251,061</u>	<u>\$ 1,318,890</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, 2019**

	Business-type Activities--Enterprise Funds			
	Sewer	Tianguis	Refuse	
	Fund	Econ. Dev.	Fund	Total
	Fund	Fund	Fund	
<b>Operating revenues</b>				
Charges for services	\$ 80,514	\$ -	\$ 328,299	\$ 408,813
Rents	-	183,018	-	183,018
<b>Total operating revenues</b>	<u>80,514</u>	<u>183,018</u>	<u>328,299</u>	<u>591,831</u>
<b>Operating expenses</b>				
Professional services	251	602	352,572	353,425
Personnel	78,903	28,980	-	107,883
Depreciation	60,024	13,632	-	73,656
Utilities	388	58,722	-	59,110
Repairs and maintenance	840	34,122	-	34,962
Materials and supplies	-	17,728	-	17,728
Miscellaneous	147	4,892	-	5,039
Insurance	398	2,486	1,165	4,049
<b>Total operating expenses</b>	<u>140,951</u>	<u>161,164</u>	<u>353,737</u>	<u>655,852</u>
<b>Operating income (loss)</b>	<u>(60,437)</u>	<u>21,854</u>	<u>(25,438)</u>	<u>(64,021)</u>
<b>Nonoperating revenue</b>				
Investment income	<u>24,416</u>	<u>-</u>	<u>-</u>	<u>24,416</u>
<b>Income (loss) before transfers</b>	<u>(36,021)</u>	<u>21,854</u>	<u>(25,438)</u>	<u>(39,605)</u>
Transfers	<u>(100,698)</u>	<u>-</u>	<u>-</u>	<u>(100,698)</u>
<b>Increase (decrease) in net position</b>	<u>(136,719)</u>	<u>21,854</u>	<u>(25,438)</u>	<u>(140,303)</u>
Total net position, beginning of year	<u>1,161,592</u>	<u>21,102</u>	<u>276,499</u>	<u>1,459,193</u>
<b>Total net position, end of year</b>	<u>\$ 1,024,873</u>	<u>\$ 42,956</u>	<u>\$ 251,061</u>	<u>\$ 1,318,890</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, 2019**

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 100,570	\$ 176,064	\$ 409,210	\$ 685,844
Payments to suppliers and providers of goods and services	(3,990)	(119,003)	(331,156)	(454,149)
Payments to employees	(77,374)	(28,233)	-	(105,607)
<b>Net cash provided (used) by             operating activities</b>	<u>19,206</u>	<u>28,828</u>	<u>78,054</u>	<u>126,088</u>
<b>Cash flows from noncapital financing activities:</b>				
Interfund transfer	(100,698)	-	-	(100,698)
Interfund loans	28,828	(28,828)	-	-
<b>Net cash provided by (used by)             noncapital financing activities</b>	<u>(71,870)</u>	<u>(28,828)</u>	<u>-</u>	<u>(100,698)</u>
<b>Cash flows from investing activities:</b>				
Interest received on investments	<u>24,416</u>	<u>-</u>	<u>-</u>	<u>24,416</u>
<b>Net increase (decrease) in cash             and cash equivalents</b>	<u>(28,248)</u>	<u>-</u>	<u>78,054</u>	<u>49,806</u>
Cash and cash equivalents, beginning of year	<u>917,757</u>	<u>-</u>	<u>145,510</u>	<u>1,063,267</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 889,509</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 223,564</u></u>	<u><u>\$ 1,113,073</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, 2019**  
*(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)	\$ (60,437)	\$ 21,854	\$ (25,438)	\$ (64,021)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	60,023	13,632	-	73,655
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	-	(5,788)	-	(5,788)
Due from other governments	20,056	-	80,911	100,967
Prepaid expenses	(208)	(1,421)	(123)	(1,752)
Net pension and other postemployment benefits asset	81	29	-	110
Deferred outflows of resources related to pensions and other postemployment benefits	791	283	-	1,074
Accounts payable	-	1,601	22,704	24,305
Accrued expenses	68	402	-	470
Refundable deposits	-	(1,166)	-	(1,166)
Compensated absences payable	1,461	345	-	1,806
Net pension and other postemployment benefits liability	(4,879)	(1,748)	-	(6,627)
Deferred inflows of resources related to pensions and other postemployment benefits	2,250	805	-	3,055
<b>Net cash provided (used) by operating activities</b>	<b>\$ 19,206</b>	<b>\$ 28,828</b>	<b>\$ 78,054</b>	<b>\$ 126,088</b>

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

***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, 2019**

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

The ***Grants Fund*** accounts for specific revenue received that is legally restricted to expenditures for specified purposes.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

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.

**D. Cash and Investments**

For the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of three months or less when purchased.

**E. Allowance for Uncollectible Accounts**

Allowances for uncollectible accounts receivable are estimated by the Town. The amount recorded as uncollectible at June 30, 2019 for notes receivable in the Governmental Activities was \$596,643 (see Note 4).

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

**F. Capital Assets**

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

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 are as follows:

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

**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.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

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

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

**J. Postemployment Benefits**

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the 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.

**K. Fund Balance Reporting**

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the Town Council has approved, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but that are neither restricted nor committed. The Town Council has authorized the Town manager to assign resources for a specific purpose.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

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 an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the Town's policy to use (the Town will use) restricted fund balance first. It is the Town's policy to use (the Town will use) committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

**L. 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 department 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, 2019, if any.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

***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; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the Town Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

*Credit Risk*

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody's investor's service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

*Custodial credit risk*

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

*Concentration of credit risk*

Statutes do not include any requirements for concentration of credit risk

*Interest rate risk*

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

*Foreign currency risk*

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

The Town does not have a formal investment policy with respect to custodial risk, concentration of credit risk, or foreign currency risk.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

*Deposits* – At June 30, 2019, the carrying amount of the Town’s total nonpooled cash in bank was \$421,672, and the bank balance was \$437,662. Of the bank balances, \$250,000 was covered by federal depository insurance or similar insurance. The remainder was covered by collateral held by the pledging financial institution in the Town’s name.

*Investments*—At June 30, 2019, 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>\$ 2,423,836</u>	<u>\$ 2,423,836</u>

Investments in the State Treasurer’s investment pools are valued at the pool’s share price multiplied by the number of shares the Town held. The fair value of a participant’s position in the pools approximates the value of that participant’s pool shares. The State Board of Investment provides oversight for the State Treasurer’s investment pools.

**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>Grants Fund</u>	<u>HURF/LTAF Fund (non-major)</u>	<u>Community Service Grants Fund (non-major)</u>
Federal Government	\$ -	\$ -	\$ 57,653	\$ -	\$ -
State of Arizona	33,351	-	-	39,652	-
Maricopa County	16,034	-	-	-	-
Other governments	<u>5,523</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>32,220</u>
	<u>\$ 54,908</u>	<u>\$ 400</u>	<u>\$ 57,653</u>	<u>\$ 39,652</u>	<u>\$ 32,220</u>

Due from other governments for the Sewer and Refuse Funds consisted of amounts due from the City of Tempe totaling \$13,544 and \$55,188, respectively.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

**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, 2019 consisted of \$1,264,004 of which \$596,643 are expected to be forgiven. The notes receivable balance – net totaled \$667,361.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 10,995	\$ 34,206	\$ (10,995)	\$ 34,206
Land	7,039,174	-	-	7,039,174
Total capital assets not being depreciated	<u>7,050,169</u>	<u>34,206</u>	<u>(10,995)</u>	<u>7,073,380</u>
Capital assets being depreciated:				
Building and building improvements	4,091,113	6,000	-	4,097,113
Land improvements	2,615,295	480,985	-	3,096,280
Equipment	3,013,670	83,534	-	3,097,204
Street lights	472,427	-	-	472,427
Streets	5,772,378	568,652	-	6,341,030
Curbs and gutters	4,594,274	-	-	4,594,274
Total	<u>20,559,157</u>	<u>1,139,171</u>	<u>-</u>	<u>21,698,328</u>
Less accumulated depreciation for:				
Building and building improvements	(2,506,333)	(70,377)	-	(2,576,710)
Land improvements	(735,518)	(126,612)	-	(862,130)
Equipment	(2,146,162)	(143,762)	-	(2,289,924)
Street lights	(194,025)	(24,910)	-	(218,935)
Streets	(1,871,940)	(184,564)	-	(2,056,504)
Curbs and gutters	(1,323,594)	(115,668)	-	(1,439,262)
Total	<u>(8,777,572)</u>	<u>(665,893)</u>	<u>-</u>	<u>(9,443,465)</u>
Total capital assets being depreciated, net	<u>11,781,585</u>	<u>473,278</u>	<u>-</u>	<u>12,254,863</u>
Governmental activities capital assets, net	<u>\$ 18,831,754</u>	<u>\$ 507,484</u>	<u>\$ (10,995)</u>	<u>\$ 19,328,243</u>



**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE 5 – CAPITAL ASSETS – Continued**

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 84,703	\$ -	\$ -	\$ 84,703
Capital assets being depreciated:				
Utility systems	1,848,472	-	-	1,848,472
Equipment	91,421	-	-	91,421
Buildings	25,000	-	-	25,000
Building improvements	607,626	-	-	607,626
Total	<u>2,572,519</u>	<u>-</u>	<u>-</u>	<u>2,572,519</u>
Less accumulated depreciation for:				
Utility systems	(1,688,156)	(47,219)	-	(1,735,375)
Equipment	(46,607)	(12,804)	-	(59,411)
Buildings	(25,000)	-	-	(25,000)
Building improvements	(549,602)	(13,632)	-	(563,234)
Total	<u>(2,309,365)</u>	<u>(73,655)</u>	<u>-</u>	<u>(2,383,020)</u>
Total capital assets being depreciated, net	<u>263,154</u>	<u>(73,655)</u>	<u>-</u>	<u>189,499</u>
Business-type activities capital assets, net	<u><u>\$ 347,857</u></u>	<u><u>\$ (73,655)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 274,202</u></u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
Highways and streets	\$ 342,009
Community development	127,859
Public safety	90,339
General government	87,785
Health and welfare	<u>17,901</u>
Total governmental activities depreciation expense	<u><u>\$ 665,893</u></u>
<b>Business-type activities:</b>	
Sewer	\$ 60,023
Tianguis center	<u>13,632</u>
Total business-type activities depreciation expense	<u><u>\$ 73,655</u></u>

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

***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, 2019 is \$192,501. 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 payable from direct borrowings and direct placements* – 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. Excise taxes and state-shared revenues are used as security for the loan payable.

Loans payable from direct borrowings and direct placements at June 30, 2019, were as follows:

<u>Description</u>	<u>Face Value</u>	<u>Maturity Ranges</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2019</u>
Loan payable	\$ 2,145,000	2014-2023	2.00%	<u>\$ 800,000</u>

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

The following schedule details the Town's long-term liability and obligation activity for the year ended June 30, 2019.

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within 1 year
Governmental activities:					
Compensated absences	\$ 63,406	\$ 23,448	\$ -	\$ 86,854	\$ 78,169
Net pension and OPEB liability	2,253,422	-	118,529	2,134,893	-
Capital lease payable	565,789	-	50,467	515,322	52,028
Loans payable from direct borrowings and direct placements	1,045,000	-	245,000	800,000	-
Loan premium	71,953	-	25,861	46,092	10,577
Governmental activities long-term liabilities	<u>\$ 3,999,570</u>	<u>\$ 23,448</u>	<u>\$ 439,857</u>	<u>\$ 3,583,161</u>	<u>\$ 140,774</u>
Business-type activities:					
Compensated absences	\$ 3,433	\$ 1,806	\$ -	\$ 5,239	\$ 4,715
Net pension and OPEB liability	88,296	-	6,627	81,669	-
Business-type activities long-term liabilities	<u>\$ 91,729</u>	<u>\$ 1,806</u>	<u>\$ 6,627</u>	<u>\$ 86,908</u>	<u>\$ 4,715</u>

The following schedule details debt service requirements to maturity for the Town's loan payable from direct borrowings and direct placements at June 30, 2019.

Year Ending June 30	Governmental Activities		
	Loan Payable from Direct Borrowings and Direct Placements		
	Premium		
	Principal	Amortization	Interest
2020	\$ -	\$ 10,577	\$ 16,195
2021	255,000	18,816	10,897
2022	265,000	12,438	5,516
2023	280,000	4,261	-
Total	<u>\$ 800,000</u>	<u>\$ 46,092</u>	<u>\$ 32,608</u>

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

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
Fire truck	\$ 563,036
Copier	9,702
	<u>572,738</u>
Less: accumulated depreciation	<u>(104,999)</u>
Carrying value	<u><u>\$ 467,739</u></u>

The following schedule details debt service requirements to maturity for the Town's capital leases payable at June 30, 2019:

Year Ending June 30	Governmental Activities
2020	\$ 67,491
2021	65,971
2022	65,971
2023	65,971
2024	65,971
2025-2028	<u>263,883</u>
Total minimum lease payments	595,258
Less amount representing interest	<u>(79,936)</u>
Present value of net minimum lease payments	<u><u>\$ 515,322</u></u>

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

**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.

**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, 2019, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

<b>Statement of Net Position and Statement of Activities</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net OPEB asset	\$ 2,466	\$ 199	\$ 2,665
Net pension and OPEB liability	2,134,893	81,669	2,216,562
Deferred outflows of resources related to pension and OPEB	573,619	14,548	588,167
Deferred inflows of resources related to pension and OPEB	271,873	12,056	283,929
Pension and OPEB expense	296,632	5,236	301,868

The Town reported \$250,617 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

**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 website at [www.azasrs.gov](http://www.azasrs.gov).

**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:

	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	30 years age 55
	10 years age 62	25 years age 60
	5 years age 50*	10 years age 62
	Any years age 65	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 retirement benefit option chosen determines the survivor benefit. 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.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

**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, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.80 percent (11.64 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.80 percent (11.18 percent for retirement, 0.46 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.53 percent (10.41 percent for retirement, 0.06 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2019, were \$89,346, \$3,207, and \$1,169, respectively.

During fiscal year 2019, the Town paid for ASRS pension and OPEB contributions as follows: 61.46 percent from the General Fund, 14.73 percent from the HURF/LTAF Fund (nonmajor), 16.34 percent from the Community Services Grants Fund (nonmajor), 5.50 percent from the Sewer Fund, and 1.97 percent from the Tianguis Economic Development Fund.

**Liability** - At June 30, 2019, the Town reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	<b>Net Pension/OPEB (Asset) Liability</b>
Pension	\$ 1,089,220
Health insurance premium benefit	(2,665)
Long-term disability	4,076

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

The net asset and net liabilities were measured as of June 30, 2018. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3–6.75 percent to 2.7–7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

The Town's proportion of the net asset or net 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, 2018. The Town's proportions measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

	<b>Proportion</b>	<b>Increase</b>
	<b>June 30, 2018</b>	<b>(decrease) from</b>
	<b>June 30, 2017</b>	<b>June 30, 2017</b>
Pension	0.00781%	0.00024%
Health insurance premium benefit	0.00740%	-0.00021%
Long-term disability	0.00780%	0.00023%

**Expense** – For the year ended June 30, 2019, the Town recognized the following pension and OPEB expense.

	<b>Pension/OPEB</b>
	<b>Expense</b>
Pension	65,960
Health insurance premium benefit	2,646
Long-term disability	1,485



**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

**Deferred Outflows/Inflows of Resources**—At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<b>Pension</b>		<b>Health Insurance</b>		<b>Long-Term Disability</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 30,007	\$ 6,005	\$ -	\$ 2,459	\$ 104	\$ -
Changes of assumptions or other inputs	28,823	96,574	5,139	-	883	-
Net difference between projected and actual earnings on plan investments	-	26,193	-	5,323	-	395
Changes in proportion and differences between Town contributions and proportionate share of contributions	35,997	24,433	-	16	82	-
Town contributions subsequent to the measurement date	89,346	-	3,207	-	1,169	-
<b>Total</b>	<b>\$ 184,173</b>	<b>\$ 153,205</b>	<b>\$ 8,346</b>	<b>\$ 7,798</b>	<b>\$ 2,238</b>	<b>\$ 395</b>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<b>Pension</b>	<b>Health Insurance Premium Benefit</b>	<b>Long-Term Disability</b>
2020	\$ 11,733	\$ (1,037)	23
2021	(18,631)	(1,035)	24
2022	(39,733)	(1,036)	24
2023	(11,747)	100	130
2024	-	349	149
Thereafter	-	-	324

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

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

**ASRS**

Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7 - 7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 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>
Equity	50%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
Total	100%	

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

**Discount Rate** – At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate** – The following table presents the Town’s proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.5 percent, as well as what the Town’s proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
<b>Town's Proportionate share of the</b>			
Net pension liability	\$ 1,552,708	\$ 1,089,220	\$ 701,983
Net insurance premium benefit liability (asset)	9,442	(2,665)	(12,977)
Net long-term disability liability	4,619	4,076	3,548

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

**Plan Fiduciary Net Position** – Detailed information about the plans' 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) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-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. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the Town's financial statements.

The PSPRS issues publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website 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, 2019**

**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:

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 36 consecutive months of last 20 years
<b>Benefit percentage</b>		
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%	1.5% to 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% to 100% of retired member's pension benefit	
Active Members	80% to 100% of 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 inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

**Employees Covered by Benefit Terms** – At June 30, 2019, the following employees were covered by the agent plans' benefit terms:

	<b>PSPRS Fire</b>	
	<b>Pension</b>	<b>Health</b>
Inactive employees or beneficiaries currently receiving benefits	1	1
Active employees	4	4
Total	<u>5</u>	<u>5</u>

**Contributions** – 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, 2019, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<b>Active Member- Pension</b>	<b>Town-Pension</b>	<b>Town-Health Insurance Premium Benefit</b>
PSPRS Fire	7.65% - 11.65%	38.51%	0.63%

In addition, statute required the Town to contribute at the actuarially determined rate of 33.40% of the annual covered payroll of Town employees who were PSPRS Tier 3 Risk Pool members, in addition to the Town's required contributions to the PSPRS Tier 3 Risk Pool for these employees.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

The Town's contributions to the plans for the year ended June 30, 2019, were:

	<b>Pension</b>	<b>Health Insurance Premium Benefit</b>
PSPRS Fire	\$ 147,376	\$ 3,213

During fiscal year 2019, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

**Liability** – At June 30, 2019, the Town reported the following assets and liabilities:

	<b>Net Pension (Asset) Liability</b>	<b>Net OPEB (Asset) Liability</b>
PSPRS Fire	\$ 1,102,665	\$ 20,601

The net assets and net liabilities were measured as of June 30, 2018, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

**PSPRS**

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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%	0.25%
Risk parity	4%	5.00%
Fixed Income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

**Discount Rates** – At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was the same as the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.



**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

**Changes in the Net Pension/OPEB Liability**

	<b>Pension</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
Balances at June 30, 2018	\$ 2,267,619	\$ 1,127,050	\$ 1,140,569
Changes for the year			
Service Cost	77,589	-	77,589
Interest on the total liability	168,778	-	168,778
Differences between expected and actual experience in the measurement of the liability	(107,903)	-	(107,903)
Contributions-employer	-	126,557	(126,557)
Contributions-employee	-	25,685	(25,685)
Net investment income	-	79,265	(79,265)
Benefit payments, including refunds of employee contributions	(51,264)	(51,264)	-
Hall/Parker Settlement	-	(53,246)	53,246
Administrative expense	-	(1,906)	1,906
Other changes	-	13	(13)
Net changes	87,200	125,104	(37,904)
Balances at June 30, 2019	\$ 2,354,819	\$ 1,252,154	\$ 1,102,665

  

	<b>Health Insurance Premium Benefit</b>		
	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB (Asset) Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
Balances at June 30, 2018	\$ 58,743	\$ 39,596	\$ 19,147
Changes for the year			
Service Cost	977	-	977
Interest on the total liability	4,339	-	4,339
Differences between expected and actual experience in the measurement of the liability	54	-	54
Contributions-employer	-	1,200	(1,200)
Net investment income	-	2,758	(2,758)
Benefit payments, including refunds of employee contributions	(1,200)	(1,200)	-
Administrative expense	-	(42)	42
Net changes	4,170	2,716	1,454
Balances at June 30, 2019	\$ 62,913	\$ 42,312	\$ 20,601

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

**Sensitivity of the Town’s Net Pension/OPEB Liability to Changes in the Discount Rate –**

The following table presents the Town’s net pension/OPEB (assets) liabilities calculated using the discount rate of 7.4 percent, as well as what the Town’s net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	<b>1% Decrease (6.4%)</b>	<b>Current Discount Rate (7.4%)</b>	<b>1% Increase (8.4%)</b>
PSPRS Fire			
Net pension (asset) liability	\$ 1,462,654	\$ 1,102,665	\$ 810,015
Net OPEB (asset) liability	28,405	20,601	14,090

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

**Expense** – For the year ended June 30, 2019, the Town recognized the following pension and OPEB expense:

	<b>Pension Expense</b>	<b>OPEB Expense</b>
PSPRS Fire	\$ 230,732	\$ 1,045

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

**Deferred Outflows/Inflows of Resources** – At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<b>Pension</b>		<b>Health Insurance</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 148,441	\$ 107,461	\$ 46	\$ 106
Changes of assumptions or other inputs	81,927	9,336	-	4,880
Net difference between projected and actual earnings on pension plan investments	12,407	-	-	748
Town contributions subsequent to the measurement date	147,376	-	3,213	-
<b>Total</b>	<b>\$ 390,151</b>	<b>\$ 116,797</b>	<b>\$ 3,259</b>	<b>\$ 5,734</b>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

	<b>PSPRS Fire</b>	
	<b>Pension</b>	<b>Health</b>
Year ended June 30,		
2020	\$ 47,602	\$ (1,384)
2021	40,840	(1,384)
2022	25,123	(1,384)
2023	28,049	(1,088)
2024	(7,849)	(454)
Thereafter	(7,787)	6

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE 10 – INTERFUND BALANCES AND ACTIVITY**

Interfund payables – Interfund payables for the year ended June 30, 2019, were as follows:

Payable from	Payable to
	Sewer Fund
Tianguis Econ. Dev. Fund	\$ 41,615

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

Interfund transfers – Interfund transfers for the year ended June 30, 2019, were as follows:

Transfer To	Transfer From		
	General Fund	Sewer Fund	Total
HURF/LTAF Fund (nonmajor fund)	\$ 48,947	\$ 100,698	\$ 149,645
Community Services Grants Fund (nonmajor fund)	125,566	-	125,566
Debt Service Fund (nonmajor fund)	292,245	-	292,245
Total	\$ 466,758	\$ 100,698	\$ 567,456

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 loans (see Note 7). The purpose of the interfund transfer from the Sewer Fund to the HURF/LTAF Fund was to pay for street expenditures incurred over current year revenues and the fund balance.

**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 February 28, 2020. Payments under the current contract for the year ended June 30, 2019, were approximately \$275,961. 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 the next fiscal year based on the current number of residences in the Town is as \$174,287.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2019**

***NOTE 11 – COMMITMENTS - Continued***

***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, 2019, the Town paid the County Sheriff \$1,775,048 and had agreed to monthly installments of \$147,921 for the 2019 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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenue</b>				
Taxes	\$ 2,569,726	\$ 2,569,726	\$ 2,810,783	\$ 241,057
Intergovernmental	1,973,405	1,973,405	1,960,085	(13,320)
Charges for services	141,202	141,202	156,625	15,423
Licenses and permits	93,000	93,000	38,349	(54,651)
Other revenue	22,000	22,000	27,749	5,749
Fines and forfeits	30,000	30,000	27,516	(2,484)
Interest on investments	8,000	8,000	23,420	15,420
<b>Total revenue</b>	<b>4,837,333</b>	<b>4,837,333</b>	<b>5,044,527</b>	<b>207,194</b>
<b>Expenditures</b>				
General Government				
Administration	712,980	687,480	227,378	460,102
Town Manager	157,699	167,699	170,229	(2,530)
Finance	144,062	144,062	132,626	11,436
Town Attorney	117,000	120,500	120,144	356
Building Inspection	91,360	91,360	89,946	1,414
Building Maintenance	110,312	110,312	86,112	24,200
Mayor & Council	74,780	74,780	66,358	8,422
Information Technology	65,510	65,510	47,667	17,843
Town Clerk	42,508	42,508	36,776	5,732
Contingency	248,722	248,722	-	248,722
Total General Government	1,764,933	1,752,933	977,236	775,697
Public Safety				
Poilice	1,776,258	1,776,258	1,775,673	585
Fire	1,237,189	1,248,189	1,247,505	684
Court	236,014	236,014	198,549	37,465
Total Public Safety	3,249,461	3,260,461	3,221,727	38,734
Cultrure and Recreation				
Parks	140,243	140,243	143,665	(3,422)
Library	16,230	16,230	14,324	1,906
Total Culture and Recreation	156,473	156,473	157,989	(1,516)
Public Works and Streets				
Cemetery	12,472	12,472	12,071	401
Community Development	39,823	40,823	38,647	2,176
<b>Total expenditures</b>	<b>5,223,162</b>	<b>5,223,162</b>	<b>4,407,670</b>	<b>815,492</b>
Excess (deficiency) of revenue over expenditures	(385,829)	(385,829)	636,857	1,022,686
<b>Other financing sources (uses)</b>				
Transfers in (out)	(486,972)	(486,972)	(466,758)	20,214
<b>Net changes in fund balances</b>	<b>(872,801)</b>	<b>(872,801)</b>	<b>170,099</b>	<b>1,042,900</b>
Fund balances, beginning of year	1,135,591	1,135,591	1,135,591	-
<b>Fund balances, end of year</b>	<b>\$ 262,790</b>	<b>\$ 262,790</b>	<b>\$ 1,305,690</b>	<b>\$ 1,042,900</b>

*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, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenue</b>				
Intergovernmental	\$ 1,408,050	\$ 1,408,050	\$ 568,652	\$ (839,398)
Other revenue	-	-	40,374	40,374
<b>Total revenue</b>	<u>1,408,050</u>	<u>1,408,050</u>	<u>609,026</u>	<u>(799,024)</u>
<b>Expenditures</b>				
Community development	<u>1,408,050</u>	<u>1,408,050</u>	<u>699,979</u>	<u>708,071</u>
<b>Net changes in fund balances</b>	-	-	(90,953)	(1,507,095)
Fund balances, beginning of year	<u>159,474</u>	<u>159,474</u>	<u>159,474</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 159,474</u></u>	<u><u>\$ 159,474</u></u>	<u><u>\$ 68,521</u></u>	<u><u>\$ (1,507,095)</u></u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Grants Fund**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenue</b>				
Intergovernmental	\$ 2,863,453	\$ 2,863,453	\$ 391,269	\$ (2,472,184)
<b>Expenditures</b>				
Public safety	\$ 2,769,453	2,769,453	434,185	2,335,268
General government	94,000	94,000	14,737	79,263
<b>Total expenditures</b>	<u>2,863,453</u>	<u>2,863,453</u>	<u>448,922</u>	<u>2,414,531</u>
<b>Net changes in fund balances</b>	-	-	(57,653)	(57,653)
Fund balances, beginning of year	-	-	-	-
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,653)</u>	<u>\$ (57,653)</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2019**

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

A.R.S. requires the Town to prepare and adopt a balanced budget annually for each governmental fund. The Town Council must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Town Council's approval. With the exception of the General Fund, each fund includes only one department.

***NOTE 2 – BUDGETARY BASIS OF ACCOUNTING***

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

***NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS***

For the year ended June 30, 2019, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the Town Manager and Parks departments of the General Fund.

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Town's Proportionate**  
**Share of the Net Pension/OPEB Liability**  
**Cost-Sharing Plans**  
**June 30, 2019**

**ASRS-Pension**

	Reporting Fiscal Year (Measurement Date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
Town's proportion of the net pension liability	0.007810%	0.007570%	0.007970%	0.006910%	0.006605%	Information not available
Town's proportionate share of the net pension liability	\$ 1,089,220	\$ 1,179,258	\$ 1,286,438	\$ 1,075,859	\$ 977,331	
Town's covered payroll	\$ 774,034	\$ 738,432	\$ 745,853	\$ 636,171	\$ 595,402	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.72%	159.70%	172.48%	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%	

*See accompanying notes to pension/OPEB plan schedules.*

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Town's Proportionate**  
**Share of the Net Pension/OPEB Liability**  
**Cost-Sharing Plans**  
**June 30, 2019**

**ASRS-Health Insurance Premium Benefit**

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010
Town's proportion of the net OPEB (asset)	0.007400%	0.007610%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ (2,665)	\$ (4,143)	
Town's covered payroll	\$ 774,034	\$ 738,432	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	-0.34%	-0.56%	
Plan fiduciary net position as a percentage of the total OPEB liability	102.20%	103.57%	

**ASRS-Long-Term Disability**

	Reporting Fiscal Year (Measurement Date)		
	2018 (2017)	2018 (2017)	2017 through 2010
Town's proportion of the net OPEB (asset)	0.007800%	0.007570%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ 4,076	\$ 2,744	
Town's covered payroll	\$ 774,034	\$ 738,432	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	0.53%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	77.83%	84.44%	

*See accompanying notes to pension/OPEB plan schedules.*

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Town's**  
**Net Pension/OPEB Liability and Related Ratios**  
**Agent Pension Plans**  
**June 30, 2019**

**PSPRS**

	Reporting Fiscal Year (Measurement Date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
Total pension liability						Information not available
Service cost	\$ 77,589	\$ 79,931	\$ 59,089	\$ 50,177	\$ 50,552	
Interest on the total pension liability	168,778	147,625	119,379	110,540	96,007	
Changes of benefit terms	-	15,342	131,109	-	21,443	
Differences between expected and actual experience in the measurement of the pension liability	(107,903)	134,105	97,848	(4,211)	(41,101)	
Changes of assumptions or other inputs	-	(13,572)	78,089	-	106,427	
Benefit payments, including refunds of employee contributions	(51,264)	(48,359)	(48,359)	(48,359)	(47,649)	
Net change in total pension liability	87,200	315,072	437,155	108,147	185,679	
Total pension liability - beginning	2,267,619	1,952,547	1,515,392	1,407,245	1,221,566	
Total pension liability - ending (a)	<u>\$ 2,354,819</u>	<u>\$ 2,267,619</u>	<u>\$ 1,952,547</u>	<u>\$ 1,515,392</u>	<u>\$ 1,407,245</u>	
Plan fiduciary net position						
Contributions - employer	\$ 126,557	\$ 94,415	\$ 82,876	\$ 58,412	\$ 55,194	
Contributions - employee	25,685	37,461	36,288	30,153	27,116	
Net investment income	79,265	114,391	5,169	29,544	92,104	
Benefit payments, including refunds of employee contributions	(51,264)	(48,359)	(48,359)	(48,359)	(47,649)	
Hall/Parker Settlement	(53,246)	-	-	-	-	
Administrative expense	(1,906)	(1,412)	(1,144)	(1,107)	-	
Other changes	13	11	5	(527)	(23,055)	
Net change in plan fiduciary net position	125,104	196,507	74,835	68,116	103,710	
Plan fiduciary net position - beginning	1,127,050	930,543	855,708	787,592	683,882	
Plan fiduciary net position - ending (b)	<u>\$ 1,252,154</u>	<u>\$ 1,127,050</u>	<u>\$ 930,543</u>	<u>\$ 855,708</u>	<u>\$ 787,592</u>	
Town's net pension (asset) liability - ending (a) - (b)	<u>\$ 1,102,665</u>	<u>\$ 1,140,569</u>	<u>\$ 1,022,004</u>	<u>\$ 659,684</u>	<u>\$ 619,653</u>	
Plan fiduciary net position as a percentage of the total pension liability	53.17%	49.70%	47.66%	56.47%	55.97%	
Covered payroll	\$ 336,757	\$ 351,344	\$ 311,485	\$ 272,878	\$ 261,991	
Town's net pension (asset) liability as a percentage of covered payroll	327.44%	324.63%	328.11%	241.75%	236.52%	

*See accompanying notes to pension/OPEB plan schedules.*

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Town's**  
**Net Pension/OPEB Liability and Related Ratios**  
**Agent Pension Plans**  
**June 30, 2019**

**PSPRS-OPEB**

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010
Total OPEB liability			
Service cost	\$ 977	\$ 1,159	Information
Interest on the total OPEB liability	4,339	4,605	not available
Differences between expected and actual experience in the measurement of the OPEB liability	54	(154)	
Changes of assumptions or other inputs	-	(7,094)	
Benefit payments	(1,200)	(1,200)	
Net change in total OPEB liability	4,170	(2,684)	
Total OPEB liability - beginning	58,743	61,427	
Total OPEB liability - ending (a)	<u>\$ 62,913</u>	<u>\$ 58,743</u>	
Plan fiduciary net position			
Contributions - employer	\$ 1,200	\$ 3,059	
Net investment income	2,758	4,071	
Benefit payments	(1,200)	(1,200)	
Administrative expense	(42)	(36)	
Other changes	-	-	
Net change in plan fiduciary net position	2,716	5,894	
Plan fiduciary net position - beginning	39,596	33,702	
Plan fiduciary net position - ending (b)	<u>\$ 42,312</u>	<u>\$ 39,596</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ 20,601</u>	<u>\$ 19,147</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	67.25%	67.41%	
Covered payroll	\$ 336,757	\$ 351,344	
Town's net OPEB (asset) liability as a percentage of covered payroll	6.12%	5.45%	

*See accompanying notes to pension/OPEB plan schedules.*

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town Pension/OPEB Contributions**  
**June 30, 2019**

**ASRS-Pension**

	<b>Reporting Fiscal Year</b>						<b>2013 through 2010</b>
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	
Statutorily required contribution	\$ 89,349	\$ 84,599	\$ 79,603	\$ 80,925	\$ 69,279	\$ 63,708	Information not available
Town's contributions in relation to the statutorily required contribution	(89,349)	(84,599)	(79,603)	(80,925)	(69,279)	(63,708)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 809,291</u>	<u>\$ 774,034</u>	<u>\$ 738,432</u>	<u>\$ 745,853</u>	<u>\$ 636,171</u>	<u>\$ 595,402</u>	
Town's contributions as a percentage of covered payroll	11.04%	10.93%	10.78%	10.85%	10.89%	10.70%	

**ASRS-Health Insurance Premium Benefit**

	<b>Reporting Fiscal Year</b>			<b>2016 through 2010</b>
	<b>2019</b>	<b>2018</b>	<b>2017</b>	
Statutorily required contribution	\$ 3,207	\$ 3,178	\$ 4,096	Information not available
Town's contributions in relation to the statutorily required contribution	(3,207)	(3,178)	(4,096)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 809,291</u>	<u>\$ 774,034</u>	<u>\$ 738,432</u>	
Town's contributions as a percentage of covered payroll	0.40%	0.41%	0.55%	

**ASRS-Long-Term Disability**

	<b>Reporting Fiscal Year</b>			<b>2016 through 2010</b>
	<b>2019</b>	<b>2018</b>	<b>2017</b>	
Statutorily required contribution	\$ 1,169	\$ 1,237	\$ 1,029	Information not available
Town's contributions in relation to the statutorily required contribution	(1,169)	(1,237)	(1,029)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 809,291</u>	<u>\$ 774,034</u>	<u>\$ 738,432</u>	
Town's contributions as a percentage of covered payroll	0.14%	0.16%	0.14%	

*See accompanying notes to pension/OPEB plan schedules.*



**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town Pension/OPEB Contributions**  
**June 30, 2019**

**PSPRS-Pension**

	<b>Reporting Fiscal Year</b>						<b>2013 through 2010</b>
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	
Actuarially determined contribution	\$ 147,376	\$ 126,557	\$ 94,415	\$ 82,876	\$ 58,412	\$ 55,194	Information not available
Town's contributions in relation to the actuarially determined contribution	(147,376)	(126,557)	(94,415)	(82,876)	(58,412)	(55,194)	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's covered-employee payroll	\$ 387,747	\$ 336,757	\$ 351,344	\$ 311,485	\$ 272,878	\$ 261,991	
Town's contributions as a percentage of covered payroll	38.01%	37.58%	26.87%	26.61%	21.41%	21.07%	

**PSPRS-OPEB**

	<b>Reporting Fiscal Year</b>			<b>2016 through 2010</b>
	<b>2019</b>	<b>2018</b>	<b>2017</b>	
Actuarially determined contribution	\$ 3,213	\$ 1,200	\$ 3,059	Information not available
Town's contributions in relation to the actuarially determined contribution	(3,213)	(1,200)	(3,059)	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 387,747	\$ 336,757	\$ 351,344	
Town's contributions as a percentage of covered payroll	0.83%	0.36%	0.87%	

*See accompanying notes to pension/OPEB plan schedules.*

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension/OPEB Plan Schedules**  
**June 30, 2019**

***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-of-pay, closed
Remaining amortization period as of the 2017 actuarial valuation	19 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
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	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

***NOTE 2 – FACTORS THAT AFFECT TRENDS***

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates.

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension/OPEB Plan Schedules**  
**June 30, 2019**

***NOTE 2 – FACTORS THAT AFFECT TRENDS - Continued***

These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2019 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date.

These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

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**REPORTS AND SCHEDULES REQUIRED BY**  
**GOVERNMENTAL AUDITING STANDARDS AND**  
**UNIFORM GUIDANCE**



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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, 2019, 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 December 17, 2019.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

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

December 17, 2019



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Town Council  
Town of Guadalupe, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Guadalupe, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Guadalupe, Arizona's major federal programs for the year ended June 30, 2019. The Town of Guadalupe, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Guadalupe, Arizona's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Guadalupe, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



## Opinion on Each Major Federal Program

In our opinion, the Town of Guadalupe, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on Internal Control Over Compliance

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

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

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

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

*Colby & Powell, PLC*

December 17, 2019

**TOWN OF GUADALUPE, ARIZONA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass through Grantor's Number	Disbursements/ Expenditures
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed through Area Agency on Aging:			
Aging Cluster:			
Special Programs for the Aging Title III, Part B	93.044	2019-22-GUA	\$ 21,301
Special Programs for the Aging Title III, Part C	93.045	2019-22-GUA	80,444
Nutrition Services Incentive Program	93.053	2019-22-GUA	<u>10,436</u>
Total Aging Cluster			112,181
Social Services Block Grant	93.667	2019-22-GUA	4,312
Passed through Maricopa County Human Services Department:			
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	C-22-16-046-3-02	5,089
Low-Income Home Energy Assistance	93.568	C-22-16-046-3-02	<u>17,509</u>
Total U.S. Department Health and Human Services			<u>139,091</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2017-FH-00367	<u>57,653</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Passed through Maricopa County Community Development:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218	C-22-19-004-3-00	<u>568,652</u>
Total Federal Assistance			<u><u>\$ 765,396</u></u>

*The accompanying notes are an integral part of this schedule.*

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2019**

***NOTE 1 – BASIS OF PRESENTATION***

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Town of Guadalupe, Arizona under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Guadalupe, Arizona, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Guadalupe, Arizona.

***NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

Expenditures reported on the Schedule are reported on the modified accrual/accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of Guadalupe, Arizona has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**TOWN OF GUADALUPE, ARIZONA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2019**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified not considered to  
be material weakness(es)? \_\_\_\_\_ Yes   X   No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified not considered to  
be material weakness(es)? \_\_\_\_\_ Yes   X   No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance  
with Section 510(a) of OMB Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major federal programs:

<u>CFDA</u> <u>Number</u>	<u>Name of Federal Program</u>
14.218	CDBG-Entitlement Community Development Block Grants/Entitlement Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**Federal Award Findings and Questioned Costs** None

**TOWN OF GUADALUPE, ARIZONA**  
**Summary Schedule of Prior Year Audit Findings**  
**Year Ended June 30, 2019**

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

There were no prior year findings.