

TOWN OF GUADALUPE, ARIZONA

Annual Financial Statements
and
Independent Auditors' Report
June 30, 2020



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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, 2020, 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, 2020, 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, Budgetary Comparison Schedules, Schedule of the Town's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Pension Plans, Schedule of Changes in the Town's Net Pension/OPEB Liability and Related Ratios – Agent Pension Plans, and the Schedule of Town Pension/OPEB Contributions as listed in the table of contents 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 January 19, 2021, 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.

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Town Council, management, and other responsible parties within the Town and is not intended to be and should not be used by anyone other than these specified parties.

Lobby & Powell, PLLC

January 19, 2021

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TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2020

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, 2020. 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.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2020

The government-wide financial statements can be found on pages 18 and 19 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 20 to 23 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 24 to 27 of this report.

Notes to the basic financial statements. The notes to the financial statements (pages 28 to 57) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2020

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 Highlights

- ♦ The assets of the Governmental Activities of the Town of Guadalupe, Arizona exceeded its liabilities at close of the most recent fiscal year by \$19,348,851 (net position). Of this amount \$221,306 is restricted for Highways and Streets, \$17,919,816 is invested in capital assets, net of related debt, and \$646,554 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 \$561,175 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 \$1,725,597 resulting in an increase \$371,640 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 is \$2,446,834.
- ♦ Local Sales Tax received were greater than amounts budgeted. Due to the increases in revenues the Town's General Fund revenues were 4% higher than budgeted. This was the same increase as prior year. General Fund expenditures and transfers to other funds were \$1,864,236 less than budgeted in large part due to contingency amounts not spent, reduction of court departmental costs 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. The Town budgeted revenues in for the General Fund for fiscal year 2020 to be \$120,544 higher than prior year budgeted revenues due to increases in state-shared revenue while local revenue was budgeted to remain constant from prior year.
- ♦ Likewise, budgeted expenditures in the General Fund were \$206,003 higher than prior year budgeted amount. The local economy in Guadalupe did well. Specifically, local sales tax and restaurant/bar tax with an increase of 12% over budget. However, hotel tax (transient occupancy tax) fell short by \$64,000 or 16%. The Town attributes this to the high infection rates of COVID-19 in the spring of 2020.
- ♦ Building permits were \$21,178 or 85% higher than budgeted as a result of several new builds throughout Town.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2020

- ♦ The Town's management and budgetary committees, after preparing the fiscal year 2020/2021 budget in early spring and just before the financial impact of the COVID-19 virus began, there was an indication that certain business sectors were experiencing severe revenue losses resulting in a decrease of sales taxes used to provide services to the Town. Management and budget committees returned to the proposal to attempt to analyze the future impact of the virus. All local and state governments through-out the country were and are still struggling to forecast revenues and expenses in order to provide essential services to their residences. Guadalupe's management and budget committees, after thorough analytics and meetings with other communities, determined that budgeted revenues must be conservative and some services would need to be cut or eliminated. Management was able to enter into agreements with other local municipalities instead of eliminating services and move the services to other jurisdictions close by. Given these budgetary steps, the Town is able to provide essential services and perform minimal maintenance on facilities and equipment. Only required and essential capital improvements remain budgeted for fiscal year 20/21.

- ♦ Actual excess revenues over expenditures was \$1,713,860 higher than budgeted in the General Fund for fiscal year 2020. The primary reasons for the excess was the reduction in court departmental costs of approximately \$31,000, the unanticipated increase in local taxes, and the fire department received an unanticipated tribal grant that paid for the fire truck annual debt service payment. There was also a property insurance claim received but not budgeted in the amount of approximately \$104,000. This amount is recognized in the other financing sources section of the governmental fund statements.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2020

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, 2020 showing that assets exceeded liabilities by \$20,593,406.

Town of Guadalupe, Arizona
Condensed Statement of Net Position
As of June 30, 2020 and 2019

| | Governmental Activities | Business-Type Activities | Total | Prior Year June 30, 2019 |
|---------------------------------------|----------------------------|-----------------------------|----------------------|-----------------------------|
| ASSETS | | | | |
| Current and other assets | \$ 4,632,611 | \$ 998,145 | \$ 5,630,756 | \$ 4,171,064 |
| Capital assets | | | | |
| Non-depreciable | 7,039,174 | 84,703 | 7,123,877 | 7,158,083 |
| Depreciable (net) | 12,179,452 | 439,999 | 12,619,451 | 12,444,362 |
| Total assets | 23,851,237 | 1,522,847 | 25,374,084 | 23,773,509 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows related to pensions | 646,349 | 9,722 | 656,071 | 588,167 |
| LIABILITIES | | | | |
| Other liabilities | 1,244,034 | 191,823 | 1,435,857 | 960,523 |
| Non-current liabilities | | | | |
| Due within one year | 416,434 | 5,508 | 421,942 | 145,489 |
| Due in more than one year | 3,206,233 | 82,910 | 3,289,143 | 3,524,580 |
| Total liabilities | 4,866,701 | 280,241 | 5,146,942 | 4,630,592 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to pensions | 282,034 | 7,773 | 289,807 | 283,929 |
| NET POSITION | | | | |
| Net investment in capital assets | 17,919,816 | 524,702 | 18,444,518 | 18,241,031 |
| Restricted for: | | | | |
| Highways and streets | 221,306 | - | 221,306 | - |
| Community service | - | - | - | 38,286 |
| Community development | 646,554 | - | 646,554 | 735,559 |
| Unrestricted (deficit) | 561,175 | 719,853 | 1,281,028 | 432,279 |
| Total net position | \$ 19,348,851 | \$ 1,244,555 | \$ 20,593,406 | \$ 19,447,155 |

The unrestricted net position of the Governmental Activities for the Town of Guadalupe, Arizona has improved to \$561,175 from the prior year deficit of \$612,409.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2020

Comparative Analysis of Government-Wide Revenues and Expenses
For the year ended June 30, 2020 and 2019

| | Governmental Activities | Business-Type Activities | Total | Prior Year June 30, 2019 |
|------------------------------------|----------------------------|-----------------------------|----------------------|-----------------------------|
| REVENUE | | | | |
| Program revenue: | | | | |
| Charges for services | \$ 390,452 | \$ 574,665 | \$ 965,117 | \$ 911,154 |
| Grants and contributions | 2,420,594 | - | 2,420,594 | 1,906,882 |
| Total program revenue | 2,811,046 | 574,665 | 3,385,711 | 2,818,036 |
| General revenue: | | | | |
| TPT taxes | 2,123,536 | - | 2,123,536 | 2,127,078 |
| Franchise tax | 25,124 | - | 25,124 | 26,303 |
| Bed taxes | 340,727 | - | 340,727 | 364,824 |
| Restaurant tax | 292,579 | - | 292,579 | 292,579 |
| State TPT tax revenue sharing | 681,696 | - | 681,696 | 656,929 |
| Auto lieu tax revenue sharing | 279,535 | - | 279,535 | 280,769 |
| State revenue sharing | 853,088 | - | 853,088 | 790,177 |
| Interest income | 25,322 | 16,827 | 42,149 | 54,561 |
| Gain (loss) on disposal of assets | 63,825 | - | 63,825 | - |
| Miscellaneous | 12,584 | - | 12,584 | 10,486 |
| Total general revenue | 4,698,016 | 16,827 | 4,714,843 | 4,603,706 |
| Total revenue | 7,509,062 | 591,492 | 8,100,554 | 7,421,742 |
| EXPENSE | | | | |
| General government | 1,028,681 | - | 1,028,681 | 1,070,486 |
| Public safety | 3,581,443 | - | 3,581,443 | 3,459,080 |
| Public works and streets | 792,759 | - | 792,759 | 690,765 |
| Culture and recreation | 171,876 | - | 171,876 | 150,687 |
| Community development | 215,959 | - | 215,959 | 296,884 |
| Health and welfare | 474,190 | - | 474,190 | 372,119 |
| Interest on general long-term debt | 23,568 | - | 23,568 | 38,408 |
| Sewer | - | 144,952 | 144,952 | 140,951 |
| Tianguis | - | 157,001 | 157,001 | 161,164 |
| Refuse | - | 363,874 | 363,874 | 353,737 |
| Total expenses | 6,288,476 | 665,827 | 6,954,303 | 6,734,281 |
| Transfers | - | - | - | - |
| Change in net position | 1,220,586 | (74,335) | 1,146,251 | 687,461 |
| Beginning net position | 18,128,265 | 1,318,890 | 19,447,155 | 18,759,694 |
| Ending net position | <u>\$ 19,348,851</u> | <u>\$ 1,244,555</u> | <u>\$ 20,593,406</u> | <u>\$ 19,447,155</u> |

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2020

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 \$1,725,597, an increase of \$371,640 in comparison with the prior year. The increase is directly related to the revenue increase and expenditure reductions mentioned earlier. General Fund expenditures were decreased by \$493,229 over prior year and revenues increased over prior year by \$112,486. General Fund balance increased by \$1,167,362 with a total fund balance of \$2,473,052. Local sales taxes decreased over prior year by \$28,817. State-shared revenues increased from prior year by \$86,444 generating a small increase in the fund balance. Reductions in expenditures are the main contributor to the increase in the fund balance. This trend indicates the importance of continuing to encouraging local commercial development and promoting current local businesses. At some point the Town will exhaust all its services that can be cut. Therefore, commercial development and promoting local businesses is critical.

| <u>Fund</u> | <u>Balance at June 30, 2020</u> | <u>Increase/(Decrease) From 2018-19</u> |
|-------------------------------------|-------------------------------------|---|
| General Fund | \$ 2,473,052 | \$ 1,167,362 |
| Comm. Dev. Grants Fund | 62,207 | (6,314) |
| Grants Fund | (1,030,235) | (972,582) |
| HURF/LTAF Fund (non-major) | 221,306 | 221,490 |
| Comm. Serv. Grants Fund (non-major) | (733) | (38,316) |
| 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 \$2,473,052, and the balance of all governmental funds increased to \$1,725,597.

The fund balance of the Town of Guadalupe, Arizona's General Fund increased by \$1,167,362 during the current fiscal year. Key factors in this change are as follows:

- ♦ Local sales taxes, restaurant and bar taxes, and insurance claims were over budget by a total of \$359,600. 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 General Fund included wild land fire reimbursements, court fees, insurance claims and building permits.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2020

- ♦ At year end, the General Fund revenues and other financing sources exceeded expenditures by \$1,167,362. As a result, the General Fund ended the year with a fund balance of \$2,473,052.

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 \$217,084, \$978,445, and \$49,026, respectively. The total change in net position for the three funds was \$(33,977), \$(46,428) and \$6,070, 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 60 to 63. These statements compare the original adopted budget, the budget if amended during the fiscal year, and the actual revenues and expenditures.

General Fund revenues (including insurance claims) of \$5,260,497 were less than budgeted revenues and fund balance carry forward of \$5,435,936 by \$175,439 while expenditures and transfers of \$4,093,137 were less than budgeted expenses and transfers of \$5,957,373 by \$1,864,236. 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, no contingency expenses were incurred, and debt payments were deferred.

Capital Asset and Debt Administration

The Town's capital assets for its Governmental and Business-type Activities as of June 30, 2020 amounted to \$19,743,328 (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:

- ♦ In fiscal year 2019 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 re-surfaced and safety features will be added. The Project is expected to begin in the fall of 2021. As of June 30, 2020, the total projects costs are estimated to be \$5,100,000. Most of the costs of the project will be paid for with a federal grant.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2020

- ♦ During the year, the Town renovated the Senior Center/Headstart building roof. For \$80,232 of which of mostly paid for using a 12% gaming revenue grant from the Gila River Indian Community.
- ♦ With the use of Community Development Block grants, the Town repaired streets in the Barrio Nuevo area of Town totaling \$451,873.
- ♦ The Guadalupe Fire Department purchased turn-out gear with the assistance of a 12% gaming revenue grant from the Ak-Chin Indian Community.
- ♦ The following table provides a breakdown of the capital assets of the Town at June 30, 2020:

Capital Assets at June 30, 2020 and 2019
(Net of accumulated depreciation)

| | Governmental Activities | | Business Type Activities | | Total | |
|----------------------------|-------------------------|----------------------|--------------------------|-------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 7,039,174 | \$ 7,039,174 | \$ 84,703 | \$ 84,703 | \$ 7,123,877 | \$ 7,123,877 |
| Construction in progress | - | 34,206 | - | - | - | 34,206 |
| Land improvements | 2,111,353 | 2,234,150 | - | - | 2,111,353 | 2,234,150 |
| Buildings and improvements | 1,491,377 | 1,520,403 | 38,651 | 44,392 | 1,530,028 | 1,564,795 |
| Infrastructure | 4,606,722 | 4,284,526 | 382,142 | 113,097 | 4,988,864 | 4,397,623 |
| Street lights | 228,582 | 253,492 | - | - | 228,582 | 253,492 |
| Machinery and equipment | 702,075 | 807,280 | 19,206 | 32,010 | 721,281 | 839,290 |
| Curbs and gutters | 3,039,343 | 3,155,012 | - | - | 3,039,343 | 3,155,012 |
| Total | \$ 19,218,626 | \$ 19,328,243 | \$ 524,702 | \$ 274,202 | \$ 19,743,328 | \$ 19,602,445 |

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2020

Long-term Debt

At the end of the current fiscal year, the Town of Guadalupe, Arizona had total long-term obligations outstanding of \$3,711,085. Of that amount, \$800,000 is outstanding loan debt and the loan premium of \$35,516. The loan payable is secured by pledges of specific revenue sources of the Town. Net pension liabilities in the amount of \$2,305,601 will be paid down annually over the next twenty years. Capital leases payable outstanding were \$463,294. Compensated absences payable to employees is equal to \$106,674. The following schedule shows the outstanding debt of the Town (both current and long-term) as of June 30, 2020. Further detail on the Town's outstanding debt may be found in Note 7 on pages 38 to 40.

Outstanding Debt

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Compensated absences | \$ 100,554 | \$ 86,854 | \$ 6,120 | \$ 5,239 | \$ 106,674 | \$ 92,093 |
| Net pension and OPEB liability | 2,223,303 | 2,134,893 | 82,298 | 81,669 | 2,305,601 | 2,216,562 |
| Capital lease payable | 463,294 | 515,322 | - | - | 463,294 | 515,322 |
| Loans payable | 835,516 | 846,092 | - | - | 835,516 | 846,092 |
| TOTAL | \$ 3,622,667 | \$ 3,583,161 | \$ 88,418 | \$ 86,908 | \$ 3,711,085 | \$ 3,670,069 |

Economic Factors and Next Year's Budgets and Rates

- ♦ State-shared revenue makes up 35% of the Town's General Fund revenue. Last fiscal year, state-shared revenues were budgeted to increase by 7% or \$119,400. In fiscal year 2020/2021 state-shared revenues are expected to increase by only 4% or \$72,573. This decrease is expected as a result of jobless rates and a slowing economy. Urban Revenue Sharing is distributed two years after the State collects the funds. Therefore, two years ago job growth and pay rates increased by 7% in 2020 over 2018 as indicated in the 7% increase in Urban Revenue Sharing distributions. State-shared Sales Taxes are forecasted to increase by 4%, or by \$27,268.
- ♦ Vehicle in Lieu Tax is expected to decrease by 1% or \$2,795. This is due to the fact that that the current pandemic is expected to continue at least till summer of 2021. Retail sales in Maricopa County rely heavily on winter/spring visitors. Due to the pandemic this is not expected to happen. All state-shared revenue estimates increased by a rate less than last year indicating that the Arizona economy is slowing. The Town of Guadalupe management and budget staff remain conservative in estimating revenues.
- ♦ Local Sales Tax revenue, which makes up 53% of the General Fund revenue, is expected to incur a slight increase.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2020

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 2020-21 budget was prepared. However, revenues did exceed expenditures and transfers at fiscal year-end 2020; therefore, the Council will 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 2020, the fire department purchased turn-out gear using a 12% grant from the Gila River Indian Community. The Senior Center will be getting a new walk-in cooler so that they can continue to provide meals to the seniors in the community.
- ♦ Both the Community Action Program and Town Hall Reception offices will be getting rehabilitated during 2020-2021. The rehab will improve residential services and provide a safer and more efficient work environment for staff. These improvements will be funded by a federal grant and the Town's General Fund. In addition, the Guadalupe Fire Department is working with the Arizona Diamondbacks for grant funding to rehab the fire department building. If successful, the bathrooms, kitchen and sleeping quarters will be rehabbed.
- ♦ 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 was done on the Town's sewer system during fiscal year 2020 to determine conditions and provide grant and budgetary repair/replacement information. During the study it was determined that there were repairs that needed immediate attention. The Town completed the repairs at a total cost of \$316,140. The Town was awarded a Community Development Block Grant for \$517,830 to continue to make repairs in 2020/2021.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2020

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

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TOWN OF GUADALUPE, ARIZONA
Statement of Net Position
June 30, 2020

| | Primary Government | | |
|---|----------------------|---------------------|----------------------|
| | Governmental | Business-type | |
| | Activities | Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,490,182 | \$ 924,080 | \$ 3,414,262 |
| Accounts receivable - net | - | 3,909 | 3,909 |
| Taxes receivable - net | 305,557 | - | 305,557 |
| Miscellaneous receivables | 13,059 | - | 13,059 |
| Due from other governments | 1,139,958 | 67,473 | 1,207,431 |
| Prepaid expenses | 35,277 | 2,544 | 37,821 |
| Notes receivable - net | 646,854 | - | 646,854 |
| Net other postemployment benefits asset | 1,724 | 139 | 1,863 |
| Capital assets, not being depreciated | 7,039,174 | 84,703 | 7,123,877 |
| Capital assets, being depreciated, net | 12,179,452 | 439,999 | 12,619,451 |
| Total assets | 23,851,237 | 1,522,847 | 25,374,084 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions and other postemployment benefits | 646,349 | 9,722 | 656,071 |
| LIABILITIES | | | |
| Accounts payable | 618,904 | 181,367 | 800,271 |
| Accrued expenses | 91,039 | 5,124 | 96,163 |
| Court bonds payable | 35,180 | - | 35,180 |
| Unearned revenue | 498,911 | - | 498,911 |
| Refundable deposits | - | 5,332 | 5,332 |
| Noncurrent liabilities | | | |
| Due within 1 year | 416,434 | 5,508 | 421,942 |
| Due in more than 1 year | 3,206,233 | 82,910 | 3,289,143 |
| Total liabilities | 4,866,701 | 280,241 | 5,146,942 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions and other postemployment benefits | 282,034 | 7,773 | 289,807 |
| NET POSITION | | | |
| Net investment in capital assets | 17,919,816 | 524,702 | 18,444,518 |
| Restricted for: | | | |
| Highways and streets | 221,306 | - | 221,306 |
| Community development | 646,554 | - | 646,554 |
| Unrestricted (deficit) | 561,175 | 719,853 | 1,281,028 |
| Total net position | \$ 19,348,851 | \$ 1,244,555 | \$ 20,593,406 |

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

TOWN OF GUADALUPE, ARIZONA
Statement of Activities
Year Ended June 30, 2020

| 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 | | |
| Primary government: | | | | | | | | |
| Governmental activities | | | | | | | | |
| Public safety | \$ 3,581,443 | \$ 132,169 | \$ 792,379 | \$ 69,544 | \$ (2,587,351) | \$ - | \$ (2,587,351) | |
| General government | 1,028,681 | 227,598 | 100,871 | - | (700,212) | - | (700,212) | |
| Public works and streets | 792,759 | - | 647,342 | 448,873 | 303,456 | - | 303,456 | |
| Health and welfare | 474,190 | - | 250,485 | 71,662 | (152,043) | - | (152,043) | |
| Culture and recreation | 171,876 | 30,685 | 20,000 | - | (121,191) | - | (121,191) | |
| Community development | 215,959 | - | 19,438 | - | (196,521) | - | (196,521) | |
| Interest on general long-term debt | 23,568 | - | - | - | (23,568) | - | (23,568) | |
| Total governmental activities | 6,288,476 | 390,452 | 1,830,515 | 590,079 | (3,477,430) | - | (3,477,430) | |
| Business-type activities | | | | | | | | |
| Sewer | 144,952 | 81,697 | - | - | - | (63,255) | (63,255) | |
| Tianguis | 157,001 | 163,071 | - | - | - | 6,070 | 6,070 | |
| Refuse | 363,874 | 329,897 | - | - | - | (33,977) | (33,977) | |
| Total business-type activities | 665,827 | 574,665 | - | - | - | (91,162) | (91,162) | |
| Total primary government | \$ 6,954,303 | \$ 965,117 | \$ 1,830,515 | \$ 590,079 | (3,477,430) | (91,162) | (3,568,592) | |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| TPT taxes | | | | | 2,416,115 | - | 2,416,115 | |
| Bed taxes | | | | | 340,727 | - | 340,727 | |
| Franchise taxes | | | | | 25,124 | - | 25,124 | |
| State revenue sharing | | | | | 853,088 | - | 853,088 | |
| State TPT tax revenue sharing | | | | | 681,696 | - | 681,696 | |
| Auto lieu tax revenue sharing | | | | | 279,535 | - | 279,535 | |
| Interest income | | | | | 25,322 | 16,827 | 42,149 | |
| Gain (loss) on disposal of capital assets | | | | | 63,825 | - | 63,825 | |
| Miscellaneous | | | | | 12,584 | - | 12,584 | |
| Total general revenues | | | | | 4,698,016 | 16,827 | 4,714,843 | |
| Change in net position | | | | | 1,220,586 | (74,335) | 1,146,251 | |
| Net position, beginning of year | | | | | 18,128,265 | 1,318,890 | 19,447,155 | |
| Net position, end of year | | | | | \$ 19,348,851 | \$ 1,244,555 | \$ 20,593,406 | |

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

TOWN OF GUADALUPE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2020

| | General Fund | Community Development Grants Fund | Grants Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,142,741 | \$ 83,712 | \$ - | \$ 263,729 | \$ 2,490,182 |
| Taxes receivable - net | 305,557 | - | - | - | 305,557 |
| Miscellaneous receivables | 13,059 | 646,854 | - | - | 659,913 |
| Due from other governments | 51,127 | - | 1,034,202 | 54,629 | 1,139,958 |
| Prepaid expenses | 26,218 | 142 | 1,815 | 7,102 | 35,277 |
| Due from other funds | 597,761 | - | - | - | 597,761 |
| Total assets | 3,136,463 | 730,708 | 1,036,017 | 325,460 | 5,228,648 |
| Liabilities | | | | | |
| Accounts payable | 156,614 | - | 377,016 | 85,274 | 618,904 |
| Accrued expenses | 65,052 | - | 9,171 | 16,816 | 91,039 |
| Court bonds payable | 35,180 | - | - | - | 35,180 |
| Due to other funds | - | - | 597,761 | - | 597,761 |
| Unearned revenue | 406,565 | 21,647 | 67,902 | 2,797 | 498,911 |
| Total liabilities | 663,411 | 21,647 | 1,051,850 | 104,887 | 1,841,795 |
| Deferred inflows of resources | | | | | |
| Unavailable revenue | - | 646,854 | 1,014,402 | - | 1,661,256 |
| Fund balances | | | | | |
| Nonspendable | 26,218 | 142 | 1,815 | 7,102 | 35,277 |
| Restricted for: | | | | | |
| Highways and streets | - | - | - | 216,870 | 216,870 |
| Community development | - | 62,065 | - | - | 62,065 |
| Unassigned | 2,446,834 | - | (1,032,050) | (3,399) | 1,411,385 |
| Total fund balances | 2,473,052 | 62,207 | (1,030,235) | 220,573 | 1,725,597 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 3,136,463 | \$ 730,708 | \$ 1,036,017 | \$ 325,460 | \$ 5,228,648 |

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, 2020

| | |
|--|--------------|
| Fund balances-total governmental funds | \$ 1,725,597 |
|--|--------------|

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. | 19,218,626 |
|---|------------|

| | |
|---|-----------|
| Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds. | 1,661,256 |
|---|-----------|

| | |
|---|-------|
| Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds. | 1,724 |
|---|-------|

| | |
|--|-------------|
| 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. | (3,622,667) |
|--|-------------|

| | |
|--|----------------|
| 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>364,315</u> |
|--|----------------|

| | |
|--|------------------------------------|
| Net position of governmental activities | <u><u>\$ 19,348,851</u></u> |
|--|------------------------------------|

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

TOWN OF GUADALUPE, ARIZONA
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2020

| | General Fund | Community Development Grants Fund | Grants Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--|-----------------------|--------------------------------|--------------------------------|
| Revenue | | | | | |
| Intergovernmental | \$ 2,017,972 | \$ - | \$ 448,383 | \$ 828,966 | \$ 3,295,321 |
| Taxes | 2,781,965 | - | - | - | 2,781,965 |
| Charges for services | 171,925 | - | - | - | 171,925 |
| Fines and forfeitures | 88,414 | - | - | - | 88,414 |
| Other revenue | 23,084 | 39,945 | - | 22,161 | 85,190 |
| Licenses and permits | 60,858 | - | - | - | 60,858 |
| Interest | 12,795 | - | - | 12,527 | 25,322 |
| Total revenue | <u>5,157,013</u> | <u>39,945</u> | <u>448,383</u> | <u>863,654</u> | <u>6,508,995</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public safety | 2,702,542 | - | 761,091 | - | 3,463,633 |
| General government | 941,492 | - | - | - | 941,492 |
| Health and welfare | - | - | 69,794 | 372,885 | 442,679 |
| Public works and streets | 12,459 | - | - | 369,826 | 382,285 |
| Community development | 36,192 | 46,259 | - | - | 82,451 |
| Culture and recreation | 170,911 | - | - | - | 170,911 |
| Debt Service | | | | | |
| Principal | 19,311 | - | 32,717 | - | 52,028 |
| Interest | 78 | - | 15,365 | 18,701 | 34,144 |
| Capital outlay | 31,456 | - | 541,998 | 97,764 | 671,218 |
| Total expenditures | <u>3,914,441</u> | <u>46,259</u> | <u>1,420,965</u> | <u>859,176</u> | <u>6,240,841</u> |
| Excess (deficiency) of revenue over (under) expenditures | 1,242,572 | (6,314) | (972,582) | 4,478 | 268,154 |
| Other financing sources (uses) | | | | | |
| Insurance proceeds from building loss | 103,486 | - | - | - | 103,486 |
| Transfers in (out) | (178,696) | - | - | 178,696 | - |
| Total other financing sources (uses) | <u>(75,210)</u> | <u>-</u> | <u>-</u> | <u>178,696</u> | <u>103,486</u> |
| Net change in fund balances | 1,167,362 | (6,314) | (972,582) | 183,174 | 371,640 |
| Fund balances, beginning of year | <u>1,305,690</u> | <u>68,521</u> | <u>(57,653)</u> | <u>37,399</u> | <u>1,353,957</u> |
| Fund balances, end of year | <u>\$ 2,473,052</u> | <u>\$ 62,207</u> | <u>\$ (1,030,235)</u> | <u>\$ 220,573</u> | <u>\$ 1,725,597</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, 2020

Net change in fund balances-total governmental funds \$ 371,640

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 | 671,218 | |
| Depreciation expense | (741,174) | |
| | | (69,956) |

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

(39,661)

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 | 956,749 | |
| Change in HOME note receivables | (20,507) | |
| | | 936,242 |

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 | 266,605 | |
| Pension/OPEB expense | (293,188) | |
| | | (26,583) |

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 | 52,028 | |
| Amortization of loan premium | 10,576 | |
| | | 62,604 |

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 | | (13,700) |
|--|--|----------|

| | | |
|--|--|---------------------|
| Change in net position of governmental activities | | \$ 1,220,586 |
|--|--|---------------------|

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

TOWN OF GUADALUPE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2020

| | Business-type Activities--Enterprise Funds | | | |
|--|--|--------------------------------|-------------------|---------------------|
| | Sewer Fund | Tianguis Econ. Dev. Fund | Refuse Fund | Total |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 730,449 | \$ - | \$ 193,631 | \$ 924,080 |
| Accounts receivable - net | - | 3,909 | - | 3,909 |
| Due from other governments | 13,696 | - | 53,777 | 67,473 |
| Prepaid expenses | 1,090 | 1,177 | 277 | 2,544 |
| Due from other funds | 23,213 | - | - | 23,213 |
| Total current assets | 768,448 | 5,086 | 247,685 | 1,021,219 |
| Noncurrent assets | | | | |
| Net other postemployment benefits asset | 102 | 37 | - | 139 |
| Capital assets, net of accumulated depreciation, where applicable: | | | | |
| Land | - | 84,703 | - | 84,703 |
| Utilities systems, net | 401,348 | - | - | 401,348 |
| Buildings, net | - | 38,651 | - | 38,651 |
| Total noncurrent assets | 401,450 | 123,391 | - | 524,841 |
| Total assets | 1,169,898 | 128,477 | 247,685 | 1,546,060 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows related to pensions and other postemployment benefits | 7,158 | 2,564 | - | 9,722 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | 123,582 | 27,184 | 30,601 | 181,367 |
| Accrued expenses | 2,986 | 2,138 | - | 5,124 |
| Refundable deposits | - | 5,332 | - | 5,332 |
| Compensated absences - current portion | 5,153 | 355 | - | 5,508 |
| Due to other funds | - | 23,213 | - | 23,213 |
| Total current liabilities | 131,721 | 58,222 | 30,601 | 220,544 |
| Noncurrent liabilities | | | | |
| Compensated absences | 573 | 39 | - | 612 |
| Net pension and other postemployment benefits liability | 60,594 | 21,704 | - | 82,298 |
| Total noncurrent liabilities | 61,167 | 21,743 | - | 82,910 |
| Total liabilities | 192,888 | 79,965 | 30,601 | 303,454 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to pensions and other postemployment benefits | 5,723 | 2,050 | - | 7,773 |
| NET POSITION | | | | |
| Net investment in capital assets | 401,348 | 123,354 | - | 524,702 |
| Unrestricted (deficit) | 577,097 | (74,328) | 217,084 | 719,853 |
| Total net position | \$ 978,445 | \$ 49,026 | \$ 217,084 | \$ 1,244,555 |

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, 2020

| | Business-type Activities--Enterprise Funds | | | |
|--|--|------------------|-------------------|---------------------|
| | Sewer | Tianguis | Refuse | |
| | Fund | Econ. Dev. | Fund | Total |
| | Fund | Fund | Fund | |
| Operating revenues | | | | |
| Charges for services | \$ 81,697 | \$ - | \$ 329,897 | \$ 411,594 |
| Rents | - | 163,071 | - | 163,071 |
| Total operating revenues | <u>81,697</u> | <u>163,071</u> | <u>329,897</u> | <u>574,665</u> |
| Operating expenses | | | | |
| Professional services | 285 | 683 | 361,511 | 362,479 |
| Personnel | 80,621 | 36,679 | - | 117,300 |
| Depreciation | 59,899 | 10,941 | - | 70,840 |
| Utilities | 396 | 60,102 | - | 60,498 |
| Repairs and maintenance | 1,864 | 27,765 | - | 29,629 |
| Materials and supplies | 1,255 | 13,942 | - | 15,197 |
| Insurance | 632 | 3,699 | 2,363 | 6,694 |
| Miscellaneous | - | 3,190 | - | 3,190 |
| Total operating expenses | <u>144,952</u> | <u>157,001</u> | <u>363,874</u> | <u>665,827</u> |
| Operating income (loss) | <u>(63,255)</u> | <u>6,070</u> | <u>(33,977)</u> | <u>(91,162)</u> |
| Nonoperating revenue | | | | |
| Investment income | <u>16,827</u> | <u>-</u> | <u>-</u> | <u>16,827</u> |
| Increase (decrease) in net position | <u>(46,428)</u> | <u>6,070</u> | <u>(33,977)</u> | <u>(74,335)</u> |
| Total net position, beginning of year | <u>1,024,873</u> | <u>42,956</u> | <u>251,061</u> | <u>1,318,890</u> |
| Total net position, end of year | <u>\$ 978,445</u> | <u>\$ 49,026</u> | <u>\$ 217,084</u> | <u>\$ 1,244,555</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, 2020

| | Business-type Activities--Enterprise Funds | | | |
|---|--|--------------------|--------------------------|--------------------------|
| | | Tianguis | | |
| | Sewer | Econ. Dev. | Refuse | Total |
| | Fund | Fund | Fund | |
| Cash flows from operating activities: | | | | |
| Receipts from customers | \$ 81,545 | \$ 162,394 | \$ 331,308 | \$ 575,247 |
| Payments to suppliers and providers of goods and services | (4,372) | (102,453) | (361,241) | (468,066) |
| Payments to employees | (78,945) | (36,339) | - | (115,284) |
| Net cash provided (used) by operating activities | <u>(1,772)</u> | <u>23,602</u> | <u>(29,933)</u> | <u>(8,103)</u> |
| Cash flows from noncapital financing activities: | | | | |
| Interfund loans | <u>18,402</u> | <u>(18,402)</u> | <u>-</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition of capital assets | <u>(192,517)</u> | <u>(5,200)</u> | <u>-</u> | <u>(197,717)</u> |
| Cash flows from investing activities: | | | | |
| Interest received on investments | <u>16,827</u> | <u>-</u> | <u>-</u> | <u>16,827</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(159,060)</u> | <u>-</u> | <u>(29,933)</u> | <u>(188,993)</u> |
| Cash and cash equivalents, beginning of year | <u>889,509</u> | <u>-</u> | <u>223,564</u> | <u>1,113,073</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 730,449</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 193,631</u></u> | <u><u>\$ 924,080</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, 2020
(Continued)

| | Business-type Activities--Enterprise Funds | | | |
|--|--|--------------------------------|--------------------|-------------------|
| | Sewer Fund | Tianguis Econ. Dev. Fund | Refuse Fund | Total |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ (63,255) | \$ 6,070 | \$ (33,977) | \$ (91,162) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities: | | | | |
| Depreciation | 59,899 | 10,941 | - | 70,840 |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | | | | |
| Accounts receivable | - | 1,879 | - | 1,879 |
| Due from other governments | (152) | - | 1,411 | 1,259 |
| Prepaid expenses | (777) | 746 | 774 | 743 |
| Net pension and other postemployment benefits asset | 45 | 15 | - | 60 |
| Deferred outflows of resources related to pensions and other postemployment benefits | 3,553 | 1,273 | - | 4,826 |
| Accounts payable | (70) | 5,857 | 1,859 | 7,646 |
| Accrued expenses | 440 | 695 | - | 1,135 |
| Refundable deposits | - | (2,556) | - | (2,556) |
| Compensated absences payable | 1,236 | (355) | - | 881 |
| Net pension and other postemployment benefits liability | 463 | 166 | - | 629 |
| Deferred inflows of resources related to pensions and other postemployment benefits | (3,154) | (1,129) | - | (4,283) |
| Net cash provided (used) by operating activities | \$ (1,772) | \$ 23,602 | \$ (29,933) | \$ (8,103) |

NONCASH INVESTING, CAPITAL FINANCING, AND NONCAPITAL FINANCING ACTIVITIES

The Sewer Fund incurred \$123,623 in capital improvement costs that were financed with accounts payable at year end.

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

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, 2020

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, 2020

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, 2020 for notes receivable in the Governmental Activities was \$481,159 (see Note 4).

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

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, 2020

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, 2020

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, 2020, if any.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

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, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Deposits – At June 30, 2020, the carrying amount of the Town’s total nonpooled cash in bank was \$816,477, and the bank balance was \$820,495. 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, 2020, 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>\$ 2,588,105</u> | <u>\$ 2,588,105</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>Grants Fund</u> | <u>HURF/LTAF Fund (non-major)</u> | <u>Community Service Grants Fund (non-major)</u> |
|--------------------|-------------------------|------------------------|---|--|
| Federal Government | \$ - | \$ 142,176 | \$ - | \$ - |
| State of Arizona | 49,527 | 884,765 | 33,336 | - |
| Other governments | <u>1,600</u> | <u>7,261</u> | <u>-</u> | <u>21,293</u> |
| | <u>\$ 51,127</u> | <u>\$ 1,034,202</u> | <u>\$ 33,336</u> | <u>\$ 21,293</u> |

Due from other governments for the Sewer and Refuse Funds consisted of amounts due from the City of Tempe totaling \$13,696 and \$53,777, respectively.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

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, 2020 consisted of \$1,128,013 of which \$481,159 are expected to be forgiven. The notes receivable balance – net totaled \$646,854.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

| | Balance July 1, 2019 | Increases | Decreases | Balance June 30, 2020 |
|---|-------------------------|--------------------|--------------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ 34,206 | \$ - | \$ (34,206) | \$ - |
| Land | 7,039,174 | - | - | 7,039,174 |
| Total capital assets not being depreciated | <u>7,073,380</u> | <u>-</u> | <u>(34,206)</u> | <u>7,039,174</u> |
| Capital assets being depreciated: | | | | |
| Building and building improvements | 4,097,113 | 80,233 | (194,085) | 3,983,261 |
| Land improvements | 3,096,280 | - | - | 3,096,280 |
| Equipment | 3,097,204 | 52,918 | - | 3,150,122 |
| Street lights | 472,427 | - | - | 472,427 |
| Streets | 6,341,030 | 572,273 | - | 6,913,303 |
| Curbs and gutters | 4,594,274 | - | - | 4,594,274 |
| Total | <u>21,698,328</u> | <u>705,424</u> | <u>(194,085)</u> | <u>22,209,667</u> |
| Less accumulated depreciation for: | | | | |
| Building and building improvements | (2,576,710) | (69,598) | 154,424 | (2,491,884) |
| Land improvements | (862,130) | (122,797) | - | (984,927) |
| Equipment | (2,289,924) | (158,123) | - | (2,448,047) |
| Street lights | (218,935) | (24,910) | - | (243,845) |
| Streets | (2,056,504) | (250,077) | - | (2,306,581) |
| Curbs and gutters | (1,439,262) | (115,669) | - | (1,554,931) |
| Total | <u>(9,443,465)</u> | <u>(741,174)</u> | <u>154,424</u> | <u>(10,030,215)</u> |
| Total capital assets being depreciated, net | <u>12,254,863</u> | <u>(35,750)</u> | <u>(39,661)</u> | <u>12,179,452</u> |
| Governmental activities capital assets, net | <u>\$ 19,328,243</u> | <u>\$ (35,750)</u> | <u>\$ (73,867)</u> | <u>\$ 19,218,626</u> |

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 5 – CAPITAL ASSETS – Continued

| | Balance July 1, 2019 | Increases | Decreases | Balance June 30, 2020 |
|--|--------------------------|--------------------------|--------------------|--------------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 84,703 | \$ - | \$ - | \$ 84,703 |
| Capital assets being depreciated: | | | | |
| Utility systems | 1,848,472 | 316,140 | - | 2,164,612 |
| Equipment | 91,421 | - | - | 91,421 |
| Buildings | 25,000 | - | - | 25,000 |
| Building improvements | 607,626 | 5,200 | - | 612,826 |
| Total | <u>2,572,519</u> | <u>321,340</u> | <u>-</u> | <u>2,893,859</u> |
| Less accumulated depreciation for: | | | | |
| Utility systems | (1,735,375) | (47,095) | - | (1,782,470) |
| Equipment | (59,411) | (12,804) | - | (72,215) |
| Buildings | (25,000) | - | - | (25,000) |
| Building improvements | (563,234) | (10,941) | - | (574,175) |
| Total | <u>(2,383,020)</u> | <u>(70,840)</u> | <u>-</u> | <u>(2,453,860)</u> |
| Total capital assets being depreciated, net | <u>189,499</u> | <u>250,500</u> | <u>-</u> | <u>439,999</u> |
| Business-type activities capital assets, net | <u><u>\$ 274,202</u></u> | <u><u>\$ 250,500</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 524,702</u></u> |

Depreciation expense was charged to functions as follows:

| | |
|---|--------------------------|
| Governmental activities: | |
| Highways and streets | \$ 402,909 |
| Community development | 132,961 |
| Public safety | 98,931 |
| General government | 78,389 |
| Health and welfare | 27,879 |
| Culture and recreation | <u>105</u> |
| Total governmental activities depreciation expense | <u><u>\$ 741,174</u></u> |
| Business-type activities: | |
| Sewer | \$ 59,899 |
| Tianguis center | <u>10,941</u> |
| Total business-type activities depreciation expense | <u><u>\$ 70,840</u></u> |

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 6 – UNEARNED REVENUE

The Town has received advanced contract payments for the lease of billboard space with a term of 20-years. The Town recognizes revenue annually at 1/20th of the contract price. The remaining amount is recorded as unearned revenue that will be recognized as revenue over the life of the contract. The amount deferred for the billboard contract at June 30, 2020 is \$137,501. 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, 2020, were as follows:

| <u>Description</u> | <u>Face Value</u> | <u>Maturity Ranges</u> | <u>Interest Rate</u> | <u>Outstanding June 30, 2020</u> |
|--------------------|-----------------------|----------------------------|--------------------------|--------------------------------------|
| Loan payable | \$ 2,145,000 | 2014-2023 | 2.00% | <u>\$ 800,000</u> |

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

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, 2020.

| | Balance July 1, 2019 | Additions | Reductions | Balance June 30, 2020 | Due within 1 year |
|--|-------------------------|-------------------|------------------|--------------------------|----------------------|
| Governmental activities: | | | | | |
| Compensated absences | \$ 86,854 | \$ 13,700 | \$ - | \$ 100,554 | \$ 90,499 |
| Net pension and OPEB liability | 2,134,893 | 88,410 | - | 2,223,303 | - |
| Capital lease payable | 515,322 | - | 52,028 | 463,294 | 52,119 |
| Loans payable from direct borrowings and direct placements | 800,000 | - | - | 800,000 | 255,000 |
| Loan premium | 46,092 | - | 10,576 | 35,516 | 18,816 |
| Governmental activities long-term liabilities | <u>\$ 3,583,161</u> | <u>\$ 102,110</u> | <u>\$ 62,604</u> | <u>\$ 3,622,667</u> | <u>\$ 416,434</u> |
| Business-type activities: | | | | | |
| Compensated absences | \$ 5,239 | \$ 881 | \$ - | \$ 6,120 | \$ 5,508 |
| Net pension and OPEB liability | 81,669 | 629 | - | 82,298 | - |
| Business-type activities long-term liabilities | <u>\$ 86,908</u> | <u>\$ 1,510</u> | <u>\$ -</u> | <u>\$ 88,418</u> | <u>\$ 5,508</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, 2020.

| Year Ending June 30 | Governmental Activities | | |
|---------------------------|---|------------------|------------------|
| | Loan Payable from Direct Borrowings and Direct Placements | | |
| | Premium | | |
| | Principal | Amortization | Interest |
| 2021 | \$ 255,000 | \$ 18,816 | \$ 10,897 |
| 2022 | 265,000 | 12,438 | 5,516 |
| 2023 | 280,000 | 4,262 | - |
| Total | <u>\$ 800,000</u> | <u>\$ 35,516</u> | <u>\$ 16,413</u> |

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

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 |
| Less: accumulated depreciation | (154,835) |
| Carrying value | <u>\$ 408,201</u> |

The following schedule details debt service requirements to maturity for the Town's capital leases payable at June 30, 2020:

| Year Ending June 30 | Governmental Activities |
|---|----------------------------|
| 2021 | \$ 65,971 |
| 2022 | 65,971 |
| 2023 | 65,971 |
| 2024 | 65,971 |
| 2025 | 65,971 |
| 2026-2028 | <u>197,912</u> |
| Total minimum lease payments | 527,767 |
| Less amount representing interest | <u>(64,473)</u> |
| Present value of net minimum lease payments | <u>\$ 463,294</u> |

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

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, 2020, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

| Statement of Net Position and Statement of Activities | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|--------------|
| Net OPEB asset | \$ 1,724 | \$ 139 | \$ 1,863 |
| Net pension and OPEB liability | 2,223,303 | 82,298 | 2,305,601 |
| Deferred outflows of resources related to pension and OPEB | 646,349 | 9,722 | 656,071 |
| Deferred inflows of resources related to pension and OPEB | 282,034 | 7,773 | 289,807 |
| Pension and OPEB expense | 293,188 | 7,785 | 300,973 |

The Town reported \$266,605 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, 2020

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.

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, 2020

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, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 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 10.41 percent (10.29 percent for retirement, 0.05 percent for health insurance premium benefit, and 0.07 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, 2020, were \$83,996, \$3,074, and \$1,135, respectively.

During fiscal year 2020, 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, 2020, the Town reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

| | Net Pension/OPEB (Asset) Liability |
|----------------------------------|---|
| Pension | \$ 1,097,158 |
| Health insurance premium benefit | (1,863) |
| Long-term disability | 4,560 |

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net asset and net liabilities were measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019. 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, 2019. The Town's proportions measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were:

| | Proportion June 30, 2019 | Increase (decrease) from June 30, 2018 |
|----------------------------------|-------------------------------------|---|
| Pension | 0.00754% | -0.00027% |
| Health insurance premium benefit | 0.00674% | -0.00066% |
| Long-term disability | 0.00700% | -0.00080% |

Expense – For the year ended June 30, 2020, the Town recognized the following pension and OPEB expense.

| | Pension/OPEB Expense |
|----------------------------------|---------------------------------|
| Pension | 100,446 |
| Health insurance premium benefit | 2,329 |
| Long-term disability | 1,443 |

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources—At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

| | Pension | | Health Insurance | | Long-Term Disability | |
|---|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 19,820 | \$ 206 | \$ - | \$ 2,227 | \$ 539 | \$ - |
| Changes of assumptions or other inputs | 4,638 | 43,691 | 3,663 | - | 682 | - |
| Net difference between projected and actual earnings on plan investments | - | 24,660 | - | 2,422 | - | 97 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 12,530 | 30,425 | - | 11 | 70 | 316 |
| Town contributions subsequent to the measurement date | 83,996 | - | 3,074 | - | 1,135 | - |
| Total | \$ 120,984 | \$ 98,982 | \$ 6,737 | \$ 4,660 | \$ 2,426 | \$ 413 |

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, 2021. 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, | Pension | Health Insurance Premium Benefit | Long-Term Disability |
|---------------------|----------------|---|-----------------------------|
| 2021 | \$ (22,154) | \$ (811) | 78 |
| 2022 | (41,709) | (810) | 79 |
| 2023 | (4,736) | 225 | 173 |
| 2024 | 6,605 | 452 | 191 |
| 2025 | - | (53) | 155 |
| Thereafter | - | - | 202 |

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

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, 2018 |
| Actuarial roll forward date | June 30, 2019 |
| 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, 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 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:

| Asset Class | Target Allocation | Long-term Expected Geometric Real Rate of Return |
|-------------------------------|--------------------------|---|
| Equity | 50% | 6.09% |
| Credit | 20% | 5.36% |
| Interest rate sensitive bonds | 10% | 1.62% |
| Real estate | 20% | 5.85% |
| Total | 100% | |

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the 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:

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|-------------------------------|---|-------------------------------|
| Town's Proportionate share of the | | | |
| Net pension liability | \$ 1,561,510 | \$ 1,097,158 | \$ 709,079 |
| Net insurance premium benefit liability (asset) | 9,435 | (1,863) | (11,489) |
| Net long-term disability liability | 5,047 | 4,560 | 4,088 |

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

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.

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, 2020

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 |
| Retirement and Disability | | |
| 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 60 consecutive months of last 20 years |
| Benefit percentage | | |
| 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 | |
| Survivor Benefit | | |
| 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, 2020

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, 2020, the following employees were covered by the agent plans' benefit terms:

| | PSPRS Fire | |
|--|-------------------|---------------|
| | Pension | Health |
| Inactive employees or beneficiaries currently receiving benefits | 1 | 1 |
| Active employees | 5 | 5 |
| Total | 6 | 6 |

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, 2020, are indicated below. Rates are a percentage of active members' annual covered payroll.

| | Active Member- Pension | Town-Pension | Town-Health Insurance Premium Benefit |
|------------|-----------------------------------|---------------------|--|
| PSPRS Fire | 7.65% - 11.65% | 38.50% | 0.73% |

In addition, statute required the Town to contribute at the actuarially determined rate of 33.23% for pension and .21% for the health insurance premium benefit of the annual covered payroll of Town employees who were PSPRS Tier 3 Risk Pool members.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The Town's contributions to the plans for the year ended June 30, 2020, were:

| | Pension | Health Insurance Premium Benefit |
|------------|----------------|---|
| PSPRS Fire | \$ 184,259 | \$ 2,961 |

During fiscal year 2020, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Liability – At June 30, 2020, the Town reported the following assets and liabilities:

| | Net Pension (Asset) Liability | Net OPEB (Asset) Liability |
|------------|--|---------------------------------------|
| PSPRS Fire | \$ 1,189,699 | \$ 14,184 |

The net assets and net liabilities were measured as of June 30, 2019, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

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

PSPRS

| | |
|----------------------------|--|
| Actuarial valuation date | June 30, 2019 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.30% |
| Wage inflation | 3.5% for pensions/not applicable for OPEB |
| Price inflation | 2.5% for pensions/not applicable for OPEB |
| Cost-of-living adjustment | 1.75% for pensions/not applicable for OPEB |
| Mortality rates | PubS-2010 tables |
| Healthcare cost trend rate | Not applicable |

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Actuarial assumptions used in the June 30, 2019, 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 7.3 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:

| Asset Class | Target Allocation | Long-term Expected Geometric Real Rate of Return |
|------------------------|------------------------------|---|
| Short term investments | 2% | 0.25% |
| Risk parity | 4% | 4.01% |
| Fixed Income | 5% | 3.00% |
| Real assets | 9% | 6.75% |
| GTS | 12% | 4.01% |
| Private credit | 16% | 5.36% |
| Real estate | 10% | 4.50% |
| Private equity | 12% | 8.40% |
| Non-U.S. equity | 14% | 5.00% |
| U.S. equity | 16% | 4.75% |
| Total | 100% | |

Discount Rates – At June 30, 2019, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. 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, 2020

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net Pension/OPEB Liability

| | Pension | | |
|--|--------------------------------|------------------------------------|--------------------------------------|
| | Increase (Decrease) | | |
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| | (a) | (b) | (a) - (b) |
| Balances at June 30, 2019 | \$ 2,354,819 | \$ 1,252,154 | \$ 1,102,665 |
| Changes for the year | | | |
| Service Cost | 80,219 | - | 80,219 |
| Interest on the total liability | 178,342 | - | 178,342 |
| Differences between expected and actual experience in the measurement of the liability | (92,096) | - | (92,096) |
| Changes of assumptions or other inputs | 161,805 | - | 161,805 |
| Contributions-employer | - | 146,523 | (146,523) |
| Contributions-employee | - | 28,291 | (28,291) |
| Net investment income | - | 70,291 | (70,291) |
| Benefit payments, including refunds of employee contributions | (50,016) | (50,016) | - |
| Administrative expense | - | (2,215) | 2,215 |
| Other changes | - | (1,654) | 1,654 |
| Net changes | 278,254 | 191,220 | 87,034 |
| Balances at June 30, 2020 | \$ 2,633,073 | \$ 1,443,374 | \$ 1,189,699 |

| | Health Insurance Premium Benefit | | |
|--|---|------------------------------------|-----------------------------------|
| | Increase (Decrease) | | |
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB (Asset) Liability |
| | (a) | (b) | (a) - (b) |
| Balances at June 30, 2019 | \$ 62,913 | \$ 42,312 | \$ 20,601 |
| Changes for the year | | | |
| Service Cost | 1,044 | - | 1,044 |
| Interest on the total liability | 4,688 | - | 4,688 |
| Differences between expected and actual experience in the measurement of the liability | (8,961) | - | (8,961) |
| Changes of assumptions or other inputs | 3,007 | - | 3,007 |
| Contributions-employer | - | 2,277 | (2,277) |
| Net investment income | - | 2,304 | (2,304) |
| Benefit payments, including refunds of employee contributions | (1,200) | (1,200) | - |
| Administrative expense | - | (40) | 40 |
| Other changes | - | 1,654 | (1,654) |
| Net changes | (1,422) | 4,995 | (6,417) |
| Balances at June 30, 2020 | \$ 61,491 | \$ 47,307 | \$ 14,184 |

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

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 7.3 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 (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

| | 1% Decrease (6.3%) | Current Discount Rate (7.3%) | 1% Increase (8.3%) |
|-------------------------------|-------------------------------|---|-------------------------------|
| PSPRS Fire | | | |
| Net pension (asset) liability | \$ 1,601,781 | \$ 1,189,699 | \$ 854,126 |
| Net OPEB (asset) liability | 21,121 | 14,184 | 8,306 |

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, 2020, the Town recognized the following pension and OPEB expense:

| | Pension Expense | OPEB Expense |
|------------|------------------------|---------------------|
| PSPRS Fire | \$ 196,021 | \$ 734 |

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources – At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

| | Pension | | Health Insurance | |
|--|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 113,629 | \$ 166,711 | \$ 38 | \$ 8,050 |
| Changes of assumptions or other inputs | 200,800 | 7,218 | 2,672 | 3,773 |
| Net difference between projected and actual earnings on pension plan investments | 21,360 | - | 205 | - |
| Town contributions subsequent to the measurement date | 184,259 | - | 2,961 | - |
| Total | <u>\$ 520,048</u> | <u>\$ 173,929</u> | <u>\$ 5,876</u> | <u>\$ 11,823</u> |

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, 2021. 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:

| | PSPRS Fire | |
|---------------------|-------------------|---------------|
| | Pension | Health |
| Year ended June 30, | | |
| 2021 | \$ 53,966 | \$ (1,873) |
| 2022 | 38,249 | (1,873) |
| 2023 | 41,175 | (1,577) |
| 2024 | 5,277 | (943) |
| 2025 | (42) | (656) |
| Thereafter | 23,235 | (1,986) |

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 10 – INTERFUND BALANCES AND ACTIVITY

Interfund payables – Interfund payables for the year ended June 30, 2020, were as follows:

| Payable from | Payable to | |
|--------------------------|-------------------|------------------|
| | General Fund | Sewer Fund |
| Grants Fund | \$ 597,761 | \$ - |
| Tianguis Econ. Dev. Fund | - | 23,213 |
| Total | <u>\$ 597,761</u> | <u>\$ 23,213</u> |

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, 2020, were as follows:

| Transfer To | Transfer From | |
|--|-------------------|--|
| | General Fund | |
| HURF/LTAF Fund (nonmajor fund) | \$ 20,641 | |
| Community Services Grants Fund (nonmajor fund) | 139,354 | |
| Debt Service Fund (nonmajor fund) | 18,701 | |
| Total | <u>\$ 178,696</u> | |

The purpose of the interfund transfer shown above to the Community Service Grants Fund was to help pay for expenditures not reimbursable under grant contracts. The purpose of the transfer to the Debt Service Fund was to pay for debt service expenditures related to the GADA loans (see Note 7). The purpose of the interfund transfer from the General Fund to the HURF/LTAF Fund was to pay for transit expenditures incurred over current year revenues for the Town's transit program.

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, 2020 through February 28, 2028. Payments under the current contract for the year ended June 30, 2020, were approximately \$361,511. Payments are based on the number of residences in the Town times a monthly rate of \$13.29. 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 approximately \$150,000.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 11 – COMMITMENTS - Continued

Public Safety – The Town of Guadalupe has 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, 2020, the Town paid the County Sheriff \$1,438,276 and had agreed to monthly installments of \$119,856 for the 2020 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, 2020

| | Budgeted Amounts | | Actual | Variance with |
|--|-------------------|-------------------|---------------------|---------------------|
| | Original | Final | Amounts | Final Budget |
| Revenue | | | | |
| Taxes | \$ 2,591,500 | \$ 2,591,500 | \$ 2,781,965 | \$ 190,465 |
| Intergovernmental | 2,095,875 | 2,095,875 | 2,017,972 | (77,903) |
| Charges for services | 142,002 | 142,002 | 171,925 | 29,923 |
| Licenses and permits | 43,000 | 43,000 | 60,858 | 17,858 |
| Other revenue | 45,000 | 45,000 | 23,084 | (21,916) |
| Fines and forfeits | 30,000 | 30,000 | 88,414 | 58,414 |
| Interest on investments | 10,500 | 10,500 | 12,795 | 2,295 |
| Total revenue | 4,957,877 | 4,957,877 | 5,157,013 | 199,136 |
| Expenditures | | | | |
| General Government | | | | |
| Administration | 789,632 | 789,632 | 193,187 | 596,445 |
| Town Manager | 159,486 | 159,486 | 147,602 | 11,884 |
| Finance | 139,241 | 139,241 | 138,765 | 476 |
| Town Attorney | 117,000 | 117,000 | 106,402 | 10,598 |
| Building Inspection | 91,360 | 91,360 | 99,657 | (8,297) |
| Building Maintenance | 111,405 | 111,405 | 113,354 | (1,949) |
| Mayor & Council | 66,733 | 66,733 | 65,192 | 1,541 |
| Information Technology | 61,498 | 61,498 | 55,305 | 6,193 |
| Town Clerk | 34,697 | 34,697 | 41,068 | (6,371) |
| Contingency | 254,000 | 254,000 | - | 254,000 |
| Total General Government | 1,825,052 | 1,825,052 | 960,532 | 864,520 |
| Public Safety | | | | |
| Poilice | 1,932,578 | 1,932,578 | 1,439,240 | 493,338 |
| Fire | 1,219,844 | 1,219,844 | 1,089,729 | 130,115 |
| Court | 236,303 | 236,303 | 205,377 | 30,926 |
| Total Public Safety | 3,388,725 | 3,388,725 | 2,734,346 | 654,379 |
| Culture and Recreation | | | | |
| Parks | 152,818 | 152,818 | 163,288 | (10,470) |
| Library | 11,580 | 11,580 | 7,624 | 3,956 |
| Total Culture and Recreation | 164,398 | 164,398 | 170,912 | (6,514) |
| Public Works and Streets | | | | |
| Cemetery | 13,171 | 13,171 | 12,459 | 712 |
| Community Development | 37,819 | 37,819 | 36,192 | 1,627 |
| Total expenditures | 5,429,165 | 5,429,165 | 3,914,441 | 1,514,724 |
| Excess (deficiency) of revenue over expenditures | (471,288) | (471,288) | 1,242,572 | 1,713,860 |
| Other financing sources (uses) | | | | |
| Sale of capital assets | - | - | 103,486 | 103,486 |
| Transfers in (out) | (528,208) | (528,208) | (178,696) | 349,512 |
| Total other financing sources (uses) | (528,208) | (528,208) | (75,210) | 452,998 |
| Net changes in fund balances | (999,496) | (999,496) | 1,167,362 | 2,166,858 |
| Fund balances, beginning of year | 1,305,690 | 1,305,690 | 1,305,690 | - |
| Fund balances, end of year | \$ 306,194 | \$ 306,194 | \$ 2,473,052 | \$ 2,166,858 |

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, 2020

| | Budgeted Amounts | | Actual | Variance with |
|-------------------------------------|------------------|------------------|------------------|-------------------|
| | Original | Final | Amounts | Final Budget |
| Revenue | | | | |
| Intergovernmental | \$ 44,600 | \$ 44,600 | \$ - | \$ (44,600) |
| Other revenue | - | - | 39,945 | 39,945 |
| Total revenue | <u>44,600</u> | <u>44,600</u> | <u>39,945</u> | <u>(4,655)</u> |
| Expenditures | | | | |
| Community development | <u>44,600</u> | <u>44,600</u> | <u>46,259</u> | <u>(1,659)</u> |
| Net changes in fund balances | - | - | (6,314) | (2,996) |
| Fund balances, beginning of year | <u>68,521</u> | <u>68,521</u> | <u>68,521</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 68,521</u> | <u>\$ 68,521</u> | <u>\$ 62,207</u> | <u>\$ (2,996)</u> |

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Variance with |
|---|--------------------|--------------------|-----------------------|-----------------------|
| | Original | Final | Amounts | Final Budget |
| Revenue | | | | |
| Intergovernmental | \$ 4,344,444 | \$ 4,344,444 | \$ 448,383 | \$ (3,896,061) |
| Expenditures | | | | |
| Public safety | \$ 3,684,570 | 3,684,570 | 761,091 | 2,923,479 |
| Health and welfare | 69,794 | 69,794 | 69,794 | - |
| Debt Service | | - | | |
| Principal | 32,717 | 32,717 | 32,717 | - |
| Interest | 15,365 | 15,365 | 15,365 | - |
| Capital outlay | 541,998 | 541,998 | 541,998 | - |
| Total expenditures | 4,344,444 | 4,344,444 | 1,420,965 | 2,923,479 |
| Excess (deficiency) of revenue over expenditures | - | - | (972,582) | (972,582) |
| Other financing sources (uses) | | | | |
| Transfers in (out) | 45,000 | 45,000 | - | (45,000) |
| Net changes in fund balances | 45,000 | 45,000 | (972,582) | (1,017,582) |
| Fund balances, beginning of year | (57,653) | (57,653) | (57,653) | - |
| Fund balances, end of year | \$ (12,653) | \$ (12,653) | \$ (1,030,235) | \$ (1,017,582) |

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2020

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, 2020, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the Building Inspection, Building Maintenance, Town Clerk, and Parks departments of the General Fund. Expenditures exceeded final budget amounts in the Community Development Grants Fund as well.

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, 2020

ASRS-Pension

| | Reporting Fiscal Year (Measurement Date) | | | | | | 2014 through 2011 |
|---|---|----------------|----------------|----------------|----------------|----------------|---------------------------|
| | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | |
| Town's proportion of the net pension liability | 0.007540% | 0.007810% | 0.007570% | 0.007970% | 0.006910% | 0.006605% | Information not available |
| Town's proportionate share of the net pension liability | \$ 1,097,158 | \$ 1,089,220 | \$ 1,179,258 | \$ 1,286,438 | \$ 1,075,859 | \$ 977,331 | |
| Town's covered payroll | \$ 809,291 | \$ 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 | 135.57% | 140.72% | 159.70% | 172.48% | 169.11% | 164.15% | |
| Plan fiduciary net position as a percentage of the total pension liability | 73.24% | 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, 2020

ASRS-Health Insurance Premium Benefit

| | Reporting Fiscal Year (Measurement Date) | | | |
|--|---|----------------|----------------|---------------------------|
| | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 through 2011 |
| Town's proportion of the net OPEB (asset) | 0.006740% | 0.007400% | 0.007610% | Information not available |
| Town's proportionate share of the net OPEB (asset) | \$ (1,863) | \$ (2,665) | \$ (4,143) | |
| Town's covered payroll | \$ 809,291 | \$ 774,034 | \$ 738,432 | |
| Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll | -0.23% | -0.34% | -0.56% | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 101.62% | 102.20% | 103.57% | |

ASRS-Long-Term Disability

| | Reporting Fiscal Year (Measurement Date) | | | |
|--|---|----------------|----------------|---------------------------|
| | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 through 2011 |
| Town's proportion of the net OPEB (asset) | 0.006110% | 0.007800% | 0.007570% | Information not available |
| Town's proportionate share of the net OPEB (asset) | \$ 4,560 | \$ 4,076 | \$ 2,744 | |
| Town's covered payroll | \$ 809,291 | \$ 774,034 | \$ 738,432 | |
| Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll | 0.56% | 0.53% | 0.37% | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 72.85% | 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 Plans
June 30, 2020

PSPRS

| | Reporting Fiscal Year (Measurement Date) | | | | | | |
|--|---|---------------------|---------------------|---------------------|---------------------|---------------------|------------------------------|
| | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | 2014 through 2011 |
| Total pension liability | | | | | | | Information not available |
| Service cost | \$ 80,219 | \$ 77,589 | \$ 79,931 | \$ 59,089 | \$ 50,177 | \$ 50,552 | |
| Interest on the total pension liability | 178,342 | 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 | (92,096) | (107,903) | 134,105 | 97,848 | (4,211) | (41,101) | |
| Changes of assumptions or other inputs | 161,805 | - | (13,572) | 78,089 | - | 106,427 | |
| Benefit payments, including refunds of employee contributions | (50,016) | (51,264) | (48,359) | (48,359) | (48,359) | (47,649) | |
| Net change in total pension liability | 278,254 | 87,200 | 315,072 | 437,155 | 108,147 | 185,679 | |
| Total pension liability - beginning | 2,354,819 | 2,267,619 | 1,952,547 | 1,515,392 | 1,407,245 | 1,221,566 | |
| Total pension liability - ending (a) | <u>\$ 2,633,073</u> | <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 | \$ 146,523 | \$ 126,557 | \$ 94,415 | \$ 82,876 | \$ 58,412 | \$ 55,194 | |
| Contributions - employee | 28,291 | 25,685 | 37,461 | 36,288 | 30,153 | 27,116 | |
| Net investment income | 70,291 | 79,265 | 114,391 | 5,169 | 29,544 | 92,104 | |
| Benefit payments, including refunds of employee contributions | (50,016) | (51,264) | (48,359) | (48,359) | (48,359) | (47,649) | |
| Hall/Parker Settlement | - | (53,246) | - | - | - | - | |
| Administrative expense | (2,215) | (1,906) | (1,412) | (1,144) | (1,107) | - | |
| Other changes | (1,654) | 13 | 11 | 5 | (527) | (23,055) | |
| Net change in plan fiduciary net position | 191,220 | 125,104 | 196,507 | 74,835 | 68,116 | 103,710 | |
| Plan fiduciary net position - beginning | 1,252,154 | 1,127,050 | 930,543 | 855,708 | 787,592 | 683,882 | |
| Plan fiduciary net position - ending (b) | <u>\$ 1,443,374</u> | <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>\$ 1,189,699</u> | <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 | 54.82% | 53.17% | 49.70% | 47.66% | 56.47% | 55.97% | |
| Covered payroll | \$ 390,173 | \$ 336,757 | \$ 351,344 | \$ 311,485 | \$ 272,878 | \$ 261,991 | |
| Town's net pension (asset) liability as a percentage of covered payroll | 304.92% | 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 Plans
June 30, 2020

PSPRS-OPEB

| | Reporting Fiscal Year (Measurement Date) | | | |
|---|---|------------------|------------------|----------------------|
| | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 through 2011 |
| Total OPEB liability | | | | |
| Service cost | \$ 1,044 | \$ 977 | \$ 1,159 | Information |
| Interest on the total OPEB liability | 4,688 | 4,339 | 4,605 | not available |
| Differences between expected and actual experience in the measurement of the OPEB liability | (8,961) | 54 | (154) | |
| Changes of assumptions or other inputs | 3,007 | - | (7,094) | |
| Benefit payments | (1,200) | (1,200) | (1,200) | |
| Net change in total OPEB liability | (1,422) | 4,170 | (2,684) | |
| Total OPEB liability - beginning | 62,913 | 58,743 | 61,427 | |
| Total OPEB liability - ending (a) | <u>\$ 61,491</u> | <u>\$ 62,913</u> | <u>\$ 58,743</u> | |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 2,277 | \$ 1,200 | \$ 3,059 | |
| Net investment income | 2,304 | 2,758 | 4,071 | |
| Benefit payments | (1,200) | (1,200) | (1,200) | |
| Administrative expense | (40) | (42) | (36) | |
| Other changes | 1,654 | - | - | |
| Net change in plan fiduciary net position | 4,995 | 2,716 | 5,894 | |
| Plan fiduciary net position - beginning | 42,312 | 39,596 | 33,702 | |
| Plan fiduciary net position - ending (b) | <u>\$ 47,307</u> | <u>\$ 42,312</u> | <u>\$ 39,596</u> | |
| Town's net OPEB (asset) liability - ending (a) - (b) | <u>\$ 14,184</u> | <u>\$ 20,601</u> | <u>\$ 19,147</u> | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 76.93% | 67.25% | 67.41% | |
| Covered payroll | \$ 390,173 | \$ 336,757 | \$ 351,344 | |
| Town's net OPEB (asset) liability as a percentage of covered payroll | 3.64% | 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, 2020

ASRS-Pension

| | Reporting Fiscal Year | | | | | | | 2013 through 2011 |
|--|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | |
| Statutorily required contribution | \$ 83,996 | \$ 88,892 | \$ 84,599 | \$ 79,603 | \$ 80,925 | \$ 69,279 | \$ 63,708 | Information not available |
| Town's contributions in relation to the statutorily required contribution | (83,996) | (88,892) | (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> | <u>\$ -</u> | |
| Town's covered payroll | <u>\$ 747,562</u> | <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 | 11.24% | 10.98% | 10.93% | 10.78% | 10.85% | 10.89% | 10.70% | |

ASRS-Health Insurance Premium Benefit

| | Reporting Fiscal Year | | | | 2016 through 2011 |
|--|-----------------------|-------------------|-------------------|-------------------|------------------------------|
| | 2020 | 2019 | 2018 | 2017 | |
| Statutorily required contribution | \$ 3,074 | \$ 3,189 | \$ 3,178 | \$ 4,096 | Information not available |
| Town's contributions in relation to the statutorily required contribution | (3,074) | (3,189) | (3,178) | (4,096) | |
| Town's contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | |
| Town's covered payroll | <u>\$ 747,562</u> | <u>\$ 809,291</u> | <u>\$ 774,034</u> | <u>\$ 738,432</u> | |
| Town's contributions as a percentage of covered payroll | 0.41% | 0.39% | 0.41% | 0.55% | |

See accompanying notes to pension/OPEB plan schedules.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2020

ASRS-Long-Term Disability

| | Reporting Fiscal Year | | | | |
|--|-----------------------|------------|------------|------------|------------------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 through 2011 |
| Statutorily required contribution | \$ 1,135 | \$ 1,163 | \$ 1,237 | \$ 1,029 | Information not available |
| Town's contributions in relation to the statutorily required contribution | (1,135) | (1,163) | (1,237) | (1,029) | |
| Town's contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | |
| Town's covered payroll | \$ 747,562 | \$ 809,291 | \$ 774,034 | \$ 738,432 | |
| Town's contributions as a percentage of covered payroll | 0.15% | 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, 2020

PSPRS-Pension

| | Reporting Fiscal Year | | | | | | | 2013 through 2011 |
|---|-----------------------|------------|------------|------------|------------|------------|------------|------------------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | |
| Actuarially determined contribution | \$ 184,259 | \$ 146,523 | \$ 126,557 | \$ 94,415 | \$ 82,876 | \$ 58,412 | \$ 55,194 | Information not available |
| Town's contributions in relation to the actuarially determined contribution | (184,259) | (146,523) | (126,557) | (94,415) | (82,876) | (58,412) | (55,194) | |
| Town's contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Town's covered-employee payroll | \$ 382,337 | \$ 390,173 | \$ 336,757 | \$ 351,344 | \$ 311,485 | \$ 272,878 | \$ 261,991 | |
| Town's contributions as a percentage of covered payroll | 48.19% | 37.55% | 37.58% | 26.87% | 26.61% | 21.41% | 21.07% | |

PSPRS-OPEB

| | Reporting Fiscal Year | | | | 2016 through 2011 |
|---|-----------------------|------------|------------|------------|------------------------------|
| | 2020 | 2019 | 2018 | 2017 | |
| Actuarially determined contribution | \$ 2,961 | \$ 2,277 | \$ 1,200 | \$ 3,059 | Information not available |
| Town's contributions in relation to the actuarially determined contribution | (2,961) | (2,277) | (1,200) | (3,059) | |
| Town's contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | |
| Town's covered payroll | \$ 382,337 | \$ 390,173 | \$ 336,757 | \$ 351,344 | |
| Town's contributions as a percentage of covered payroll | 0.77% | 0.58% | 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, 2020

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 2018 actuarial valuation | 18 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, 2020

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 2018 (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 increased 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.

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, 2020, and the related notes to the financial statements, which collectively comprise the Town of Guadalupe, Arizona's, basic financial statements, and have issued our report thereon dated January 19, 2021.

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 "Lobby & Powell, PLC". The signature is written in a cursive, flowing style.

January 19, 2021



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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, 2020. 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, 2020.

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

January 19, 2021

TOWN OF GUADALUPE, ARIZONA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

| Federal Grantor/Pass Through Grantor/Program Title | Federal CFDA Number | Pass through Entity Identifying Number | Federal Expenditures |
|--|---------------------------|--|----------------------------|
| <u>U.S. Department of Health and Human Services</u> | | | |
| Passed through Area Agency on Aging: | | | |
| Aging Cluster: | | | |
| Special Programs for the Aging Title III, Part B | 93.044 | 2020-21-GUA | \$ 18,124 |
| Special Programs for the Aging Title III, Part C | 93.045 | 2020-21-GUA | 82,794 |
| Nutrition Services Incentive Program | 93.053 | 2020-21-GUA | <u>6,691</u> |
| Total Aging Cluster | | | 107,609 |
| Social Services Block Grant | 93.667 | 2020-21-GUA | 6,559 |
| Passed through Maricopa County Human Services Department: | | | |
| Temporary Assistance for Needy Families | 93.558 | C-22-16-046-3-02 | 1,761 |
| Low-Income Home Energy Assistance | 93.568 | C-22-16-046-3-02 | <u>6,111</u> |
| Total U.S. Department Health and Human Services | | | <u>122,040</u> |
| <u>U.S. Department of Homeland Security</u> | | | |
| Staffing for Adequate Fire and Emergency Response (SAFER) | 97.083 | EMW-2017-FH-00367 | <u>267,999</u> |
| <u>U.S. Department of the Treasury</u> | | | |
| Passed through Arizona Office of the Governor: | | | |
| Coronavirus Relief Fund | 21.019 | | <u>493,092</u> |
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Passed through Maricopa County Community Development: | | | |
| CDBG - Entitlement Grants Cluster: | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | C-22-20-014-3-02 | <u>448,873</u> |
| Total Federal Awards | | | <u><u>\$ 1,332,004</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, 2020

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, 2020. 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, 2020

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 | _____ <u>X</u> No | |
| Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ Yes | _____ <u>X</u> No | |
| Noncompliance material to financial statements noted? | _____ Yes | _____ <u>X</u> No | |

Federal Awards

Internal control over major federal programs:

| | | | |
|--|-----------|-------------------|--|
| Material weakness(es) identified? | _____ Yes | _____ <u>X</u> No | |
| Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ Yes | _____ <u>X</u> 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 | _____ <u>X</u> No | |
|--|-----------|-------------------|--|

Identification of major federal programs:

CFDA

| <u>Number</u> | <u>Name of Federal Program</u> |
|---------------|--------------------------------|
|---------------|--------------------------------|

| | |
|--------|---|
| 14.218 | CDBG-Entitlement Grants Cluster: Community Development Block Grants/Entitlement Grants |
| 21.019 | Coronavirus Relief Fund |

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

| | | | |
|--|-----------|-------------------|--|
| Auditee qualified as low-risk auditee? | _____ Yes | _____ <u>X</u> No | |
|--|-----------|-------------------|--|

Federal Award Findings and Questioned Costs

None

TOWN OF GUADALUPE, ARIZONA
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2020

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

There were no prior year findings.