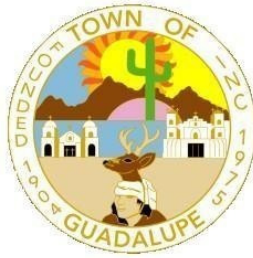


TOWN OF GUADALUPE, ARIZONA

Annual Financial Statements
and
Independent Auditors' Report
June 30, 2018

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
Government-wide Statements	
Statement of Net Position	4
Statement of Activities.....	5
Fund Statements	
Governmental Funds	
Balance Sheet.....	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenue, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government- wide Statement of Activities.....	9
Proprietary Funds	
Statement of Net Position	10
Statement of Revenue, Expenses, and Changes in Fund Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	14
Other Required Supplementary Information	
Budgetary Comparison Schedules	48
Notes to Budgetary Comparison Schedules.....	51
Schedule of the Town's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Pension Plans	52
Schedule of Changes in the Town's Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Pension Plans.....	54
Schedule of Town Pension/OPEB Contributions	56
Notes to Pension/OPEB plan schedules.....	59
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 <i>Governmental Auditing Standards</i>	62





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

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

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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Guadalupe, Arizona, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2018, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

The Town of Guadalupe, Arizona has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 48 through 51, Schedule of the Town's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Pension Plans on pages 52 through 53, Schedule of Changes in the Town's Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Pension Plans on pages 54 through 55, and Schedule of Town Pension/OPEB Contributions on pages 56 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the

information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, 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'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.

Lobby & Powell, PLLC

December 17, 2018

TOWN OF GUADALUPE, ARIZONA
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,746,224	\$ 1,063,267	\$ 2,809,491
Taxes receivable - net	298,248	-	298,248
Miscellaneous receivables	3,280	-	3,280
Due from other governments	259,212	169,699	428,911
Prepaid expenses	18,326	1,535	19,861
Notes receivable - net	702,865	-	702,865
Net other postemployment benefits asset	3,834	309	4,143
Capital assets, not being depreciated	7,050,169	84,703	7,134,872
Capital assets, being depreciated, net	11,781,585	263,154	12,044,739
Total assets	21,863,743	1,582,667	23,446,410
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	617,341	15,622	632,963
LIABILITIES			
Accounts payable	303,759	25,793	329,552
Accrued expenses	89,241	3,519	92,760
Court bonds payable	106,035	-	106,035
Unearned revenue	529,559	-	529,559
Refundable deposits	-	9,054	9,054
Noncurrent liabilities			
Due within 1 year	120,400	3,090	123,490
Due in more than 1 year	3,879,170	88,639	3,967,809
Total liabilities	5,028,164	130,095	5,158,259
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	152,419	9,001	161,420
NET POSITION			
Net investment in capital assets	17,149,012	347,857	17,496,869
Restricted for:			
Community service	1,631	-	1,631
Community development	862,240	-	862,240
Unrestricted (deficit)	(712,382)	1,111,336	398,954
Total net position	\$ 17,300,501	\$ 1,459,193	\$ 18,759,694

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

TOWN OF GUADALUPE, ARIZONA
Statement of Activities
Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities							
Public safety	\$ 3,146,777	\$ 193,717	\$ 41,245	\$ 33,315	\$ (2,878,500)	\$ -	\$ (2,878,500)
General government	1,020,658	274,193	100,048	-	(646,417)	-	(646,417)
Public works and streets	744,849	-	429,191	179,365	(136,293)	-	(136,293)
Health and welfare	352,541	-	229,935	-	(122,606)	-	(122,606)
Culture and recreation	161,763	23,164	2,000	-	(136,599)	-	(136,599)
Community development	181,624	-	5,799	307,883	132,058	-	132,058
Interest on general long-term debt	27,103	-	-	-	(27,103)	-	(27,103)
Total governmental activities	5,635,315	491,074	808,218	520,563	(3,815,460)	-	(3,815,460)
Business-type activities							
Sewer	156,529	80,755	-	-	-	(75,774)	(75,774)
Tianguis	131,490	126,569	-	-	-	(4,921)	(4,921)
Refuse	326,756	327,891	-	-	-	1,135	1,135
Total business-type activities	614,775	535,215	-	-	-	(79,560)	(79,560)
Total primary government	\$ 6,250,090	\$ 1,026,289	\$ 808,218	\$ 520,563	(3,815,460)	(79,560)	(3,895,020)
General revenue:							
Taxes:							
Sales taxes					2,137,573	-	2,137,573
Bed taxes					405,035	-	405,035
Franchise taxes					26,574	-	26,574
State revenue sharing					784,774	-	784,774
State sales tax revenue sharing					610,177	-	610,177
Auto lieu tax revenue sharing					262,424	-	262,424
Interest income					16,732	15,336	32,068
Miscellaneous					15,530	-	15,530
Transfers					51,135	(51,135)	-
Total general revenue and transfers					4,309,954	(35,799)	4,274,155
Change in net position					494,494	(115,359)	379,135
Net position, beginning of year, as restated					16,806,007	1,574,552	18,380,559
Net position, end of year					\$ 17,300,501	\$ 1,459,193	\$ 18,759,694

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

TOWN OF GUADALUPE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Community Development Grants Fund	HURF/LTAF Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,361,165	\$ 177,761	\$ 194,669	\$ 12,629	\$ 1,746,224
Taxes receivable - net	298,248	-	-	-	298,248
Miscellaneous receivables	2,408	702,866	-	772	706,046
Due from other governments	120,862	3,478	112,344	22,528	259,212
Prepaid expenses	10,915	105	6,353	953	18,326
Total assets	<u>1,793,598</u>	<u>884,210</u>	<u>313,366</u>	<u>36,882</u>	<u>3,028,056</u>
Liabilities					
Accounts payable	101,359	22	181,753	20,625	303,759
Accrued expenses	73,827	-	6,613	8,801	89,241
Court bonds payable	106,035	-	-	-	106,035
Unearned revenue	376,786	21,948	125,000	5,825	529,559
Total liabilities	<u>658,007</u>	<u>21,970</u>	<u>313,366</u>	<u>35,251</u>	<u>1,028,594</u>
Deferred inflows of resources					
Unavailable revenue	<u>-</u>	<u>702,766</u>	<u>-</u>	<u>-</u>	<u>702,766</u>
Fund balances					
Nonspendable	10,915	105	6,353	953	18,326
Restricted for:					
Community development	-	159,369	-	-	159,369
Community service	-	-	-	678	678
Unassigned	1,124,676	-	(6,353)	-	1,118,323
Total fund balances	<u>1,135,591</u>	<u>159,474</u>	<u>-</u>	<u>1,631</u>	<u>1,296,696</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,793,598</u>	<u>\$ 884,210</u>	<u>\$ 313,366</u>	<u>\$ 36,882</u>	<u>\$ 3,028,056</u>

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

TOWN OF GUADALUPE, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2018

Fund balances-total governmental funds	\$ 1,296,696
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.	18,831,754
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	702,865
Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.	3,834
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.	(3,999,570)
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>464,922</u>
Net position of governmental activities	<u>\$ 17,300,501</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, 2018

	General Fund	Community Development Grants Fund	HURF/LTAF Fund	Other Governmental Funds	Total Governmental Funds
Revenue					
Intergovernmental	\$ 2,008,633	\$ 307,883	\$ 608,555	\$ 215,033	\$ 3,140,104
Taxes	2,569,182	-	-	-	2,569,182
Charges for services	143,879	-	-	-	143,879
Licenses and permits	134,753	-	-	-	134,753
Other revenue	22,254	40,456	-	14,902	77,612
Fines and forfeitures	31,067	-	-	-	31,067
Interest	12,336	-	4,398	-	16,734
Total revenue	<u>4,922,104</u>	<u>348,339</u>	<u>612,953</u>	<u>229,935</u>	<u>6,113,331</u>
Expenditures					
Current					
Public safety	3,049,133	-	-	-	3,049,133
General government	944,889	-	-	-	944,889
Public works and streets	11,356	-	382,192	-	393,548
Health and welfare	-	-	-	332,969	332,969
Culture and recreation	162,260	-	-	-	162,260
Community development	42,931	3,067	-	-	45,998
Debt Service					
Principal	1,245	-	-	235,000	236,245
Interest	275	-	-	59,319	59,594
Capital outlay	607,952	307,883	299,514	15,516	1,230,865
Total expenditures	<u>4,820,041</u>	<u>310,950</u>	<u>681,706</u>	<u>642,804</u>	<u>6,455,501</u>
Excess (deficiency) of revenue over (under) expenditures	102,063	37,389	(68,753)	(412,869)	(342,170)
Other financing sources (uses)					
Capital lease acquisition	563,036	-	-	-	563,036
Transfers in (out)	(420,542)	-	57,177	414,500	51,135
Total other financing sources (uses)	<u>142,494</u>	<u>-</u>	<u>57,177</u>	<u>414,500</u>	<u>614,171</u>
Net change in fund balances	244,557	37,389	(11,576)	1,631	272,001
Fund balances, beginning of year	<u>891,034</u>	<u>122,085</u>	<u>11,576</u>	<u>-</u>	<u>1,024,695</u>
Fund balances, end of year	<u>\$ 1,135,591</u>	<u>\$ 159,474</u>	<u>\$ -</u>	<u>\$ 1,631</u>	<u>\$ 1,296,696</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, 2018

Net change in fund balances-total governmental funds \$ 272,001

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

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

Capital outlay	1,230,865	
Depreciation expense	<u>(669,761)</u>	
		561,104

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

Change in HOME note receivables		(34,657)
---------------------------------	--	----------

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	204,371	
Pension/OPEB expense	<u>(253,217)</u>	
		(48,846)

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.

Capital leases incurred	(563,036)	
Debt principal repayments	236,245	
Amortization of loan premium	<u>32,491</u>	
		(294,300)

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.

Decrease in Parker Case liability	53,246	
Increase in compensated absences payable	<u>(14,054)</u>	
		<u>39,192</u>

Change in net position of governmental activities		<u>\$ 494,494</u>
--	--	--------------------------

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

TOWN OF GUADALUPE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 917,757	\$ -	\$ 145,510	\$ 1,063,267
Due from other governments	33,600	-	136,099	169,699
Prepaid expenses	105	502	928	1,535
Due from other funds	70,443	-	-	70,443
Total current assets	<u>1,021,905</u>	<u>502</u>	<u>282,537</u>	<u>1,304,944</u>
Noncurrent assets				
Net other postemployment benefits asset	228	81	-	309
Capital assets, net of accumulated depreciation, where applicable:				
Land	-	84,703	-	84,703
Utilities systems, net	205,130	-	-	205,130
Buildings, net	-	58,024	-	58,024
Total noncurrent assets	<u>205,358</u>	<u>142,808</u>	<u>-</u>	<u>348,166</u>
Total assets	<u>1,227,263</u>	<u>143,310</u>	<u>282,537</u>	<u>1,653,110</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions and other postemployment benefits	11,502	4,120	-	15,622
LIABILITIES				
Current liabilities				
Accounts payable	29	19,726	6,038	25,793
Accrued expenses	2,478	1,041	-	3,519
Refundable deposits	-	9,054	-	9,054
Compensated absences - current portion	2,726	364	-	3,090
Due to other funds	-	70,443	-	70,443
Total current liabilities	<u>5,233</u>	<u>100,628</u>	<u>6,038</u>	<u>111,899</u>
Noncurrent liabilities				
Compensated absences	303	40	-	343
Net pension and other postemployment benefits	65,010	23,286	-	88,296
Total noncurrent liabilities	<u>65,313</u>	<u>23,326</u>	<u>-</u>	<u>88,639</u>
Total liabilities	<u>70,546</u>	<u>123,954</u>	<u>6,038</u>	<u>200,538</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions and other postemployment benefits	6,627	2,374	-	9,001
NET POSITION				
Net investment in capital assets	205,130	142,727	-	347,857
Unrestricted (deficit)	956,462	(121,625)	276,499	1,111,336
Total net position	<u>\$ 1,161,592</u>	<u>\$ 21,102</u>	<u>\$ 276,499</u>	<u>\$ 1,459,193</u>

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

TOWN OF GUADALUPE, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2018

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
Operating revenues				
Charges for services	\$ 80,755	\$ -	\$ 327,891	\$ 408,646
Rents (net of bad debts of \$25,419)	-	126,569	-	126,569
Total operating revenues	<u>80,755</u>	<u>126,569</u>	<u>327,891</u>	<u>535,215</u>
Operating expenses				
Professional services	251	1,102	324,393	325,746
Personnel	79,962	8,758	-	88,720
Depreciation	63,225	18,388	-	81,613
Utilities	357	60,626	-	60,983
Repairs and maintenance	10,492	14,494	-	24,986
Materials and supplies	1,239	20,544	-	21,783
Insurance	807	5,486	2,363	8,656
Miscellaneous	196	2,092	-	2,288
Total operating expenses	<u>156,529</u>	<u>131,490</u>	<u>326,756</u>	<u>614,775</u>
Operating income (loss)	<u>(75,774)</u>	<u>(4,921)</u>	<u>1,135</u>	<u>(79,560)</u>
Nonoperating revenue				
Investment income	15,336	-	-	15,336
Income (loss) before transfers	<u>(60,438)</u>	<u>(4,921)</u>	<u>1,135</u>	<u>(64,224)</u>
Transfers	<u>(51,135)</u>	<u>-</u>	<u>-</u>	<u>(51,135)</u>
Increase (decrease) in net position	<u>(111,573)</u>	<u>(4,921)</u>	<u>1,135</u>	<u>(115,359)</u>
Total net position, beginning of year, as restated	<u>1,273,165</u>	<u>26,023</u>	<u>275,364</u>	<u>1,574,552</u>
Total net position, end of year	<u>\$ 1,161,592</u>	<u>\$ 21,102</u>	<u>\$ 276,499</u>	<u>\$ 1,459,193</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, 2018

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 53,853	\$ 132,954	\$ 218,753	\$ 405,560
Payments to suppliers and providers of goods and services	(191)	(117,310)	(327,139)	(444,640)
Payments to employees	(76,549)	(8,766)	-	(85,315)
Net cash provided (used) by operating activities	<u>(22,887)</u>	<u>6,878</u>	<u>(108,386)</u>	<u>(124,395)</u>
Cash flows from noncapital financing activities:				
Interfund transfer	(51,135)	-	-	(51,135)
Interfund loans	(13,081)	13,081	-	-
Net cash provided by (used by) noncapital financing activities	<u>(64,216)</u>	<u>13,081</u>	<u>-</u>	<u>(51,135)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(29,000)	(19,959)	-	(48,959)
Cash flows from investing activities:				
Interest received on investments	15,336	-	-	15,336
Net increase (decrease) in cash and cash equivalents	(100,767)	-	(108,386)	(209,153)
Cash and cash equivalents, beginning of year	1,018,524	-	253,896	1,272,420
Cash and cash equivalents, end of year	<u>\$ 917,757</u>	<u>\$ -</u>	<u>\$ 145,510</u>	<u>\$ 1,063,267</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, 2018
(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)	\$ (75,774)	\$ (4,921)	\$ 1,135	\$ (79,560)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	63,225	18,388	-	81,613
Bad debts	-	25,419	-	25,419
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	-	(14,287)	-	(14,287)
Due from other governments	(26,902)	-	(109,138)	(136,040)
Prepaid expenses	73	995	(928)	140
Net pension and other postemployment benefits asset	(228)	(81)	-	(309)
Deferred outflows of resources related to pensions and other postemployment benefits	4,064	7,508	-	11,572
Accounts payable	20	26	545	591
Accrued expenses	1,343	(242)	-	1,101
Refundable deposits	-	(4,859)	-	(4,859)
Compensated absences payable	2,070	234	-	2,304
Net pension and other postemployment benefits liability	10,322	(17,849)	-	(7,527)
Deferred inflows of resources related to pensions and other postemployment benefits	(1,100)	(3,453)	-	(4,553)
Net cash provided (used) by operating activities	\$ (22,887)	\$ 6,878	\$ (108,386)	\$ (124,395)

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

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.

For the year ended June 30, 2018, the Town implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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

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

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

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

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

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major enterprise funds:

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

C. Basis of Accounting

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

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2018 for the Tianguis Economic Development Fund was \$15,000. The amount recorded as uncollectible at June 30, 2018 for notes receivable in the Governmental Activities was \$727,303 (see Note 5).

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:

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

G. Investment Income

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

H. Compensated Absences

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

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

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

I. Deferred Outflows/Inflows of Resources

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.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2018, if any.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*.

	Governmental Activities	Business-type Activities	Total
Net position as previously reported at June 30, 2017	\$ 16,830,483	\$ 1,574,537	\$ 18,405,020
Prior period adjustments- implementation of GASB 75:			
Net OPEB liability (measurement date as of June 30, 2016)	(32,277)	(368)	(32,645)
Deferred outflows-Town contributions made during fiscal year 2017	7,801	383	8,184
Total prior period adjustment	(24,476)	15	(24,461)
Net position, as restated, July 1, 2017	\$ 16,806,007	\$ 1,574,552	\$ 18,380,559
	Sewer	Tianguis Econ. Dev. Fund	
Net position as previously reported at June 30, 2017	\$ 1,273,154	\$ 26,019	
Prior period adjustments- implementation of GASB 75:			
Net OPEB liability (measurement date as of June 30, 2016)	(271)	(97)	
Deferred outflows-Town contributions made during fiscal year 2017	282	101	
Total prior period adjustment	11	4	
Net position, as restated, July 1, 2017	\$ 1,273,165	\$ 26,023	

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 3 – 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, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS – Continued

Deposits – At June 30, 2018, the carrying amount of the Town’s total nonpooled cash in bank was \$138,188, and the bank balance was \$177,338. The entire bank balance was covered by federal depository insurance as of June 30, 2018.

Investments—At June 30, 2018, 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>\$2,661,622</u>	<u>\$2,661,622</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 4 – DUE FROM OTHER GOVERNMENTS

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

	<u>General Fund</u>	<u>Community Development Grants Fund</u>	<u>HURF/LTAF Fund</u>	<u>Community Service Grants Fund (non-major)</u>
State of Arizona	\$ 33,391	\$ -	\$ 112,344	\$ -
Maricopa County	6,250	-	-	-
Other governments	<u>81,221</u>	<u>3,478</u>	<u>-</u>	<u>22,528</u>
	<u>\$ 120,862</u>	<u>\$ 3,478</u>	<u>\$ 112,344</u>	<u>\$ 22,528</u>

Due from other governments for the Sewer and Refuse Funds consisted of amounts due from the City of Tempe totaling \$33,600 and \$136,099, respectively.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 5 – 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, 2018 consisted of \$1,430,168 of which \$727,303 are expected to be forgiven. The notes receivable balance – net totaled \$702,865.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 10,995	\$ -	\$ 10,995
Land	7,039,174	-	-	7,039,174
Total capital assets not being depreciated	7,039,174	10,995	-	7,050,169
Capital assets being depreciated:				
Building and building improvements	4,072,610	18,503	-	4,091,113
Land improvements	2,615,295	-	-	2,615,295
Equipment	2,395,275	618,395	-	3,013,670
Street lights	472,427	-	-	472,427
Streets	5,189,406	582,972	-	5,772,378
Curbs and gutters	4,594,274	-	-	4,594,274
Total	19,339,287	1,219,870	-	20,559,157
Less accumulated depreciation for:				
Building and building improvements	(2,436,836)	(69,497)	-	(2,506,333)
Land improvements	(600,577)	(134,941)	-	(735,518)
Equipment	(2,008,318)	(137,844)	-	(2,146,162)
Street lights	(169,116)	(24,909)	-	(194,025)
Streets	(1,699,690)	(172,250)	-	(1,871,940)
Curbs and gutters	(1,193,274)	(130,320)	-	(1,323,594)
Total	(8,107,811)	(669,761)	-	(8,777,572)
Total capital assets being depreciated, net	11,231,476	550,109	-	11,781,585
Governmental activities capital assets, net	<u>\$ 18,270,650</u>	<u>\$ 561,104</u>	<u>\$ -</u>	<u>\$ 18,831,754</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 6 – CAPITAL ASSETS – Continued

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 84,703	\$ -	\$ -	\$ 84,703
Capital assets being depreciated:				
Utility systems	1,819,472	29,000	-	1,848,472
Equipment	91,421	-	-	91,421
Buildings	25,000	-	-	25,000
Building improvements	587,667	19,959	-	607,626
Total	<u>2,523,560</u>	<u>48,959</u>	<u>-</u>	<u>2,572,519</u>
Less accumulated depreciation for:				
Utility systems	(1,640,936)	(47,220)	-	(1,688,156)
Equipment	(30,602)	(16,005)	-	(46,607)
Buildings	(25,000)	-	-	(25,000)
Building improvements	(531,214)	(18,388)	-	(549,602)
Total	<u>(2,227,752)</u>	<u>(81,613)</u>	<u>-</u>	<u>(2,309,365)</u>
Total capital assets being depreciated, net	<u>295,808</u>	<u>(32,654)</u>	<u>-</u>	<u>263,154</u>
Business-type activities capital assets, net	<u>\$ 380,511</u>	<u>\$ (32,654)</u>	<u>\$ -</u>	<u>\$ 347,857</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Highways and streets	\$ 349,519
Public safety	86,729
General government	74,661
Community development	136,188
Health and welfare	<u>22,664</u>
Total governmental activities depreciation expense	<u>\$ 669,761</u>
Business-type activities:	
Tianguis center	\$ 18,388
Sewer	<u>63,225</u>
Total business-type activities depreciation expense	<u>\$ 81,613</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 7 – 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, 2018 is \$247,501. 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 8 – LONG-TERM LIABILITIES

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

Loans payable at June 30, 2018, were as follows:

<u>Description</u>	<u>Face Value</u>	<u>Maturity Ranges</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2018</u>
Loan payable	\$ 2,145,000	2014-2023	2.00%	<u>\$ 1,045,000</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 8 – LONG-TERM LIABILITIES – Continued

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2018.

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within 1 year
Governmental activities:					
Compensated absences	\$ 49,352	\$ 14,054	\$ -	\$ 63,406	\$ 57,065
Net pension liability	2,212,988	40,434	-	2,253,422	-
Capital lease payable	3,998	563,036	1,245	565,789	50,467
Loans payable	1,280,000	-	235,000	1,045,000	-
Loan premium	104,444	-	32,491	71,953	12,868
Governmental activities long-term liabilities	<u>\$ 3,650,782</u>	<u>\$ 617,524</u>	<u>\$ 268,736</u>	<u>\$ 3,999,570</u>	<u>\$ 120,400</u>
Business-type activities:					
Compensated absences	\$ 1,129	\$ 2,304	\$ -	\$ 3,433	\$ 3,090
Net pension liability	95,455	-	7,159	88,296	-
Business-type activities long-term liabilities	<u>\$ 96,584</u>	<u>\$ 2,304</u>	<u>\$ 7,159</u>	<u>\$ 91,729</u>	<u>\$ 3,090</u>

The following schedule details debt service requirements to maturity for the Town’s loan payable at June 30, 2018.

Year Ending June 30	Governmental Activities		
	Loan Payable		
	Premium		
	Principal	Amortization	Interest
2019	\$ -	\$ 12,868	\$ 34,382
2020	245,000	23,569	13,881
2021	255,000	18,816	8,434
2022	265,000	12,438	1,562
2023	280,000	4,262	-
Total	<u>\$ 1,045,000</u>	<u>\$ 71,953</u>	<u>\$ 58,259</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 8 – LONG-TERM LIABILITIES – Continued

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Fire truck	\$ 563,036
Copier	9,702
	<u>572,738</u>
Less: accumulated depreciation	<u>(46,756)</u>
Carrying value	<u><u>\$ 525,982</u></u>

The following schedule details debt service requirements to maturity for the Town's capital leases payable at June 30, 2018:

Year Ending June 30	Governmental Activities
2019	\$ 67,491
2020	67,491
2021	65,971
2022	65,971
2023	65,971
2024-2028	<u>329,855</u>
Total minimum lease payments	662,750
Less amount representing interest	<u>(96,961)</u>
Present value of net minimum lease payments	<u><u>\$ 565,789</u></u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 9 – 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 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2018, 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 assets	\$ 3,834	\$ 309	\$ 4,143
Net pension and OPEB liabilities	2,253,422	88,296	2,341,718
Deferred outflows of resources related to pension and OPEB	617,341	15,622	632,963
Deferred inflows of resources related to pension and OPEB	152,419	9,001	161,420
Pension and OPEB expense	253,217	5,001	258,218

The Town reported \$204,371 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, 2018

NOTE 10 – 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 10 years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the 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, 2018

NOTE 10 – 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 \$150 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, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.50 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.50 percent (10.90 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 percent for retirement, 0.01 percent for health insurance premium benefit, and 0.13 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, 2018, were \$76,481, \$3,087, and \$1,117, respectively.

During fiscal year 2018, 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, 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, 2018, 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	\$ 1,179,258
Health insurance premium benefit	(4,143)
Long-term disability	2,744

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net asset and net liabilities were measured as of June 30, 2017. 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, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2018, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

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, 2017. The Town's proportions measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

	Proportion June 30, 2017	Increase (decrease) from June 30, 2016
Pension	0.00757%	-0.00040%
Health insurance premium benefit	0.00761%	0.00000%
Long-term disability	0.00757%	0.00000%

The net asset and net liabilities measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town's net asset and net liabilities as a result of these changes is not known.

Expense – For the year ended June 30, 2018, the Town recognized the following pension and OPEB expense.

	Pension/OPEB Expense
Pension	63,060
Health insurance premium benefit	2,422
Long-term disability	1,463

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources—At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 35,361	\$ -	\$ -
Changes of assumptions or other inputs	51,218	35,262	-	-
Net difference between projected and actual earnings on pension plan investments	8,466	-	-	4,665
Changes in proportion and differences between Town contributions and proportionate share of contributions	68,755	44,795	-	4
Town contributions subsequent to the measurement date	<u>76,481</u>	<u>-</u>	<u>3,087</u>	<u>-</u>
Total	<u>\$ 204,920</u>	<u>\$ 115,418</u>	<u>\$ 3,087</u>	<u>\$ 4,669</u>
	Long-Term Disability			
	Deferred Outflows of Resources	Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 410		
Town contributions subsequent to the measurement date	<u>1,117</u>	<u>-</u>		
Total	<u>\$ 1,117</u>	<u>\$ 410</u>		

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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, 2019. 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
2019	\$ (9,876)	\$ (1,168)	(103)
2020	39,645	(1,168)	(103)
2021	10,379	(1,166)	(103)
2022	(27,126)	(1,166)	(103)
2023	-	-	-
Thereafter	-	-	-

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

ASRS

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75% for pensions/not applicable for OPEB
Inflation	3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The long-term expected rate of return on ASRS plan investments was determined to be 8.70 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 8 percent, which is less than the long-term expected rate of return of 8.7 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.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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 8 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 (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1 % Decrease (7 %)	Current Discount Rate (8 %)	1 % Increase (9 %)
Town's Proportionate share of the			
Net pension liability	\$ 1,513,599	\$ 1,179,258	\$ 899,889
Net insurance premium benefit liability (asset)	6,880	(4,143)	(13,511)
Net long-term disability liability	3,281	2,744	2,289

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 police employees participate in the Public Safety Personnel Retirement System (PSPRS). 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).

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, 2018

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	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 36 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. The adjustments are based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 10 – 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 \$150 per month to \$260 per month depending on the age of the member and dependents.

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the agent plans' benefit terms:

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

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2018, 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%	35.84%	0.85%

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The Town's contributions to the plans for the year ended June 30, 2018, were:

	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
PSPRS Fire	\$ 119,326	\$ 2,830

During fiscal year 2018, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Liability – At June 30, 2018, the Town reported the following liability:

	<u>Net Pension (Asset) Liability</u>	<u>Net OPEB (Asset) Liability</u>
PSPRS Fire	\$ 1,140,569	\$ 19,147

The net assets and net liabilities were measured as of June 30, 2017, 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, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the Town's PSPRS net pension liabilities as a result of the refunds is not known.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

PSPRS

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable

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

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Short term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed Income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Discount Rates – At June 30, 2017, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. 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.

Changes in the Net Pension/OPEB Liability (Asset)

	Pension		
	Increase (Decrease)		
	Total Pension	Plan Fiduciary Net	Net Pension
	Liability (a)	Position (b)	Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 1,952,547	\$ 930,543	\$ 1,022,004
Changes for the year			
Service Cost	79,931	-	79,931
Interest on the total liability	147,625	-	147,625
Changes of benefit terms	15,342	-	15,342
Differences between expected and actual experience in the measurement of the liability	134,105	-	134,105
Changes of assumptions or other inputs	(13,572)	-	(13,572)
Contributions-employer	-	94,415	(94,415)
Contributions-employee	-	37,461	(37,461)
Net investment income	-	114,391	(114,391)
Benefit payments, including refunds of employee	(48,359)	(48,359)	-
Administrative expense	-	(1,412)	1,412
Other changes	-	11	(11)
Net changes	315,072	196,507	118,565
Balances at June 30, 2018	\$ 2,267,619	\$ 1,127,050	\$ 1,140,569

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

	Health Insurance Premium Benefit		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at June 30, 2017	\$ 61,427	\$ 33,702	\$ 27,725
Changes for the year			
Service Cost	1,159	-	1,159
Interest on the total liability	4,605	-	4,605
Differences between expected and actual experience in the measurement of the liability	(154)	-	(154)
Changes of assumptions or other inputs	(7,094)	-	(7,094)
Contributions-employer	-	3,059	(3,059)
Net investment income	-	4,071	(4,071)
Benefit payments, including refunds of employee	(1,200)	(1,200)	-
Administrative expense	-	(36)	36
Other changes	-	-	-
Net changes	(2,684)	5,894	(8,578)
Balances at June 30, 2018	\$ 58,743	\$ 39,596	\$ 19,147

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

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

	1 % Decrease (6.4 %)	Current Discount Rate (7.4 %)	1 % Increase (8.4 %)
PSPRS Fire			
Net pension (asset) liability	\$ 1,498,298	\$ 1,140,569	\$ 850,312
Net OPEB (asset) liability	26,699	19,147	12,860

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Expense – For the year ended June 30, 2018, the Town recognized the following pension and OPEB expense:

	<u>Pension Expense</u>	<u>OPEB Expense</u>
PSPRS Fire	\$ 189,495	\$ 1,778

Deferred Outflows/Inflows of Resources – At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 183,253	\$ 22,172	\$ -	\$ 130
Changes of assumptions or other inputs	106,878	11,454	-	5,987
Net difference between projected and actual earnings on pension plan investments	11,552	-	-	1,180
Town contributions subsequent to the measurement date	<u>119,326</u>	<u>-</u>	<u>2,830</u>	<u>-</u>
Total	<u>\$ 421,009</u>	<u>\$ 33,626</u>	<u>\$ 2,830</u>	<u>\$ 7,297</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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, 2019. 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,		
2019	\$ 55,528	\$ (1,426)
2020	63,121	(1,426)
2021	56,359	(1,426)
2022	40,642	(1,426)
2023	43,570	(1,131)
Thereafter	8,837	(462)

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – INTERFUND BALANCES AND ACTIVITY

Interfund payables – Interfund payables for the year ended June 30, 2018, were as follows:

Payable from	Payable to
	Sewer Fund
Tianguis Econ. Dev. Fund	\$ 70,443

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, 2018, were as follows:

Transfer To	Transfer From		
	General Fund	Sewer Fund	Total
HURF/LTAF Fund	\$ 6,042	\$ 51,135	\$ 57,177
Community Services Grants Fund (nonmajor fund)	120,181	-	120,181
Debt Service Fund (nonmajor fund)	294,319	-	294,319
Total	\$ 420,542	\$ 51,135	\$ 471,677

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 12 – COMMITMENTS

Refuse Collection Contract – The Town has contracted with a waste management firm to provide trash, and rubbish collection services to certain designated areas. The contract period is March 1, 2015 through February 28, 2020. Payments under the current contract for the year ended June 30, 2018, were approximately \$258,222. Payments are based on the number of residences in the Town times a monthly rate of \$16.07. The monthly rate is adjusted annually on March 1 based on the Consumer Price Index as published by the Bureau of Labor Statistics. The approximate total obligation under the contract for each fiscal year based on the current number of residences in the Town is as follows:

Fiscal Year Ending June 30	Amount
2019	\$ 261,431
2020	174,287

Public Safety – The Town of Guadalupe entered into a contract with the Maricopa County Sheriff's Department for public safety services for the next fiscal year. Based on this agreement, the rendition of police services, the standards of performance, the discipline of officers, and other matters incidental to the performance of such services, and the control of personnel so employed shall remain in the County Sheriff's Department. For the year ending June 30, 2018, the Town paid the County Sheriff \$1,660,185 and has agreed to monthly installments of \$147,921 for the 2019 fiscal year. Under the contract, a notice of termination of contract may be given by either party 180 days prior to the date of intended termination.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 3,016,568	\$ 3,016,568	\$ 2,008,633	\$ (1,007,935)
Taxes	2,285,384	2,285,384	2,569,182	283,798
Charges for services	65,000	65,000	143,879	78,879
Other revenue	96,268	96,268	22,254	(74,014)
Licenses and permits	35,000	35,000	134,753	99,753
Fines and forfeitures	46,876	46,876	31,067	(15,809)
Interest	600	600	12,336	11,736
Total revenue	<u>5,545,696</u>	<u>5,545,696</u>	<u>4,922,104</u>	<u>(623,592)</u>
Expenditures				
Current				
Public safety	3,443,334	3,060,909	3,049,133	11,776
General government	1,080,063	1,419,488	944,889	474,599
Public works and streets	12,149	12,149	11,356	793
Culture and recreation	141,774	171,774	162,260	9,514
Community development	38,102	51,102	42,931	8,171
Debt Service				
Principal	1,245	1,245	1,245	-
Interest	275	275	275	-
Capital outlay	607,952	607,952	607,952	-
Total expenditures	<u>5,324,894</u>	<u>5,324,894</u>	<u>4,820,041</u>	<u>504,853</u>
Excess (deficiency) of revenue over expenditures	220,802	220,802	102,063	(118,739)
Other financing sources (uses)				
Capital lease acquisition	-	-	563,036	563,036
Transfers in (out)	(451,097)	(451,097)	(420,542)	30,555
Total other financing sources (uses)	<u>(451,097)</u>	<u>(451,097)</u>	<u>142,494</u>	<u>593,591</u>
Net changes in fund balances	<u>(230,295)</u>	<u>(230,295)</u>	<u>244,557</u>	<u>474,852</u>
Fund balances, beginning of year	<u>891,034</u>	<u>891,034</u>	<u>891,034</u>	<u>-</u>
Fund balances, end of year	<u>\$ 660,739</u>	<u>\$ 660,739</u>	<u>\$ 1,135,591</u>	<u>\$ 474,852</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Community Development Grants Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 2,631,340	\$ 2,631,340	\$ 307,883	\$ (2,323,457)
Other revenue	-	-	40,456	40,456
Total revenue	<u>2,631,340</u>	<u>2,631,340</u>	<u>348,339</u>	<u>(2,283,001)</u>
Expenditures				
Current				
Community development	2,323,457	2,323,457	3,067	2,320,390
Capital outlay	<u>307,883</u>	<u>307,883</u>	<u>307,883</u>	<u>-</u>
Total expenditures	<u>2,631,340</u>	<u>2,631,340</u>	<u>310,950</u>	<u>2,320,390</u>
Net changes in fund balances	-	-	37,389	37,389
Fund balances, beginning of year	<u>122,085</u>	<u>122,085</u>	<u>122,085</u>	<u>-</u>
Fund balances, end of year	<u>\$ 122,085</u>	<u>\$ 122,085</u>	<u>\$ 159,474</u>	<u>\$ 37,389</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF/LTAF Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 1,926,216	\$ 1,926,216	\$ 608,555	\$ (1,317,661)
Interest	-	-	4,398	4,398
Total revenue	<u>1,926,216</u>	<u>1,926,216</u>	<u>612,953</u>	<u>(1,313,263)</u>
Expenditures				
Current				
Public works and streets	1,847,163	1,847,163	382,192	1,464,971
Capital outlay	<u>299,514</u>	<u>299,514</u>	<u>299,514</u>	<u>-</u>
Total expenditures	<u>2,146,677</u>	<u>2,146,677</u>	<u>681,706</u>	<u>1,464,971</u>
Excess (deficiency) of revenue over expenditures	(220,461)	(220,461)	(68,753)	151,708
Other financing sources (uses)				
Transfers	<u>204,491</u>	<u>204,491</u>	<u>57,177</u>	<u>(147,314)</u>
Net changes in fund balances	(15,970)	(15,970)	(11,576)	4,394
Fund balances, beginning of year	<u>11,576</u>	<u>11,576</u>	<u>11,576</u>	<u>-</u>
Fund balances, end of year	<u>\$ (4,394)</u>	<u>\$ (4,394)</u>	<u>\$ -</u>	<u>\$ 4,394</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2018

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2018

ASRS-Pension

	Reporting Fiscal Year				
	(Measurement Date)				
	2018	2017	2016	2015	2014
	(2017)	(2016)	(2015)	(2014)	through
					2009
Town's proportion of the net pension liability	0.007570%	0.007970%	0.006910%	0.006605%	Information
Town's proportionate share of the net pension liability	\$ 1,179,258	\$ 1,286,438	\$ 1,075,859	\$ 977,331	not available
Town's covered payroll	\$ 701,658	\$ 738,452	\$ 636,171	\$ 595,402	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	168.07%	174.21%	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year	
	(Measurement Date)	
	2018	2017
	(2017)	through
		2009
Town's proportion of the net OPEB (asset)	0.007610%	Information
Town's proportionate share of the net OPEB (asset)	\$ (4,143)	not available
Town's covered payroll	\$ 701,658	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	-0.59%	
Plan fiduciary net position as a percentage of the total OPEB liability	103.57%	

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, 2018

ASRS-Long-Term Disability

	Reporting Fiscal Year	
	(Measurement Date)	
	2017	
	2018	through
	(2017)	2009
Town's proportion of the net OPEB (asset)	0.007570%	Information
Town's proportionate share of the net OPEB (asset)	\$ 2,744	not available
Town's covered payroll	\$ 701,658	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	0.39%	
Plan fiduciary net position as a percentage of the total OPEB liability	84.44%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension/OPEB Liability and Related Ratios
Agent Pension Plans
June 30, 2018

PSPRS

	Reporting Fiscal Year (Measurement Date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
Total pension liability					Information not available
Service cost	\$ 79,931	\$ 59,089	\$ 50,177	\$ 50,552	
Interest on the total pension liability	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	134,105	97,848	(4,211)	(41,101)	
Changes of assumptions or other inputs	(13,572)	78,089	-	106,427	
Benefit payments, including refunds of employee contributions	(48,359)	(48,359)	(48,359)	(47,649)	
Net change in total pension liability	315,072	437,155	108,147	185,679	
Total pension liability - beginning	1,952,547	1,515,392	1,407,245	1,221,566	
Total pension liability - ending (a)	<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	\$ 94,415	\$ 82,876	\$ 58,412	\$ 55,194	
Contributions - employee	37,461	36,288	30,153	27,116	
Net investment income	114,391	5,169	29,544	92,104	
Benefit payments, including refunds of employee contributions	(48,359)	(48,359)	(48,359)	(47,649)	
Administrative expense	(1,412)	(1,144)	(1,107)	-	
Other changes	11	5	(527)	(23,055)	
Net change in plan fiduciary net position	196,507	74,835	68,116	103,710	
Plan fiduciary net position - beginning	930,543	855,708	787,592	683,882	
Plan fiduciary net position - ending (b)	<u>\$ 1,127,050</u>	<u>\$ 930,543</u>	<u>\$ 855,708</u>	<u>\$ 787,592</u>	
Town's net pension liability (asset) - ending (a) - (b)	<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	49.70%	47.66%	56.47%	55.97%	
Covered payroll	\$ 351,344	\$ 311,485	\$ 272,878	\$ 261,991	
Town's net pension (asset) liability as a percentage of covered payroll	324.63%	328.11%	241.75%	236.52%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension/OPEB Liability and Related Ratios
Agent Pension Plans
June 30, 2018

PSPRS

	Reporting Fiscal Year (Measurement Date)	
	2018 (2017)	2017 through 2009
Total OPEB liability		
Service cost	\$ 1,159	Information
Interest on the total OPEB liability	4,605	not available
Changes of benefit terms	-	
Differences between expected and actual experience in the measurement of the OPEB liability	(154)	
Changes of assumptions or other inputs	(7,094)	
Benefit payments	(1,200)	
Net change in total OPEB liability	(2,684)	
Total OPEB liability - beginning	61,427	
Total OPEB liability - ending (a)	<u>\$ 58,743</u>	
Plan fiduciary net position		
Contributions - employer	\$ 3,059	
Net investment income	4,071	
Benefit payments	(1,200)	
Administrative expense	(36)	
Other changes	-	
Net change in plan fiduciary net position	5,894	
Plan fiduciary net position - beginning	33,702	
Plan fiduciary net position - ending (b)	<u>\$ 39,596</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ 19,147</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	67.41%	
Covered payroll	\$ 351,344	
Town's net OPEB (asset) liability as a percentage of covered payroll	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, 2018

ASRS-Pension

	Reporting Fiscal Year					2013 through 2009
	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 76,481	\$ 79,603	\$ 80,925	\$ 69,279	\$ 63,708	Information not available
Town's contributions in relation to the statutorily required contribution	(76,481)	(79,603)	(80,925)	(69,279)	(63,708)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 701,658</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	10.90%	10.78%	10.85%	10.89%	10.70%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year		2016 through 2009
	2018	2017	
Statutorily required contribution	\$ 3,087	\$ 4,096	Information not available
Town's contributions in relation to the statutorily required contribution	(3,087)	(4,096)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 701,658</u>	<u>\$ 738,432</u>	
Town's contributions as a percentage of covered payroll	0.44%	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, 2018

ASRS-Long-Term Disability

	Reporting Fiscal Year		
	2018	2017	2016 through 2009
Statutorily required contribution	\$ 1,117	\$ 1,029	Information not available
Town's contributions in relation to the statutorily required contribution	(1,117)	(1,029)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 701,658</u>	<u>\$ 738,432</u>	
Town's contributions as a percentage of covered payroll	0.16%	0.14%	

PSPRS

	Reporting Fiscal Year					
	2018	2017	2016	2015	2014	2013 through 2009
Actuarially determined contribution	\$ 119,326	\$ 94,415	\$ 82,876	\$ 58,412	\$ 55,194	Information not available
Town's contributions in relation to the actuarially determined contribution	(119,326)	(94,415)	(82,876)	(58,412)	(55,194)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 336,151</u>	<u>\$ 351,344</u>	<u>\$ 311,485</u>	<u>\$ 272,878</u>	<u>\$ 261,991</u>	
Town's contributions as a percentage of covered payroll	35.84%	26.87%	26.61%	21.41%	21.07%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2018

PSPRS

	Reporting Fiscal Year		
	2018	2017	2016 through 2009
Actuarially determined contribution	\$ 2,830	\$ 3,059	Information
Town's contributions in relation to the actuarially			not available
determined contribution	(2,830)	(3,059)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 336,151</u>	<u>\$ 351,344</u>	
Town's contributions as a percentage of covered			
payroll	0.85%	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, 2018

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 2016 actuarial	20 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0%. In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%.
Wage growth	In 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

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. 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 also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB plan schedules
June 30, 2018

NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued

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.



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

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

**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, 2018, and the related notes to the financial statements, which collectively comprise the Town of Guadalupe, Arizona's basic financial statements and have issued our report thereon dated December 17, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Lobby & Powell, PLC

December 17, 2018