

TOWN OF GUADALUPE, ARIZONA

Annual Financial Statements
and
Independent Auditors' Report
June 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Guadalupe, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Guadalupe, Arizona as of and for the year ended June 30, 2012 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

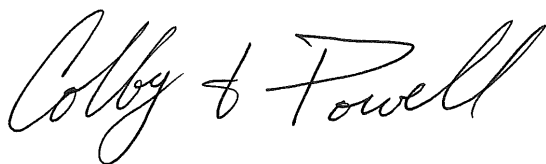
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Guadalupe, Arizona, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012, on our consideration of the Town of Guadalupe, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of agent retirement plans' funding progress on pages 3 through 13, 41 through 45, and page 46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Guadalupe, Arizona's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Colby & Powell". The signature is written in black ink and is positioned above the date.

November 30, 2012

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2012

Management's Discussion and Analysis

We (the Town of Guadalupe, Arizona) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2012. The intended purpose of the Management Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation. When referring to prior year data in this analysis we will be drawing upon information from last year's audited financial reports.

Overview of the Financial Statements

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

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

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

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

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

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service-interest. The business-type activities include the Town's refuse, sewer operations and a commercial center.

The government-wide financial statements can be found on pages 14 and 15 of this report.

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

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

The basic governmental fund financial statements can be found on pages 16-19 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the refuse, sewer and commercial center operations. All three funds are considered to be major funds of the Town of Guadalupe, Arizona. The basic proprietary fund financial statements can be both found on pages 20-23 of this report.

Notes to the basic financial statements. The notes to the financial statements (pages 24-40) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

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Required supplementary information other than MD&A. Governments have an option of including the budgetary comparison statements for the general fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The Town has chosen to present these budgetary statements as supplementary information after the footnotes. Additionally, governments are required to disclose certain information about employee pension funds. The Town has disclosed this information as required supplementary information after the footnotes.

Financial Highlight

- ♦ The assets of the governmental activities of the Town of Guadalupe, Arizona exceeded its liabilities at close of the most recent fiscal year by \$14,987,535 (net assets). Of this amount \$256,205 is restricted for capital asset acquisition, \$210,820 is restricted for highways and streets, \$661,658 is restricted for the HOME program, \$13,755,724 is invested in capital assets, net of related debt and \$103,128 is unrestricted and is available to be used to meet the government's ongoing obligations to citizens and creditors.
- ♦ As of the close of the current fiscal year, Town of Guadalupe, Arizona's governmental funds reported combined ending fund balances of \$640,905 resulting in a decrease of \$50,709 in comparison with prior year. The decrease is mostly due as a result of capital projects being completed in the amount of \$205,173, while the General Fund reflects an increase in fund balance of \$178,193.
- ♦ At the end of the current fiscal year, unassigned fund balance for the general fund reflects a surplus of \$178,103.

The Town's General Fund revenues fell short of estimates and were 5% lower than budgeted due to grants budgeted but not received. Local sales tax and state-shared revenues received were 100% or more than budgeted and, as a result, General Fund revenues were 5% higher than the prior year. General Fund expenses and transfers to other funds were \$893,282 less than budgeted. Because the Town has no property tax, it relies heavily on the current economy for its revenues. With a slight improvement in the economy, the Town budgeted revenues and transfers in for fiscal year 2012 to be \$623,342 higher than the prior year. Likewise budgeted expenses and transfers out were \$623,252 higher than the prior year, and, as expected, the economy did improve slightly and revenues were higher than the prior year. The Town continued to experience significant decreases in state-shared personal income taxes collected. Low interest rates on investments continued to yield very low interest revenues as compared to years past. However, due to the increase from 3% to 4% to the local sales tax rate, local sales taxes increased significantly. The Town also saw significant increases over prior year in Restaurant Bar, Transient Occupancy and State Sales Taxes. General Fund revenues do appear to be rebounding. However, the Town's management and budgetary committees will continue to be conservative after the experience of the past couple of years.

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Excess revenues over expenditures were \$718,042 higher than budgeted in the General Fund for fiscal year 2012. Revenues were higher than budgeted only as a direct result of conservative budgeting practices due to the uncertain economy.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets of the Town for June 30, 2012 showing that assets exceeded liabilities by \$16,984,390.

Town of Guadalupe, Arizona
Condensed Statement of Net Assets
As of June 30, 2012 and 2011

	Governmental Activities	Business-Type Activities	Total	Prior Year June 30, 2011
ASSETS				
Current and other assets	\$ 2,807,653	\$ 1,345,897	\$ 4,153,550	\$ 3,991,022
Capital assets				
Non-depreciable	7,039,174	84,703	7,123,877	7,155,377
Depreciable (net)	9,243,179	632,211	9,875,390	9,524,966
Total assets	19,090,006	2,062,811	21,152,817	20,671,365
LIABILITIES				
Other liabilities	1,575,842	65,956	1,641,798	1,349,830
Non-current liabilities				
Due within one year	4,611	-	4,611	136,789
Due in more than one year	2,522,018	-	2,522,018	2,736,641
Total liabilities	4,102,471	65,956	4,168,427	4,223,260
NET ASSETS				
Invested in capital assets, net				
of related debt	13,755,724	716,914	14,472,638	13,907,033
Restricted for:				
Capital acquisitions	256,205	-	256,205	421,115
Highways and streets	210,820	-	210,820	250,200
HOME program	661,658	-	661,658	571,072
Unrestricted (deficit)	103,128	1,279,941	1,383,069	1,298,685
Total net assets	\$ 14,987,535	\$ 1,996,855	\$ 16,984,390	\$ 16,448,105

The unrestricted net assets of the Governmental Activities for the Town of Guadalupe, Arizona have increased to a surplus of \$103,128 from the prior year of \$38,695.

TOWN OF GUADALUPE, ARIZONA
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June 30, 2012

Comparative Analysis of Government-Wide Revenues and Expenses
For the year ended June 30, 2012 and 2011

	Governmental Activities	Business-Type Activities	Total	Prior Year June 30, 2011
REVENUE				
Program revenue:				
Charges for services	\$ 511,536	\$ 523,364	\$ 1,034,900	\$ 886,114
Grants and contributions	2,449,816	-	2,449,816	2,764,115
Total program revenue	2,961,352	523,364	3,484,716	3,650,229
General revenue:				
Sales taxes	1,140,834	-	1,140,834	1,129,705
Franchise tax	24,605	-	24,605	23,496
Bed taxes	316,824	-	316,824	288,324
Restaurant tax	321,734	-	321,734	268,870
State sales tax revenue sharing	431,569	-	431,569	424,757
Auto lieu tax revenue sharing	176,888	-	176,888	181,718
State revenue sharing	466,145	-	466,145	540,684
Interest income	6,678	2,096	8,774	6,280
Gain (loss) on disposal of assets	(20,025)	-	(20,025)	-
Miscellaneous	32,657	-	32,657	61,062
Total general revenue	2,897,909	2,096	2,900,005	2,924,896
Total revenue	5,859,261	525,460	6,384,721	6,575,125
EXPENSE				
General government	911,725	-	911,725	912,100
Public safety	2,337,477	-	2,337,477	2,433,647
Public works and streets	684,409	-	684,409	690,926
Culture and recreation	82,881	-	82,881	93,031
Community Development	951,021	-	951,021	704,593
Health and welfare	320,627	-	320,627	326,039
Sewer	-	108,920	108,920	89,828
Tianguis	-	161,394	161,394	191,679
Refuse	-	289,982	289,982	284,892
Total expenses	5,288,140	560,296	5,848,436	5,726,735
Change in net assets	571,121	(34,836)	536,285	848,390
Beginning net assets	14,416,414	2,031,691	16,448,105	15,599,715
Ending net assets	<u>\$ 14,987,535</u>	<u>\$ 1,996,855</u>	<u>\$ 16,984,390</u>	<u>\$ 16,448,105</u>

TOWN OF GUADALUPE, ARIZONA
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Financial Analysis of the Town's Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$640,905, a decrease of \$50,709 in comparison with the prior year. The decrease is directly related to the completion of capital projects such as Guadalupe Road/Sun Circle. General Fund expenses were reduced again by \$303,117 over prior year and revenues increased over prior year by \$185,438 resulting in an increase in the General Fund fund balance of \$178,193 with a remaining fund balance of \$178,103. Although local sales tax and state-shared revenues did increase from prior year, nearly half of the increase of \$185,438 is attributable to one time revenues that may not re-occur. While it appears that the state and local economy are improving the Town continues to budget conservatively.

<u>Fund</u>	<u>Balance at June 30, 2012</u>	<u>Increase/(Decrease) From 2010-11</u>
General Fund	\$ 178,103	\$ 178,193
HURF/LTAF	210,820	(39,380)
Comm. Dev. Grants	(4,223)	(26,767)
Comm. Serv. Grants	-	2,155
Capital Projects Fund	256,205	(164,910)

The General Fund is the chief operating fund of the Town of Guadalupe, Arizona. At the end of the current fiscal year, the fund balance of the General Fund was a surplus of \$178,103, while the balance of all governmental funds declined to \$640,905.

The fund balance of Town of Guadalupe, Arizona's General Fund increased by \$178,193 during the current fiscal year. Key factors in this change are as follows:

- ♦ Most General Fund revenues were over or at budget with the exception of budgeted grants that were not received. Transient Occupancy Tax, Restaurant/Bar, State Sales Tax, Fines and Forfeitures and Rents and Concessions were over budget by a total of \$212,853. However, grants budgeted but not received were under budget by \$392,022.
- ♦ One time revenues are revenues that are not anticipated nor budgeted. Those one time revenues that attributed to the surplus in the General Fund included \$116,568 for wildland fires with related expenses of approximately 60% of that amount. In addition there was a reimbursement from Maricopa County Sheriff's Office for jail fees for \$49,620.

TOWN OF GUADALUPE, ARIZONA
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- ♦ At year end, the General Fund revenues and other financing sources exceeded expenses by \$559,268. However, transfers from the General Fund to pay the bond payment and interest in the amount of \$319,511, from the General Fund to the Senior Center in the amount of \$33,627, from the General Fund to the Community Action Program in the amount of \$27,912 and from the General Fund to the Youth Build program in the amount of \$25 resulted in General Fund revenues and other financing sources exceeding transfers and expenses by \$178,193. As a result, the General Fund ended the year with a surplus of \$178,103.
- ♦ No departments were materially over budget. However, building maintenance was over budget by \$13,109 due to rising utility cost and building repairs. The parks department was over budget by \$6,013 due to increased watering. The library was over budget by \$4,582 due to the purchase of a new a/c unit.
- ♦ Those departments materially under budget were municipal court and town manager by a combined \$67,892 due to staff shortages. The administration department was under budget by \$94,232 due to lower jail costs and decreased property and liability insurance. The police department was under budget by \$63,709 due to some contract costs being paid by other funding sources. The fire department and capital projects were both under budget for a combined \$622,351 due to grants not received and therefore not spent.

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

Unrestricted net assets/(deficit) of the Refuse, Sewer and Commercial Center Funds at the end of the year amounted to \$165,011, \$1,545,321, and \$286,523, respectively. The total change in net assets for the three funds was \$51,601, \$(24,486) and \$(61,951), respectively.

General Fund Budgetary Highlights

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 41-45. These statements compare the original adopted budget, the budget if amended during the fiscal year, and the actual expenditures.

General Fund revenues of \$3,723,889 were less than budgeted revenues of \$3,916,220 by \$192,331 while expenditures of \$3,193,738 were less than budgeted expenses of \$4,074,994 by \$881,256. The primary cause in the difference between the actual revenues and expenditures and the budgeted revenues and expenditures was the result of budgeted grants that were not received or spent.

TOWN OF GUADALUPE, ARIZONA
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Capital Asset and Debt Administration

The Town's capital assets for its governmental and business-type activities as of June 30, 2012 amounted to \$16,999,267 (net of accumulated depreciation). For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 5 in the Notes to the Basic Financial Statements for further information regarding capital assets. The current year fixed asset additions were as follows;

- ♦ The Town Municipal Court added a new security system with cameras in vital areas and a monitoring system in the court offices. The system, costing \$10,137, was paid for using Court Enhancement Funds and did not affect the General Fund fund balance.
- ♦ The Town Hall building experienced storm damage to telephone system. The telephone system was replaced using insurance proceeds at a cost of \$11,786.
- ♦ The Maricopa County Library is housed in the Town of Guadalupe Town Hall. During the year the air conditioning system for the library was replaced using General Fund monies in the amount of \$5,763.
- ♦ During the year, the Town received gaming funds of \$30,000 from Salt River Pima Maricopa Indian Community for the Fire Department to purchase radio communication equipment necessary for first responders.
- ♦ The Town also received from a federal grant from ADOT in the amount of \$144,000 to purchase a street sweeper.
- ♦ The Area Agency on Aging through the Department of Economic Security provided funding in the amount of \$18,581 to the Town's Senior Center to replace the walk-in cooler/freezer.
- ♦ The Town received CDBG grants in the amount of \$393,945 for curbs and gutters for the following streets; Vauro Nawi, Azteca, Sahuaro, Maravilla, and Sun Circle.
- ♦ The Town used capital project funding to complete curbs and sidewalks on Vauro Nawi and Guadalupe Road in the amount of \$38,700.
- ♦ Capital project funding was also used to rebuild the Senior Center/Head start building in the amount of \$27,633.
- ♦ Impact fees were used to make ballpark improvements, traffic signal improvements and for Fire Department equipment totaling \$89,461.
- ♦ Sewer funds were used to make repairs to sewer lines in the amount of \$33,350.

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The following table provides a breakdown of the capital assets of the Town at June 30, 2012:

Capital Assets at June 30, 2012 and 2011
(Net of accumulated depreciation)

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 7,039,174	\$ 7,070,674	\$ 84,703	\$ 84,703	\$ 7,123,877	\$ 7,155,377
Land and improvements	198,016	204,751	-	-	198,016	204,751
Buildings and improvements	1,959,789	2,023,043	216,738	259,323	2,176,527	2,282,366
Infrastructure	2,638,889	2,691,646	415,473	427,675	3,054,362	3,119,321
Street lights	428,888	410,615	-	-	428,888	410,615
Machinery and equipment	523,244	430,376	-	-	523,244	430,376
Curbs and gutters	3,494,353	3,077,537	-	-	3,494,353	3,077,537
Total	\$ 16,282,353	\$ 15,908,642	\$ 716,914	\$ 771,701	\$ 16,999,267	\$ 16,680,343

Long-term Debt

At the end of the current fiscal year, the Town of Guadalupe, Arizona had total long-term obligations outstanding of \$2,701,872. Of that amount \$2,520,000 outstanding debt is secured by pledges of specific revenue sources of the Town. Capital leases payable amount to \$6,629 and the remaining \$175,273 is compensated absences payable to employees. The following schedule shows the outstanding debt of the Town (both current and long-term) as of June 30, 2012. Further detail on the Town's outstanding debt may be found in Note 7 on pages 34-36.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue bonds	\$ 2,520,000	\$ 2,720,000	\$ -	\$ -	\$ 2,520,000	\$ 2,720,000
Capital leases payable	6,629	53,310	-	-	6,629	53,310
Compensated absences	160,246	100,120	14,997	7,907	175,243	108,027
TOTAL	\$ 2,686,875	\$ 2,873,430	\$ 14,997	\$ 7,907	\$ 2,701,872	\$ 2,881,337

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Economic Factors and Next Year's Budgets and Rates

- ♦ State-shared revenue makes up 29% of the Town's General Fund revenue. State-shared revenue is expected to increase by 12%, or \$126,050, for fiscal year 2013. Nearly all of this increase is Urban Revenue Sharing (State Income Tax). Urban Revenue Sharing is distributed two years after the State collects the funds. Therefore, this increase indicates that job growth and pay rates increased by 21% in 2011 over 2010 as indicated in the 21% increase in Urban Revenue Sharing distributions. The Town feels that the forecasted 10.5% increase in shared State Sales Tax is optimistic. However, the Town is using the estimate from the Department of Revenue and is hoping that any shortfall is made up in a conservative Local Sales Tax estimate. The Arizona economy is growing at a very painfully slow pace and although the housing market appears to be showing a significant amount of growth and reduced vacant inventory, the Town of Guadalupe management and budget staff remain conservative in estimating revenues.
- ♦ Local tax revenue, which makes up 41% of the General Fund revenue, is expected to decrease by 4%, or \$74,360. This decrease is expected based on current unemployment rates, local small business closures and loss of winter visitors.
- ♦ The vacancy rate for Town-owned commercial building remains high due to the slow economy. We are anticipating that trend to continue until the economy rebounds from its current slump. We are hoping that, as a result of the recent improvements, sales tax revenue will increase from current retailers. The cultural aspects of the building have been restored and enhanced, providing a nice relaxing atmosphere for both local residents and visitors from out of state. Many cultural events are taking place at the commercial center, thus improving revenues for upkeep to the building.
- ♦ The Council increased budgeted expenses for capital outlays, parks improvements and vehicle repairs when the 2012-13 budget was prepared.
- ♦ In an effort to generate additional revenues, the Town continues to participate in the State Wild Land Fire Program. As a result of participation in this program, the Town received \$116,568 in additional revenues in 2012. After considering the related expenses of the program, approximately ¼ of the funds represent revenues exceeding related expenses and these funds are used by the fire department for equipment maintenance, replacement purchases and fire department operating expenses.
- ♦ The Town Council is considering seeking voter approval to sell the commercial building that is owned by the Town. The sale will reduce General Fund expenses and provide a onetime revenue source of approximately two million dollars.
- ♦ In addition, the Town Manager and Town Council have been soliciting Latin flavored grocery stores to develop and build a grocery store with a strip mall-type setting which would certainly boost local sales tax and add convenience for residents.

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Financial contact

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

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

Or visit our website at:
www.guadalupeaz.org

TOWN OF GUADALUPE, ARIZONA
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,451,828	\$ 1,311,906	\$ 2,763,734
Accounts receivable - net	-	1,963	1,963
Taxes receivable - net	165,395	-	165,395
Due from other governments	516,968	31,127	548,095
Prepaid expenses	11,804	901	12,705
Notes receivable - net	661,658	-	661,658
Capital assets, not being depreciated	7,039,174	84,703	7,123,877
Capital assets, being depreciated, net	9,243,179	632,211	9,875,390
Total assets	19,090,006	2,062,811	21,152,817
LIABILITIES			
Accounts payable	308,686	33,190	341,876
Accrued expenses	51,039	1,271	52,310
Court bonds payable	87,813	-	87,813
Deferred revenue	968,058	-	968,058
Refundable deposits	-	16,498	16,498
Compensated absences			
Due within 1 year	144,221	13,497	157,718
Due in more than 1 year	16,025	1,500	17,525
Noncurrent liabilities			
Due within 1 year	4,611	-	4,611
Due in more than 1 year	2,522,018	-	2,522,018
Total liabilities	4,102,471	65,956	4,168,427
NET ASSETS			
Invested in capital assets, net of related debt	13,755,724	716,914	14,472,638
Restricted for:			
Capital acquisitions	256,205	-	256,205
Highways and streets	210,820	-	210,820
HOME program	661,658	-	661,658
Unrestricted (deficit)	103,128	1,279,941	1,383,069
Total net assets	\$ 14,987,535	\$ 1,996,855	\$ 16,984,390

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

TOWN OF GUADALUPE, ARIZONA
Statement of Activities
Year Ended June 30, 2012

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 911,725	\$ 69,973	\$ 150,588	\$ 11,000	\$ (680,164)	\$ -	\$ (680,164)
Public safety	2,337,477	333,288	12,699	19,184	(1,972,306)	-	(1,972,306)
Public works and streets	684,409	-	292,539	670,394	278,524	-	278,524
Culture and recreation	82,881	67,477	77,277	9,165	71,038	-	71,038
Community development	951,021	40,798	969,149	-	58,926	-	58,926
Health and welfare	320,627	-	237,821	-	(82,806)	-	(82,806)
Total governmental activities	5,288,140	511,536	1,740,073	709,743	(2,326,788)	-	(2,326,788)
Business-type activities							
Sewer	108,920	82,338	-	-	-	(26,582)	(26,582)
Tianguis	161,394	99,443	-	-	-	(61,951)	(61,951)
Refuse	289,982	341,583	-	-	-	51,601	51,601
Total business-type activities	560,296	523,364	-	-	-	(36,932)	(36,932)
Total primary government	\$ 5,848,436	\$ 1,034,900	\$ 1,740,073	\$ 709,743	(2,326,788)	(36,932)	(2,363,720)
General revenue:							
Taxes:							
Sales taxes					1,462,568	-	1,462,568
Franchise taxes					24,605	-	24,605
Bed taxes					316,824	-	316,824
State sales tax revenue sharing					431,569	-	431,569
Auto lieu tax revenue sharing					176,888	-	176,888
State revenue sharing					466,145	-	466,145
Interest income					6,678	2,096	8,774
Gain (Loss) on disposal of capital assets					(20,025)	-	(20,025)
Miscellaneous					32,657	-	32,657
Total general revenue					2,897,909	2,096	2,900,005
Change in net assets					571,121	(34,836)	536,285
Net assets, July 1, 2011					14,416,414	2,031,691	16,448,105
Net assets, June 30, 2012					\$ 14,987,535	\$ 1,996,855	\$ 16,984,390

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

TOWN OF GUADALUPE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	HURF/LTAF Fund	Community Development Grants Fund	Community Service Grants Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 801,258	\$ 190,753	\$ -	\$ 200,552	\$ 259,265	\$ -	\$ 1,451,828
Taxes receivable - net	165,395	-	-	-	-	-	165,395
Miscellaneous receivables	-	-	701,220	-	-	-	701,220
Due from other governments	43,270	26,758	421,357	25,583	-	-	516,968
Prepaid expenses	9,435	2,013	180	176	-	-	11,804
Due from other funds	92,072	-	-	-	-	-	92,072
Total assets	\$ 1,111,430	\$ 219,524	\$ 1,122,757	\$ 226,311	\$ 259,265	\$ -	\$ 2,939,287
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 77,305	\$ 5,348	\$ 211,752	\$ 11,221	\$ 3,060	\$ -	\$ 308,686
Accrued expenses	26,869	3,356	2,704	18,110	-	-	51,039
Court bonds payable	87,813	-	-	-	-	-	87,813
Due to other funds	-	-	92,072	-	-	-	92,072
Deferred revenue	741,340	-	820,452	196,980	-	-	1,758,772
Total liabilities	933,327	8,704	1,126,980	226,311	3,060	-	2,298,382
Fund balances							
Restricted for:							
Highways and streets	-	210,820	-	-	-	-	210,820
Capital acquisition	-	-	-	-	256,205	-	256,205
Unassigned	178,103	-	(4,223)	-	-	-	173,880
Total fund balances	178,103	210,820	(4,223)	-	256,205	-	640,905
Total liabilities and fund balances	\$ 1,111,430	\$ 219,524	\$ 1,122,757	\$ 226,311	\$ 259,265	\$ -	\$ 2,939,287

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

TOWN OF GUADALUPE, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2012

Fund balances--total governmental funds		\$ 640,905
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		16,282,353
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Notes receivable - net	661,658	
Sales taxes receivable	45,013	
HOME grant receivable	44,481	
	<hr/>	751,152
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds		
Compensated absences	(160,246)	
Capital leases payable	(6,629)	
Bonds payable	(2,520,000)	
	<hr/>	(2,686,875)
Net assets of governmental activities		<hr/> <hr/> \$ 14,987,535

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, 2012

	General Fund	HURF/LTAF Fund	Community Development Grants Fund	Community Service Grants Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenue							
Intergovernmental	\$ 1,432,880	\$ 749,062	\$ 912,029	\$ 456,423	\$ -	\$ -	\$ 3,550,394
Taxes	1,858,997	-	-	-	39,349	-	1,898,346
Fines and forfeitures	215,574	-	-	-	-	-	215,574
Charges for services	137,451	-	-	-	-	-	137,451
Other revenue	32,656	-	88,917	7,346	-	-	128,919
Licenses and permits	40,798	-	-	-	-	-	40,798
Interest	5,533	232	-	-	913	-	6,678
Total revenue	3,723,889	749,294	1,000,946	463,769	40,262	-	5,978,160
Expenditures							
Current							
Public safety	2,151,485	-	-	-	49,377	-	2,200,862
Community development	31,410	-	810,558	223,817	-	-	1,065,785
General government	829,492	-	-	-	-	-	829,492
Public works and streets	12,350	323,239	-	-	-	-	335,589
Health and welfare	-	-	-	280,780	-	-	280,780
Culture and recreation	82,881	-	-	-	-	-	82,881
Debt Service							
Principal	46,681	-	-	-	-	200,000	246,681
Interest	2,997	-	-	-	-	119,511	122,508
Capital outlay	36,442	465,435	217,155	18,581	155,795	-	893,408
Total expenditures	3,193,738	788,674	1,027,713	523,178	205,172	319,511	6,057,986
Excess (deficiency) of revenue over (under) expenditures	530,151	(39,380)	(26,767)	(59,409)	(164,910)	(319,511)	(79,826)
Other financing sources (uses)							
Sale of capital assets	29,117	-	-	-	-	-	29,117
Transfers in	-	-	-	61,564	-	319,511	381,075
Transfers out	(381,075)	-	-	-	-	-	(381,075)
Total other financing sources (uses)	(351,958)	-	-	61,564	-	319,511	29,117
Net change in fund balances	178,193	(39,380)	(26,767)	2,155	(164,910)	-	(50,709)
Fund balances, July 1, 2011	(90)	250,200	22,544	(2,155)	421,115	-	691,614
Fund balances, June 30, 2012	\$ 178,103	\$ 210,820	\$ (4,223)	\$ -	\$ 256,205	\$ -	\$ 640,905

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, 2012

Net change in fund balances--total governmental funds \$ (50,709)

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	\$ 893,408	
Depreciation expense	(470,555)	
		422,853

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

Loss on disposal of assets	(20,025)	
Proceeds from the sale of assets	(29,117)	
		(49,142)

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

HOME note receivable additions	90,586	
Sales taxes	(55,000)	
HOME grant	25,978	
		61,564

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

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

Debt principal repayments	246,681	
Net change in compensated absences	(60,126)	
		186,555

Change in net assets of governmental activities		\$ 571,121
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The accompanying notes are an integral part of these financial statements.

TOWN OF GUADALUPE, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,137,808	\$ 12,957	\$ 161,141	\$ 1,311,906
Accounts receivable - net	-	1,963	-	1,963
Due from other governments	4,062	-	27,065	31,127
Prepaid expenses	43	578	280	901
Total current assets	<u>1,141,913</u>	<u>15,498</u>	<u>188,486</u>	<u>1,345,897</u>
Noncurrent assets				
Capital assets, net of accumulated depreciation, where applicable:				
Land	-	84,703	-	84,703
Utilities systems, net	415,473	-	-	415,473
Buildings, net	-	216,738	-	216,738
Total noncurrent assets	<u>415,473</u>	<u>301,441</u>	<u>-</u>	<u>716,914</u>
Total assets	<u>1,557,386</u>	<u>316,939</u>	<u>188,486</u>	<u>2,062,811</u>
LIABILITIES				
Current liabilities				
Accounts payable	85	9,630	23,475	33,190
Accrued expenses	661	610	-	1,271
Refundable deposits	-	16,498	-	16,498
Compensated absences - current portion	10,187	3,310	-	13,497
Total current liabilities	<u>10,933</u>	<u>30,048</u>	<u>23,475</u>	<u>64,456</u>
Noncurrent liabilities				
Compensated absences	1,132	368	-	1,500
Total liabilities	<u>12,065</u>	<u>30,416</u>	<u>23,475</u>	<u>65,956</u>
Net assets				
Invested in capital assets, net of related debt	415,473	301,441	-	716,914
Unrestricted (deficit)	1,129,848	(14,918)	165,011	1,279,941
Total net assets	<u>\$ 1,545,321</u>	<u>\$ 286,523</u>	<u>\$ 165,011</u>	<u>\$ 1,996,855</u>

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

TOWN OF GUADALUPE, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2012

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
Operating revenues				
Charges for services	\$ 82,338	\$ -	\$ 341,583	\$ 423,921
Rents	-	99,443	-	99,443
Total operating revenues	<u>82,338</u>	<u>99,443</u>	<u>341,583</u>	<u>523,364</u>
Operating expenses				
Professional services	240	779	279,197	280,216
Depreciation	45,552	42,585	-	88,137
Personnel	49,620	38,246	-	87,866
Utilities	284	56,806	-	57,090
Repairs and maintenance	5,389	19,819	-	25,208
Insurance	446	2,436	1,441	4,323
Materials and supplies	-	723	-	723
Miscellaneous	7,389	-	9,344	16,733
Total operating expenses	<u>108,920</u>	<u>161,394</u>	<u>289,982</u>	<u>560,296</u>
Operating income (loss)	<u>(26,582)</u>	<u>(61,951)</u>	<u>51,601</u>	<u>(36,932)</u>
Nonoperating revenue				
Investment income	<u>2,096</u>	<u>-</u>	<u>-</u>	<u>2,096</u>
Increase (decrease) in net assets	<u>(24,486)</u>	<u>(61,951)</u>	<u>51,601</u>	<u>(34,836)</u>
Total net assets, July 1, 2011	<u>1,569,807</u>	<u>348,474</u>	<u>113,410</u>	<u>2,031,691</u>
Total net assets, June 30, 2012	<u><u>\$ 1,545,321</u></u>	<u><u>\$ 286,523</u></u>	<u><u>\$ 165,011</u></u>	<u><u>\$ 1,996,855</u></u>

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

TOWN OF GUADALUPE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 82,695	\$ 101,353	\$ 341,972	\$ 526,020
Payments to suppliers and providers of goods and services	(27,175)	(91,966)	(290,164)	(409,305)
Payments to employees	(32,122)	(28,877)	-	(60,999)
Net cash provided (used) by operating activities	<u>23,398</u>	<u>(19,490)</u>	<u>51,808</u>	<u>55,716</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	<u>(33,350)</u>	<u>-</u>	<u>-</u>	<u>(33,350)</u>
Cash flows from investing activities:				
Interest received on investments	<u>2,096</u>	<u>-</u>	<u>-</u>	<u>2,096</u>
Net increase (decrease) in cash and cash equivalents	(7,856)	(19,490)	51,808	24,462
Cash and cash equivalents, July 1, 2011	<u>1,145,664</u>	<u>32,447</u>	<u>109,333</u>	<u>1,287,444</u>
Cash and cash equivalents, June 30, 2012	<u><u>\$ 1,137,808</u></u>	<u><u>\$ 12,957</u></u>	<u><u>\$ 161,141</u></u>	<u><u>\$ 1,311,906</u></u>

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

TOWN OF GUADALUPE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012
(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)	\$ (26,582)	\$ (61,951)	\$ 51,601	\$ (36,932)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	45,552	42,585	-	88,137
(Increase) decrease in:				
Accounts receivable	-	(1,319)	389	(930)
Due from other governments	357	-	-	357
Prepaid expenses	198	247	567	1,012
Increase (decrease) in:				
Accounts payable	63	(3,030)	(749)	(3,716)
Accrued expenses	(1,325)	(1,206)	-	(2,531)
Refundable deposits	-	3,229	-	3,229
Compensated absences payable	5,135	1,955	-	7,090
Net cash provided (used) by operating activities	<u><u>\$ 23,398</u></u>	<u><u>\$ (19,490)</u></u>	<u><u>\$ 51,808</u></u>	<u><u>\$ 55,716</u></u>

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

The ***Debt Service Fund*** accounts for resources to be set aside to meet current and future debt service requirements on general long-term debt. This fund is used to record the activity of the Town of Guadalupe Municipal Property Corporation.

The Town reports the following major enterprise funds:

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

C. Basis of Accounting

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

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

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Cash and Investments

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

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

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable are estimated by the Town. The amount recorded as uncollectible at June 30, 2012 for the Tianguis Economic Development Fund was \$65,762. The amount recorded as uncollectible at June 30, 2012 for notes receivable in the Governmental Activities was \$1,571,551 (see Note 4).

F. Capital Assets

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

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

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

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. Fund Balance Reporting

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

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

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

The Town has not formally adopted deposit and investment policies that limit the Town's allowable deposits or investments and address the specific types of risk to which the Town is exposed.

Deposits – At June 30, 2012, the carrying amount of the Town's total nonpooled cash in bank was \$11,946, and the bank balance was \$385,460. Of the bank balance, \$250,000 was covered by federal depository insurance; the remainder was covered by collateral held by the pledging financial institution's trust department or agent in the Town's name.

Investments—At June 30, 2012, 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>\$ 2,742,099</u>	<u>\$ 2,742,099</u>

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 3 – DUE FROM OTHER GOVERNMENTS

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

	General Fund	HURF/LTAF Fund	Community Development Grants Fund	Community Service Grants Fund
Federal Government	\$ -	\$ -	\$ 11,317	\$ -
State of Arizona	43,270	26,758	22,927	-
Maricopa County	-	-	387,113	2,011
Other governments	-	-	-	23,572
	<u>\$ 43,270</u>	<u>\$ 26,758</u>	<u>\$ 421,357</u>	<u>\$ 25,583</u>

Due from other governments for the Sewer and Refuse Funds consisted of amounts due from the City of Tempe totaling \$4,062 and \$27,065, respectively.

NOTE 4 – NOTES RECEIVABLE

On the government-wide statement of net assets, 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, 2012 consisted of \$2,233,209 of which \$1,571,551 are expected to be forgiven. The notes receivable balance – net totaled \$661,658.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,070,674	\$ -	\$ (31,500)	\$ 7,039,174
Total capital assets not being depreciated	<u>7,070,674</u>	<u>-</u>	<u>(31,500)</u>	<u>7,039,174</u>
Capital assets being depreciated:				
Building and building improvements	4,003,626	33,397	-	4,037,023
Land improvements	577,538	36,379	-	613,917
Equipment	2,044,291	235,586	(357,949)	1,921,928
Street lights	431,300	41,127	-	472,427
Streets	3,712,675	37,606	-	3,750,281
Curbs and gutters	3,543,065	509,313	-	4,052,378
Total	<u>14,312,495</u>	<u>893,408</u>	<u>(357,949)</u>	<u>14,847,954</u>
Less accumulated depreciation for:				
Building and building improvements	(1,980,585)	(96,649)	-	(2,077,234)
Land improvements	(372,787)	(43,114)	-	(415,901)
Equipment	(1,613,913)	(125,078)	340,307	(1,398,684)
Street lights	(20,685)	(22,854)	-	(43,539)
Streets	(1,021,029)	(90,363)	-	(1,111,392)
Curbs and gutters	(465,528)	(92,497)	-	(558,025)
Total	<u>(5,474,527)</u>	<u>(470,555)</u>	<u>340,307</u>	<u>(5,604,775)</u>
Total capital assets being depreciated, net	<u>8,837,968</u>	<u>422,853</u>	<u>(17,642)</u>	<u>9,243,179</u>
Governmental activities capital assets, net	<u>\$ 15,908,642</u>	<u>\$ 422,853</u>	<u>\$ (49,142)</u>	<u>\$ 16,282,353</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 5 – CAPITAL ASSETS – Continued

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 84,703	\$ -	\$ -	\$ 84,703
Total capital assets not being depreciated	<u>84,703</u>	<u>-</u>	<u>-</u>	<u>84,703</u>
Capital assets being depreciated:				
Utility systems	1,786,122	33,350	-	1,819,472
Equipment	27,401	-	-	27,401
Buildings	25,000	-	-	25,000
Building improvements	545,693	-	-	545,693
Total	<u>2,384,216</u>	<u>33,350</u>	<u>-</u>	<u>2,417,566</u>
Less accumulated depreciation for:				
Utility systems	(1,358,447)	(45,552)	-	(1,403,999)
Equipment	(27,401)	-	-	(27,401)
Buildings	(25,000)	-	-	(25,000)
Building improvements	(286,370)	(42,585)	-	(328,955)
Total	<u>(1,697,218)</u>	<u>(88,137)</u>	<u>-</u>	<u>(1,785,355)</u>
Total capital assets being depreciated, net	<u>686,998</u>	<u>(54,787)</u>	<u>-</u>	<u>632,211</u>
Business-type activities capital assets, net	<u><u>\$ 771,701</u></u>	<u><u>\$ (54,787)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 716,914</u></u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 5 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
Highways and streets	\$ 209,267
Public safety	114,290
General government	61,477
Community development	45,674
Health and welfare	<u>39,847</u>
Total governmental activities depreciation expense	<u><u>\$ 470,555</u></u>
Business-type activities:	
Tianguis center	\$ 42,585
Sewer	<u>45,552</u>
Total business-type activities depreciation expense	<u><u>\$ 88,137</u></u>

NOTE 6 – DEFERRED REVENUE

The Town has received contract payments for the lease of billboard space with a term of 20-years. The Town recognizes revenue annually at 1/20th of the contract price. The remaining amount is recorded as deferred revenue that will be recognized as revenue over the life of the contract. The amount deferred for the billboard contract at June 30, 2012 is \$577,500. The remaining balance of deferred revenue in the General Fund consists of grant advances in which the Town had not yet fulfilled contract requirements to recognize revenue and taxes unavailable because they were not collected within 60 days after year end.

Deferred revenue in the Community Development Grants Fund consists of unavailable revenues because they were not collected within 60 days after year end.

Deferred revenue in the Community Service Grants Fund consists of grant advances in which the Town had not yet fulfilled contract requirements to recognize revenue.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 7 – LONG-TERM LIABILITIES

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

Bonds outstanding at June 30, 2012, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding June 30, 2012
Revenue bonds	\$ 3,445,000	2008-2022	2.25 - 4.75%	<u>\$ 2,520,000</u>

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2012.

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due within 1 year
Governmental activities:					
Compensated absences	\$ 100,120	\$ 60,126	\$ -	\$ 160,246	\$ 144,221
Capital leases payable	53,310	-	46,681	6,629	4,611
Bonds payable	2,720,000	-	200,000	2,520,000	-
Governmental activities long-term liabilities	<u>\$ 2,873,430</u>	<u>\$ 60,126</u>	<u>\$ 246,681</u>	<u>\$ 2,686,875</u>	<u>\$ 148,832</u>
Business-type activities:					
Compensated absences	\$ 7,907	\$ 7,090	\$ -	\$ 14,997	\$ 13,497
Business-type activities long-term liabilities	<u>\$ 7,907</u>	<u>\$ 7,090</u>	<u>\$ -</u>	<u>\$ 14,997</u>	<u>\$ 13,497</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 7 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the Town's bonds payable at June 30, 2012.

Year Ending June 30	Governmental Activities	
	Revenue Bonds Payable	
	Principal	Interest
2013	-	115,531
2014	205,000	107,431
2015	215,000	99,031
2016	225,000	90,063
2017	235,000	80,400
2018-22	1,335,000	232,520
2023-27	305,000	7,244
Total	<u>\$ 2,520,000</u>	<u>\$ 732,220</u>

In prior years, the Town defeased a revenue bond by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bond. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the Town's financial statements. At June 30, 2012, outstanding defeased revenue bonds totaled \$1,030,000.

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

The assets acquired through capital lease are as follows:

	Governmental Activities
Copier	\$ 20,745
Less: accumulated depreciation	<u>(15,213)</u>
Carrying value	<u>\$ 5,532</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 7 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the Town's capital leases payable at June 30, 2012.

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2013	\$ 4,929
2014	<u>2,054</u>
Total minimum lease payments	6,983
Less amount representing interest	<u>(354)</u>
Present value of net minimum lease payments	<u><u>\$ 6,629</u></u>

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

General government	\$ 714
Public safety	2,283
Highways and streets	<u>119,511</u>
Total interest expense	<u><u>\$ 122,508</u></u>

NOTE 8 – RISK MANAGEMENT

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 9 – RETIREMENT PLANS

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

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

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

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

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

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

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

Cost-sharing plans – For the year ended June 30, 2012, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 10.74 percent (10.50 percent retirement and 0.24 percent long-term disability) of the members' annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2012, 2011, and 2010, were \$69,610, \$65,772, and \$74,386, respectively, which were equal to the required contributions for the year.

Agent plans – For the year ended June 30, 2012, active PSPRS members were required by statute to contribute 8.65 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 17.88 percent.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 9 – RETIREMENT PLANS – Continued

Annual Pension Cost – The Town’s pension cost for the agent plan for the year ended June 30, 2012, and related information follows:

	<u>PSPRS</u>
Contribution rates:	
Town	17.88%
Plan members	8.65%
Annual pension cost	\$ 44,245
Contributions made	\$ 44,245

At the time of the issue of these financial statements, information for the year ended June 30, 2012 was unavailable. The prior year annual required contributions for the PSPRS were determined as part of its June 30, 2011, actuarial valuation using the entry age normal method. The actuarial assumptions included (a) 8.25 percent investment rate of return and (b) projected salary increases ranging from 5.00 percent to 8.00 percent per year. Both (a) and (b) included an inflation component of 5.00 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010, was 25 years.

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

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PSPRS	2012	\$ 44,245	100 %	\$ -
	2011	54,700	100	-
	2010	67,540	100	-

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 10 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables – During the year ended June 30, 2012, the Community Development Grants Fund borrowed \$92,072 from the General Fund.

Interfund transfers – Interfund transfers for the year ended June 30, 2012, were as follows:

	<u>Transfer From</u>
Transfer To	General Fund
Community Service Grants Fund	\$ 61,564
Debt Service Fund	<u>319,511</u>
Total	<u><u>\$ 381,075</u></u>

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 11 – COMMITMENTS

Refuse Collection Contract – The Town has contracted with a waste management firm to provide trash, and rubbish collection services to certain designated areas. The contract period is March 1, 2010 through February 28, 2015. Payments under the current contract for the year ended June 30, 2012, were \$260,334. Payments are based on the number of residences in the Town times a fixed monthly rate of \$16.07. The total obligation under the contract for each fiscal year based on the current number of residences in the Town is as follows:

Fiscal Year Ending June 30	Amount
2013	\$ 271,904
2014	271,904
2015	181,270

Public Safety – The Town of Guadalupe entered into a contract with the Maricopa County Sheriff's Department for public safety services for the next fiscal year. Based on this agreement, the rendition of police services, the standards of performance, the discipline of officers, and other matters incidental to the performance of such services, and the control of personnel so employed shall remain in the County Sheriff's Department. For the year ending June 30, 2012, the Town paid the County Sheriff \$1,210,093 and has agreed to monthly installments of \$97,342 for the 2013 fiscal year. Under the contract, a notice of termination of contract may be given by either party 180 days prior to the date of intended termination.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 1,702,716	\$ 1,702,716	\$ 1,432,880	\$ (269,836)
Taxes	1,749,333	1,749,333	1,858,997	109,664
Fines and forfeitures	192,900	192,900	215,574	22,674
Charges for services	60,000	60,000	137,451	77,451
Other revenue	176,971	176,971	32,656	(144,315)
Licenses and permits	33,000	33,000	40,798	7,798
Interest	1,300	1,300	5,533	4,233
Total revenue	<u>3,916,220</u>	<u>3,916,220</u>	<u>3,723,889</u>	<u>(192,331)</u>
Expenditures				
Current				
Public safety	2,760,033	2,760,033	2,151,485	608,548
Community development	77,837	77,837	31,410	46,427
General government	880,426	880,426	829,492	50,934
Public works and streets	70,593	70,593	12,350	58,243
Culture and recreation	93,676	93,676	82,881	10,795
Debt Service				
Principal	-	-	46,681	(46,681)
Interest	-	-	2,997	(2,997)
Capital outlay	192,429	192,429	36,442	155,987
Total expenditures	<u>4,074,994</u>	<u>4,074,994</u>	<u>3,193,738</u>	<u>881,256</u>
Excess (deficiency) of revenue over expenditures	(158,774)	(158,774)	530,151	688,925
Other financing sources (uses)				
Sale of capital assets	-	-	29,117	29,117
Transfers in	551,875	551,875	-	(551,875)
Transfers out	(393,101)	(393,101)	(381,075)	12,026
Total other financing sources (uses)	<u>158,774</u>	<u>158,774</u>	<u>(351,958)</u>	<u>(510,732)</u>
Net changes in fund balances	-	-	178,193	178,193
Fund balances, July 1, 2011	(90)	(90)	(90)	-
Fund balances, June 30, 2012	<u>\$ (90)</u>	<u>\$ (90)</u>	<u>\$ 178,103</u>	<u>\$ 178,193</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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 1,501,972	\$ 1,501,972	\$ 749,062	\$ (752,910)
Interest	-	-	232	232
Total revenue	<u>1,501,972</u>	<u>1,501,972</u>	<u>749,294</u>	<u>(752,678)</u>
Expenditures				
Current				
Public works and streets	1,582,654	1,582,654	323,239	1,259,415
Capital outlay	-	-	465,435	(465,435)
Total expenditures	<u>1,582,654</u>	<u>1,582,654</u>	<u>788,674</u>	<u>793,980</u>
Net changes in fund balances	(80,682)	(80,682)	(39,380)	41,302
Fund balances, July 1, 2011	<u>250,200</u>	<u>250,200</u>	<u>250,200</u>	<u>-</u>
Fund balances, June 30, 2012	<u><u>\$ 169,518</u></u>	<u><u>\$ 169,518</u></u>	<u><u>\$ 210,820</u></u>	<u><u>\$ 41,302</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Community Development Grants Fund
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 2,482,913	\$ 2,482,913	\$ 912,029	\$ (1,570,884)
Other revenue	-	-	88,917	88,917
Total revenue	<u>2,482,913</u>	<u>2,482,913</u>	<u>1,000,946</u>	<u>(1,481,967)</u>
Expenditures				
Current				
Community development	2,553,392	2,553,392	810,558	1,742,834
Capital outlay	-	-	217,155	(217,155)
Total expenditures	<u>2,553,392</u>	<u>2,553,392</u>	<u>1,027,713</u>	<u>1,525,679</u>
Net changes in fund balances	(70,479)	(70,479)	(26,767)	43,712
Fund balances, July 1, 2011	<u>22,544</u>	<u>22,544</u>	<u>22,544</u>	<u>-</u>
Fund balances, June 30, 2012	<u><u>\$ (47,935)</u></u>	<u><u>\$ (47,935)</u></u>	<u><u>\$ (4,223)</u></u>	<u><u>\$ 43,712</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Community Service Grants Fund
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 636,779	\$ 636,779	\$ 456,423	\$ (180,356)
Other revenue	-	-	7,346	7,346
Total revenue	<u>636,779</u>	<u>636,779</u>	<u>463,769</u>	<u>(173,010)</u>
Expenditures				
Current				
Community development	419,094	419,094	223,817	195,277
Health and welfare	295,255	295,255	280,780	14,475
Capital outlay	-	-	18,581	(18,581)
Total expenditures	<u>714,349</u>	<u>714,349</u>	<u>523,178</u>	<u>191,171</u>
Excess (deficiency) of revenue over expenditures	(77,570)	(77,570)	(59,409)	18,161
Other financing sources (uses)				
Transfers in	<u>77,570</u>	<u>77,570</u>	<u>61,564</u>	<u>(16,006)</u>
Net changes in fund balances	-	-	2,155	2,155
Fund balances, July 1, 2011	<u>(2,155)</u>	<u>(2,155)</u>	<u>(2,155)</u>	-
Fund balances, June 30, 2012	<u><u>\$ (2,155)</u></u>	<u><u>\$ (2,155)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,155</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2012

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of Agent Retirement Plans' Funding Progress
June 30, 2012

Public Safety Personnel Retirement System

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
06/30/11	\$ 626,129	\$ 1,078,529	\$ (452,400)	58.1 %	\$ 264,524	171.0 %
06/30/10	671,915	1,161,445	(489,530)	57.9	389,274	125.8
06/30/09	575,818	1,168,802	(592,984)	49.3	450,187	131.7

SINGLE AUDIT ACT REPORTS SECTION

**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 the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Guadalupe, Arizona as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of Guadalupe, Arizona is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Guadalupe, Arizona's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Guadalupe, Arizona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Guadalupe, Arizona's internal control over financial reporting.

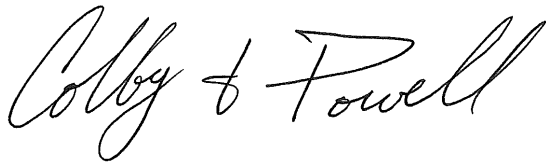
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Colby & Powell". The signature is written in black ink and is positioned above the date.

November 30, 2012



COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Town Council
Town of Guadalupe, Arizona

Compliance

We have audited the Town of Guadalupe, Arizona's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Guadalupe, Arizona's major federal programs for the year ended June 30, 2012. The Town of Guadalupe, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Guadalupe, Arizona's management. Our responsibility is to express an opinion on the Town of Guadalupe, Arizona's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Guadalupe, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Guadalupe, Arizona's compliance with those requirements.

As described in items **12-01** and **12-02** in the accompanying schedule of findings and questioned costs, the Town of Guadalupe, Arizona did not comply with requirements regarding eligibility and matching that are applicable to its Youthbuild program. Compliance with such requirements is necessary, in our opinion, for the Town of Guadalupe, Arizona to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Guadalupe, Arizona complied, in all material respects, with the compliance requirements referred

to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

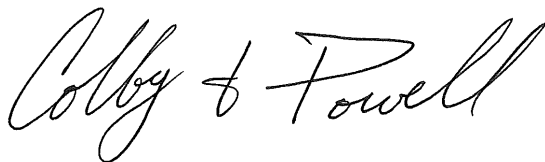
Management of the Town of Guadalupe, Arizona is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Guadalupe, Arizona's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Guadalupe, Arizona's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirements of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **12-01** and **12-02** to be material weaknesses.

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

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

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

November 30, 2012

TOWN OF GUADALUPE, ARIZONA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through Maricopa County Human Services:			
CSBG Cluster:			
Community Services Block Grant	93.569	C-22-10-087-3	\$ 28,298
Low-Income Home Energy Assistance	93.568	C-22-10-087-3	13,597
Social Services Block Grant	93.667	C-22-10-087-3	12,039
Passed through Area Agency on Aging:			
Aging Cluster:			
Title III - Part B	93.044	2012-23-GUA	44,686
Title III - Part C	93.045	2012-23-GUA	68,973
Nutrition Services Incentive Program	93.053	2012-23-GUA	15,582
Total Aging Cluster			129,241
Social Services Block Grant	93.667	2012-23-GUA	3,156
Total U.S. Department Health and Human Services			186,331
<u>U.S. Department of Transportation</u>			
Passed through Maricopa Association of Governments:			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205		143,713
<u>Corporation for National and Community Service</u>			
Passed through AZ Governor's Office for Children, Youth & Families:			
ARRA - AmeriCorps	94.006	AE-VSG-10-1273-02Y2	3,350
<u>U.S. Department of Labor</u>			
ARRA - Youthbuild	17.274	YB-19062-09-60-A-4	16,881
Youthbuild	17.274	YB-19062-09-60-A-4	205,717
Total U.S. Department of Labor			222,598
<u>U.S. Department of Agriculture</u>			
Rural Self-Help Housing Technical Assistance	10.420		74,441
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Maricopa County Community Development:			
Home Investment Partnerships Program	14.239	UC0907	81,888
Home Investment Partnerships Program	14.239	UC1007	195,576
Home Investment Partnerships Program	14.239	UC1007A	38,529
Home Investment Partnerships Program	14.239	UC0907A	43,868
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants	14.218	DG1105	213,871
Passed through Arizona Department of Housing:			
Home Investment Partnerships Program	14.239	309-11	217,605
Total U.S. Department of Housing and Urban Development			791,337
Total Federal Assistance			\$ 1,421,770

The accompanying notes are an integral part of this schedule.

TOWN OF GUADALUPE, ARIZONA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Guadalupe, Arizona, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

TOWN OF GUADALUPE, ARIZONA
Schedule of Findings and Questioned Costs
June 30, 2012

Section 1	Summary Of Auditors' Results
<i>Financial Statements</i>	
1. Type of auditor's report issued	Unqualified
2. Internal control over financial reporting:	
a. Material weaknesses?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
c. Noncompliance material to the financial statements noted?	No
<i>Federal Awards</i>	
1. Internal control over major program:	
a. Material weaknesses identified?	Yes
b. Significant deficiencies identified not considered to be material weaknesses?	No
2. Type of auditor's report issued on compliance for major program:	Qualified
3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510 (a)?	Yes
4. Identification of major program:	
<u>Name of Federal Program</u>	<u>CFDA Number</u>
Home Investment Partnerships Program	14.239
ARRA - Youthbuild	17.274
Youthbuild	17.274
5. Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	No

TOWN OF GUADALUPE, ARIZONA
Schedule of Findings and Questioned Costs
June 30, 2012

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

Item: 12-01

Youthbuild – U.S. Dept. of Labor

CFDA #: 17.274

Contract #: YB-19062-09-60-A-4

Grant year ended June 30, 2012

<i>Criteria:</i>	Proper internal controls are required to ensure that federal funds are spent on eligible participants. The grant program requires individuals to provide documentation in order to meet certain eligibility requirements. Documentation is required to be retained to support the eligibility determination. A review process is an important control to ensure that eligibility determinations are made correctly and that proper documentation supports the determination.
<i>Condition:</i>	We noted that program files lacked documentation to support eligibility and/or evidence of a review of the eligibility determination.
<i>Questioned Costs:</i>	During the fiscal year, there were ten participants who received stipend payments from the Youthbuild program. In our sample, three of the five selected files did not have sufficient documentation to support eligibility in the program. The amount paid to these three participants during the fiscal year was \$9,856. Based on the results of our sample, likely questioned costs exceed \$10,000.
<i>Context:</i>	We noted during our audit that three of five files selected for testing lacked sufficient documentation to support eligibility. We also noted during our audit that all participant files selected lacked evidence of a review of the eligibility determination.
<i>Cause and Effect:</i>	Until December 2011, the personnel over the Youthbuild program were unaware that proper documentation was required to be retained to support eligibility claims.
<i>Recommendation:</i>	We recommend the Town implement appropriate policies and procedures in accordance with grant requirements to ensure all necessary documentation is retained to support eligibility claims.

TOWN OF GUADALUPE, ARIZONA
Schedule of Findings and Questioned Costs
June 30, 2012

Federal Award Findings and Questioned Costs – *Continued*

Management Response: After last year's audit, management began to collect and retain eligibility documentation for new participants in the Youthbuild program. Management has implemented a policy to ensure a review is done over eligibility determinations.

Item: 12-02

Youthbuild – U.S. Dept. of Labor

CFDA #: 17.274

Contract #: YB-19062-09-60-A-4

Grant year ended June 30, 2012

Criteria: Applicants for the Youthbuild program are expected to match the amount specified in the grant agreement.

Condition: We noted during our audit that the Town will not meet program matching requirements of \$4,541,000.

Questioned Costs: \$222,598, which is equal to the total amount of grant revenues recorded during the fiscal year ending June 30, 2012.

Context: As of June 30, 2012, the Town had spent \$660,989 of the award amount of \$717,440, or approximated 92%. As of June 30, 2012, the Town had recognized \$264,016 of matching for the entire grant contract period which represents 6% of the Town's match requirement.

Cause and Effect: The Town has not met its matching requirement.

Recommendation: We recommend the Town seek for other allowable matching amounts to fulfill their match requirement. We also recommend that management communicate with the Department of Labor to mitigate any further problems with regards to the matching requirement of the grant agreement.

Management Response: An error in the amount of the match was made on the original grant application. Management discussed this issue with the Department of Labor (DOL) over two years ago. Management asked DOL if they wished to withdraw the grant because of the match shortfall. DOL stated that they did not wish to cancel the grant and that the Town generate as much match as possible. Management will ensure that every effort is made to make up any shortfall with regards to the original match obligation of \$4,541,000.

TOWN OF GUADALUPE, ARIZONA
Summary Schedule of Prior Audit Findings
June 30, 2012

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

Item: 11-01

Condition: The initial set up of notes receivable was not recorded in the general ledger.

Status: The Town has updated its policies and procedures to help ensure that all notes receivable are recorded in the general ledger.

Item: 11-02

Home Investment Partnership Program (HOME) – CFDA #14.239; Grant year ended June 30, 2012

Condition: It was found that the Town had foreclosed on a HOME property and had received sales proceeds from the property in March 2012. The Town had existing HOME grant contracts from which they continued to request reimbursement for grant expenditures instead of using the sales proceeds.

Status: The Town has updated its policies and procedures to help ensure that all program income received is used prior to reimbursements from grantors.

Item: 11-03

Youthbuild – CFDA #17.274; Grant year ended June 30, 2012

Condition: We noted during our audit that participant files lacked any evidence of a review of the eligibility determination. We also noted that certain documentation was missing to support eligibility.

Status: This finding was a repeat finding in the current audit period. See **Item 12-01**.

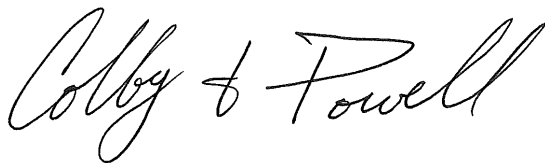
**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO THE USES OF
HIGHWAY USER REVENUE FUND MONIES IN
ACCORDANCE WITH ARS TITLE 28, CHAPTER 18,
ARTICLE 2**

To the Town Council
Town of Guadalupe, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Guadalupe as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 30, 2012.

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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



November 30, 2012