

**TOWN OF GUADALUPE, ARIZONA**

Annual Financial Statements  
and  
Independent Auditors' Report  
June 30, 2014



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## **INDEPENDENT AUDITORS' REPORT**

To the Town Council  
Town of Guadalupe, Arizona

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Guadalupe, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Guadalupe, Arizona, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 5 to 14, 44 to 46, and page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Guadalupe, Arizona's basic financial statements. The accompanying schedule of expenditures of federal awards on page 55 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of the Town of Guadalupe, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Guadalupe, Arizona's internal control over financial reporting and compliance.

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

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

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

December 12, 2014



**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**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, 2014. The intended purpose of the Management Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation. When referring to prior year data in this analysis we will be drawing upon information from last year's audited financial reports.

**Overview of the Financial Statements**

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

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

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

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

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

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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 15 and 16 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 18-21 of this report.

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

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

**Notes to the basic financial statements.** The notes to the financial statements (pages 26-41) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

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

**Financial Highlight**

- ♦ The assets of the governmental activities of the Town of Guadalupe, Arizona exceeded its liabilities at close of the most recent fiscal year by \$16,605,318 (net position). Of this amount \$78,351 is restricted for capital asset acquisition, \$104,184 is restricted for highways and streets, \$851,578 is restricted for the HOME program, \$14,726,072 is invested in capital assets, net of related debt, \$3,482 is restricted for community development activities and \$841,651 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, the Town of Guadalupe, Arizona's governmental funds reported combined ending fund balances of \$1,061,802 resulting in an increase of \$578,940 in comparison with prior year. The increase is the result of an exceptional year for both local sales taxes and transient occupancy tax and the savings in refinancing Town debt. While the General Fund reflects an increase in fund balance of \$624,712, capital projects were completed causing other fund balances to decrease by \$45,772.
- ♦ At the end of the current fiscal year, unassigned fund balance for the General Fund reflects a surplus of \$875,785.

The Town's General Fund revenues fell short of estimates and were 40% lower than budgeted due to grants budgeted but not received. Local sales tax and state-shared revenues received were greater than or equal to amounts budgeted. General Fund expenditures and transfers to other funds were \$3,601,129 less than budgeted in large part due to grants budgeted but not received. Because the Town has no property tax, it relies heavily on the current economy for its revenues. With a fair improvement in the economy and a very aggressive grant proposal program, the Town budgeted revenues and transfers in for fiscal year 2014 to be \$3,178,928 higher than prior year actual mostly all in hopeful grant funded projects. Likewise budgeted expenditures and transfers out were \$3,372,977 higher than prior year. The local economy in Guadalupe did well with an increase of 24% over budget. Of that increase transient occupancy tax alone was over budget by 32%. Low interest rates on investments continued to yield very low interest revenues as compared to years past. Other than local sales taxes the General Fund experienced several one-time revenues that improved the fund balance but these revenues may not reoccur and therefore cannot be budgeted next year. Therefore, the Town's management and budgetary committees will continue to be conservative after the experience of the past couple of years.

Excess revenues over expenditures were \$513,434 higher than budgeted in the General Fund for fiscal year 2014.

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**Management's Discussion and Analysis**  
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**Government-Wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Position of the Town for June 30, 2014 showing that assets exceeded liabilities by \$18,540,871.

**Town of Guadalupe, Arizona**  
**Condensed Statement of Net Position**  
**As of June 30, 2014 and 2013**

	Governmental Activities	Business-Type Activities	Total	Prior Year June 30, 2013
<b>ASSETS</b>				
Current and other assets	\$ 2,798,541	\$ 1,426,720	\$ 4,225,261	\$ 4,118,024
Capital assets				
Non-depreciable	7,039,174	84,703	7,123,877	7,123,877
Depreciable (net)	10,076,682	468,904	10,545,586	10,585,654
Total assets	19,914,397	1,980,327	21,894,724	21,827,555
<b>LIABILITIES</b>				
Other liabilities	863,630	36,169	899,799	1,518,324
Non-current liabilities				
Due within one year	308,818	7,745	316,563	112,666
Due in more than one year	2,136,631	860	2,137,491	2,327,294
Total liabilities	3,309,079	44,774	3,353,853	3,958,284
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	14,726,072	553,607	15,279,679	15,392,513
Restricted for:				
Capital acquisitions	78,351	-	78,351	72,226
Highways and streets	104,184	-	104,184	109,985
Community service	-	-	-	10,715
Community development	3,482	-	3,482	38,863
HOME program	851,578	-	851,578	762,062
Unrestricted (deficit)	841,651	1,381,946	2,223,597	1,482,907
Total net position	\$ 16,605,318	\$ 1,935,553	\$ 18,540,871	\$ 17,869,271

The unrestricted net position of the Governmental Activities for the Town of Guadalupe, Arizona has increased to a surplus of \$841,651 from the prior year of \$134,216.

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**Comparative Analysis of Government-Wide Revenues and Expenses**  
**For the year ended June 30, 2014 and 2013**

	Governmental Activities	Business-Type Activities	Total	Prior Year June 30, 2013
<b>REVENUE</b>				
<b>Program revenue:</b>				
Charges for services	\$ 421,962	\$ 547,313	\$ 969,275	\$ 975,970
Grants and contributions	1,512,422	-	1,512,422	2,440,174
<b>Total program revenue</b>	<b>1,934,384</b>	<b>547,313</b>	<b>2,481,697</b>	<b>3,416,144</b>
<b>General revenue:</b>				
Sales taxes	1,418,766	-	1,418,766	1,149,402
Franchise tax	25,417	-	25,417	23,402
Bed taxes	388,407	-	388,407	334,351
Restaurant tax	316,354	-	316,354	316,354
State sales tax revenue sharing	480,737	-	480,737	452,068
Auto lieu tax revenue sharing	196,774	-	196,774	184,396
State revenue sharing	615,609	-	615,609	564,163
Interest income	9,619	1,033	10,652	18,850
Gain (loss) on disposal of assets	-	-	-	-
Miscellaneous	3,811	-	3,811	5,326
<b>Total general revenue</b>	<b>3,455,494</b>	<b>1,033</b>	<b>3,456,527</b>	<b>3,048,312</b>
<b>Total revenue</b>	<b>5,389,878</b>	<b>548,346</b>	<b>5,938,224</b>	<b>6,464,456</b>
<b>EXPENSE</b>				
General government	799,320	-	799,320	916,202
Public safety	2,432,569	-	2,432,569	2,326,743
Public works and streets	674,721	-	674,721	718,789
Culture and recreation	111,287	-	111,287	96,261
Community Development	270,243	-	270,243	681,651
Health and welfare	313,133	-	313,133	286,987
Interest on general long-term debt	82,747	-	82,747	-
Sewer	-	118,431	118,431	88,505
Tianguis	-	170,540	170,540	182,813
Refuse	-	293,633	293,633	281,624
<b>Total expenses</b>	<b>4,684,020</b>	<b>582,604</b>	<b>5,266,624</b>	<b>5,579,575</b>
Change in net position	705,858	(34,258)	671,600	884,881
Beginning net position	15,899,460	1,969,811	17,869,271	16,984,390
Ending net position	<u>\$ 16,605,318</u>	<u>\$ 1,935,553</u>	<u>\$ 18,540,871</u>	<u>\$ 17,869,271</u>

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**Financial Analysis of the Town's Funds**

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,061,802, an increase of \$578,940 in comparison with the prior year. The increase is directly related to the an increase in local sales taxes and bond refinancing. General Fund expenditures increased by \$88,505 over prior year and revenues increased over prior year by \$407,890. General Fund balance increased by \$624,712 with a total fund balance of \$875,785. Local sales taxes increased over prior year by \$224,351. State-shared revenues increased from prior year by \$95,494 generating an increase over all in the fund balance. This trend indicates the importance of continuing to encouraging local commercial development and promoting current local businesses. While it appears that the state and local economy are improving the Town continues to budget conservatively.

Fund	Balance at	Increase/(Decrease)
	June 30, 2014	From 2012-13
General Fund	\$ 875,785	\$ 624,712
Comm. Dev. Grants	3,482	(35,381)
HURF/LTAF (non-major)	104,184	(5,801)
Comm. Serv. Grants (non-major)	-	(10,715)
Capital Projects Fund (non-major)	78,351	6,125

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 \$875,785, while the balance of all governmental funds increased to \$1,061,802.

The fund balance of the Town of Guadalupe, Arizona's General Fund increased by \$624,712 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. Local Sales Tax, Franchise Tax, Transient Occupancy Tax, Restaurant/Bar and Fines and Forfeitures were over budget by a total of \$408,293. However, grants budgeted but not received were under budget by \$3,135,966.
- ♦ One time revenues are revenues that are not anticipated nor budgeted. Those one time revenues that attributed to the surplus in the General Fund included a sales tax audit and revenues from debt refinancing.

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

- ♦ At year end, the General Fund revenues exceeded expenditures by \$762,512. However, transfers from the General Fund to pay the bond payment and interest in the amount of \$44,073, from the General Fund to the Senior Center in the amount of \$44,911, from the General Fund to the Community Action Program in the amount of \$73,760 and resulted in General Fund revenues and other financing sources exceeding transfers and expenditures by \$624,712. As a result, the General Fund ended the year with a surplus of \$875,785.
- ♦ No departments were materially over budget.

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

Net position of the Refuse, Sewer and Tianguis Economic Development Funds at the end of the year amounted to \$234,224, \$1,506,805, and \$194,524, respectively. The total change in net position for the three funds was \$29,606, \$(36,460) and \$(27,404), 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 44-46. These statements compare the original adopted budget, the budget if amended during the fiscal year, and the actual revenues and expenditures.

General Fund revenues of \$4,127,362 were less than budgeted revenues of \$6,898,400 by \$2,771,038 while expenditures of \$3,364,850 were less than budgeted expenditures of \$6,649,322 by \$3,284,472. 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 and planned capital projects that were suspended such as the Highline Canal Beautification Project that was budgeted at 2.5 million dollars.

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

The Town's capital assets for its governmental and business-type activities as of June 30, 2014 amounted to \$17,669,463 (net of accumulated depreciation). For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 5 in the Notes to the Basic Financial Statements for further information regarding capital assets. The current year capital asset additions were as follows:

- ♦ The Town in partnership with the Salt River Municipal Aesthetics Program began work on the Highline Canal Improvements Project that will extent a recreational path along the canal that is on the east side of Town and runs from the north side of Avenida del Yaqui south to Mineral Road and will eventually connect to the recreational path in Tempe. The expenditures for fiscal year June 30, 2014 amounted to \$56,630 and total expenditures for the project thru June 30, 2014 were \$85,028.

**TOWN OF GUADALUPE, ARIZONA**  
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- ♦ During fiscal year 2013 the Guadalupe Fire Department in partnership with the Tempe Fire Department received a FEMA grant to purchase digital portable radios. Guadalupe's final purchases during fiscal year 2014 amounted to \$12,572.
- ♦ The Fire Department's fire engine LaFrance required a major repair/replacement of the truck engine and hydraulics that extended the life of the vehicle for another five years costing \$17,271.
- ♦ The Town received CDBG grants in the amount of \$365,095 for repaving Gastello Street which is west of Avenida del Yaqui.
- ♦ The Guadalupe Senior Center received funding from the Area Agency on Aging to purchase two Dell Towers for the office staff for \$2,180.
- ♦ The Town of Guadalupe was in the process of upgrading the computer servers, accounting software and operating systems for the entire Town staff that thru June 30, 2014 totaled \$63,092. Town staff was able to install the software upgrades saving the Town thousands of dollars and acquiring donated computers from Maricopa County Association of Governments saving even thousands more.
- ♦ There were two new heat pumps installed on the Town Hall building for \$13,694.
- ♦ The Guadalupe Municipal Court upgraded its sound system for \$6,554.
- ♦ Lastly, the Town replaced four air conditioning units on its commercial building "The Mercado" totaling \$21,457.

The following table provides a breakdown of the capital assets of the Town at June 30, 2014:

**Capital Assets at June 30, 2014 and 2013**  
**(Net of accumulated depreciation)**

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 7,039,174	\$ 7,039,174	\$ 84,703	\$ 84,703	\$ 7,123,877	\$ 7,123,877
Land and improvements	215,935	177,933	-	-	215,935	177,933
Buildings and improvements	1,832,159	1,893,969	148,705	168,998	1,980,864	2,062,967
Infrastructure	3,410,686	3,152,046	320,199	367,419	3,730,885	3,519,465
Street lights	378,041	402,949	-	-	378,041	402,949
Machinery and equipment	447,101	497,799	-	-	447,101	497,799
Curbs and gutters	3,792,760	3,924,541	-	-	3,792,760	3,924,541
<b>Total</b>	<b>\$ 17,115,856</b>	<b>\$ 17,088,411</b>	<b>\$ 553,607</b>	<b>\$ 621,120</b>	<b>\$ 17,669,463</b>	<b>\$ 17,709,531</b>

**TOWN OF GUADALUPE, ARIZONA**  
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**June 30, 2014**

**Long-term Debt**

At the end of the current fiscal year, the Town of Guadalupe, Arizona had total long-term obligations outstanding of \$2,454,055. Of that amount \$2,145,000 outstanding debt and the loan premium of \$244,785 is secured by pledges of specific revenue sources of the Town. Compensated absences payable to employees is equal to \$64,270. The following schedule shows the outstanding debt of the Town (both current and long-term) as of June 30, 2014. Further detail on the Town's outstanding debt may be found in Note 7 on pages 36-37.

**Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue bonds	\$ -	\$ 2,315,000	\$ -	\$ -	\$ -	\$ 2,315,000
Loan payable	2,389,785	-	-	-	2,389,785	-
Capital leases payable	-	2,018	-	-	-	2,018
Compensated absences	55,665	116,857	8,605	6,085	64,270	122,942
<b>TOTAL</b>	<u>\$ 2,445,450</u>	<u>\$ 2,433,875</u>	<u>\$ 8,605</u>	<u>\$ 6,085</u>	<u>\$ 2,454,055</u>	<u>\$ 2,439,960</u>

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

- ♦ Excluding grant revenue, state-shared revenue makes up 31% of the Town's General Fund revenue. State-shared revenue is expected to increase by 5% or \$70,711 for fiscal year 2015. More than half 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 9% in 2013 over 2012 as indicated in the 9% increase in urban revenue sharing distributions. State-shared sales tax is forecasted to increase by 4%, or \$19,771. All state-shared revenue estimates increased by a rate less than last year indicating that the Arizona economy continues to grow but at a slower pace. The Town of Guadalupe management and budget staff remain conservative in estimating revenues.
- ♦ Local tax revenue, which makes up 38% of the General Fund revenue (less grants), is expected to decrease by 22% or \$381,970. This is in large part due to one time tax collections in the prior year.
- ♦ Because of the slow growth rate of the economy the Town Council continued to make reductions in expenditures when the 2013-14 budget was prepared. Revenues did exceed expenditures and transfers at fiscal year end 2013; therefore the Council did increase budgeted expenditures for capital outlays, parks improvements and community outreach programs.

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

- ♦ In efforts to promote businesses located in the Town's commercial center, the Town Council and Town Manager have been holding numerous special events in and around the building. It does appear that sales have been picking up and there is also a spike in interest of the vacant suites.

**Financial contact**

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

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

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

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Net Position**  
**June 30, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,483,527	\$ 1,346,645	\$ 2,830,172
Accounts receivable - net	-	8,104	8,104
Taxes receivable - net	143,055	-	143,055
Miscellaneous receivables	14,926	-	14,926
Due from other governments	286,849	70,529	357,378
Prepaid expenses	18,606	1,442	20,048
Notes receivable - net	851,578	-	851,578
Capital assets, not being depreciated	7,039,174	84,703	7,123,877
Capital assets, being depreciated, net	<u>10,076,682</u>	<u>468,904</u>	<u>10,545,586</u>
<b>Total assets</b>	<u>19,914,397</u>	<u>1,980,327</u>	<u>21,894,724</u>
<b>LIABILITIES</b>			
Accounts payable	160,479	16,307	176,786
Accrued expenses	17,575	10,036	27,611
Accrued interest	12,238	-	12,238
Court bonds payable	113,070	-	113,070
Deferred revenue	560,268	-	560,268
Refundable deposits	-	9,826	9,826
Compensated absences			
Due within 1 year	50,099	7,745	57,844
Due in more than 1 year	5,566	860	6,426
Noncurrent liabilities			
Due within 1 year	258,719	-	258,719
Due in more than 1 year	<u>2,131,065</u>	<u>-</u>	<u>2,131,065</u>
<b>Total liabilities</b>	<u>3,309,079</u>	<u>44,774</u>	<u>3,353,853</u>
<b>NET POSITION</b>			
Net investment in capital assets	14,726,072	553,607	15,279,679
Restricted for:			
Capital acquisitions	78,351	-	78,351
Highways and streets	104,184	-	104,184
Community development	3,482	-	3,482
HOME program	851,578	-	851,578
Unrestricted (deficit)	<u>841,651</u>	<u>1,381,946</u>	<u>2,223,597</u>
<b>Total net position</b>	<u>\$ 16,605,318</u>	<u>\$ 1,935,553</u>	<u>\$ 18,540,871</u>

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

**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2014**

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities							
General government	\$ 799,320	\$ 176,915	\$ 247,326	\$ 11,215	\$ (363,864)	\$ -	\$ (363,864)
Public safety	2,432,569	239,266	-	5,829	(2,187,474)	-	(2,187,474)
Public works and streets	674,721	-	327,951	62,681	(284,089)	-	(284,089)
Culture and recreation	111,287	5,781	-	775	(104,731)	-	(104,731)
Community development	270,243	-	316,521	365,758	412,036	-	412,036
Health and welfare	313,133	-	174,366	-	(138,767)	-	(138,767)
Interest on general long-term debt	82,747	-	-	-	(82,747)	-	(82,747)
<b>Total governmental activities</b>	<b>4,684,020</b>	<b>421,962</b>	<b>1,066,164</b>	<b>446,258</b>	<b>(2,749,636)</b>	<b>-</b>	<b>(2,749,636)</b>
Business-type activities							
Sewer	118,431	80,938	-	-	-	(37,493)	(37,493)
Tianguis	170,540	143,136	-	-	-	(27,404)	(27,404)
Refuse	293,633	323,239	-	-	-	29,606	29,606
<b>Total business-type activities</b>	<b>582,604</b>	<b>547,313</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(35,291)</b>	<b>(35,291)</b>
<b>Total primary government</b>	<b>\$ 5,266,624</b>	<b>\$ 969,275</b>	<b>\$ 1,066,164</b>	<b>\$ 446,258</b>	<b>(2,749,636)</b>	<b>(35,291)</b>	<b>(2,784,927)</b>
<b>General revenue:</b>							
Taxes:							
Sales taxes					1,735,120	-	1,735,120
Franchise taxes					25,417	-	25,417
Bed taxes					388,407	-	388,407
State sales tax revenue sharing					480,737	-	480,737
Auto lieu tax revenue sharing					196,774	-	196,774
State revenue sharing					615,609	-	615,609
Interest income					9,619	1,033	10,652
Miscellaneous					3,811	-	3,811
Total general revenue					3,455,494	1,033	3,456,527
Change in net position					705,858	(34,258)	671,600
Net position, beginning of year					15,899,460	1,969,811	17,869,271
Net position, end of year					\$ 16,605,318	\$ 1,935,553	\$ 18,540,871

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

**TOWN OF GUADALUPE, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	General Fund	Community Development Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,328,497	\$ -	\$ 155,030	\$ 1,483,527
Taxes receivable - net	143,055	-	-	143,055
Miscellaneous receivables	-	852,002	14,502	866,504
Due from other governments	134,270	93,649	58,930	286,849
Prepaid expenses	14,761	159	3,686	18,606
Due from other funds	16,827	-	-	16,827
<b>Total assets</b>	<u>1,637,410</u>	<u>945,810</u>	<u>232,148</u>	<u>2,815,368</u>
<b>Liabilities</b>				
Accounts payable	104,421	28,319	27,739	160,479
Accrued expenses	10,731	-	6,844	17,575
Court bonds payable	113,070	-	-	113,070
Due to other funds	-	3,358	13,469	16,827
Unearned revenue	533,403	25,304	1,561	560,268
<b>Total liabilities</b>	<u>761,625</u>	<u>56,981</u>	<u>49,613</u>	<u>868,219</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue	-	885,347	-	885,347
<b>Fund balances</b>				
Nonspendable	14,761	159	2,875	17,795
Restricted for:				
Highways and streets	-	-	101,309	101,309
Community development	-	3,323	-	3,323
Capital acquisition	-	-	78,351	78,351
Unassigned	861,024	-	-	861,024
<b>Total fund balances</b>	<u>875,785</u>	<u>3,482</u>	<u>182,535</u>	<u>1,061,802</u>
<b>Total liabilities, deferred revenue, and fund balances</b>	<u>\$ 1,637,410</u>	<u>\$ 945,810</u>	<u>\$ 232,148</u>	<u>\$ 2,815,368</u>

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

**TOWN OF GUADALUPE, ARIZONA**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**Governmental Funds**  
**June 30, 2014**

Fund balances--total governmental funds		\$ 1,061,802
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		17,115,856
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Notes receivable - net	851,578	
Grant receivables	33,769	
	<u>885,347</u>	
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds		
Accrued interest	(12,238)	
Compensated absences	(55,665)	
Unamortized loan premium	(244,784)	
Loan payable	(2,145,000)	
	<u>(2,457,687)</u>	
<b>Net position of governmental activities</b>		<b><u><u>\$ 16,605,318</u></u></b>

*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, 2014**

	General Fund	Community Development Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Intergovernmental	\$ 1,540,446	\$ 595,037	\$ 600,960	\$ 2,736,443
Taxes	2,148,944	-	17,819	2,166,763
Fines and forfeitures	239,266	-	-	239,266
Charges for services	153,140	-	-	153,140
Other revenue	8,804	42,570	6,182	57,556
Licenses and permits	27,998	-	-	27,998
Interest	8,764	-	855	9,619
<b>Total revenue</b>	<b>4,127,362</b>	<b>637,607</b>	<b>625,816</b>	<b>5,390,785</b>
<b>Expenditures</b>				
Current				
Public safety	2,337,521	-	204	2,337,725
General government	709,764	-	-	709,764
Public works and streets	12,450	-	397,445	409,895
Community development	27,913	293,979	50,848	372,740
Health and welfare	-	-	290,856	290,856
Culture and recreation	105,334	-	2,315	107,649
Debt Service				
Principal	2,018	-	170,000	172,018
Interest	36	-	70,473	70,509
Debt issuance costs	-	-	48,384	48,384
Capital outlay	169,814	365,095	2,180	537,089
<b>Total expenditures</b>	<b>3,364,850</b>	<b>659,074</b>	<b>1,032,705</b>	<b>5,056,629</b>
Excess (deficiency) of revenue over (under) expenditures	762,512	(21,467)	(406,889)	334,156
<b>Other financing sources (uses)</b>				
Face amount of loan proceeds	-	-	2,145,000	2,145,000
Loan premium	-	-	244,784	244,784
Transfers	(137,800)	(13,914)	151,714	-
Debt service-principal	-	-	(2,145,000)	(2,145,000)
<b>Total other financing sources (uses)</b>	<b>(137,800)</b>	<b>(13,914)</b>	<b>396,498</b>	<b>244,784</b>
<b>Net change in fund balances</b>	<b>624,712</b>	<b>(35,381)</b>	<b>(10,391)</b>	<b>578,940</b>
Fund balances, beginning of year	251,073	38,863	192,926	482,862
<b>Fund balances, end of year</b>	<b>\$ 875,785</b>	<b>\$ 3,482</b>	<b>\$ 182,535</b>	<b>\$ 1,061,802</b>

*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, 2014**

Net change in fund balances--total governmental funds \$ 578,940

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	\$ 537,089	
Depreciation expense	<u>(509,644)</u>	
		27,445

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	89,516	
Unavailable grant revenues	<u>33,769</u>	
		123,285

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

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

Debt service-principal	2,145,000	
Debt principal repayments	172,018	
Net change in compensated absences	61,192	
Net change in accrued interest	(12,238)	
Loan premium	(244,784)	
Face amount of loan proceeds	<u>(2,145,000)</u>	
		<u>(23,812)</u>

<b>Change in net position of governmental activities</b>	<b><u><u>\$ 705,858</u></u></b>
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*The accompanying notes are an integral part of these financial statements.*

**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,167,343	\$ -	\$ 179,302	\$ 1,346,645
Accounts receivable - net	-	8,104	-	8,104
Due from other governments	13,726	-	56,803	70,529
Prepaid expenses	130	901	411	1,442
Due from other funds	22,698	-	-	22,698
<b>Total current assets</b>	<b>1,203,897</b>	<b>9,005</b>	<b>236,516</b>	<b>1,449,418</b>
Noncurrent assets				
Capital assets, net of accumulated depreciation, where applicable:				
Land	-	84,703	-	84,703
Utilities systems, net	320,199	-	-	320,199
Buildings, net	-	148,705	-	148,705
<b>Total noncurrent assets</b>	<b>320,199</b>	<b>233,408</b>	<b>-</b>	<b>553,607</b>
<b>Total assets</b>	<b>1,524,096</b>	<b>242,413</b>	<b>236,516</b>	<b>2,003,025</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	25	13,990	2,292	16,307
Accrued expenses	8,661	1,375	-	10,036
Refundable deposits	-	9,826	-	9,826
Compensated absences - current portion	7,745	-	-	7,745
Due to other funds	-	22,698	-	22,698
<b>Total current liabilities</b>	<b>16,431</b>	<b>47,889</b>	<b>2,292</b>	<b>66,612</b>
Noncurrent liabilities				
Compensated absences	860	-	-	860
<b>Total liabilities</b>	<b>17,291</b>	<b>47,889</b>	<b>2,292</b>	<b>67,472</b>
<b>Net position</b>				
Net investment in capital assets	320,199	233,408	-	553,607
Unrestricted (deficit)	1,186,606	(38,884)	234,224	1,381,946
<b>Total net position</b>	<b>\$ 1,506,805</b>	<b>\$ 194,524</b>	<b>\$ 234,224</b>	<b>\$ 1,935,553</b>

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

**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Revenue, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2014**

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
<b>Operating revenues</b>				
Charges for services	\$ 80,938	\$ -	\$ 323,239	\$ 404,177
Rents	-	143,136	-	143,136
<b>Total operating revenues</b>	<u>80,938</u>	<u>143,136</u>	<u>323,239</u>	<u>547,313</u>
<b>Operating expenses</b>				
Professional services	298	1,463	291,705	293,466
Personnel	69,809	38,657	-	108,466
Depreciation	47,220	41,750	-	88,970
Utilities	342	58,183	-	58,525
Repairs and maintenance	-	22,199	-	22,199
Insurance	645	3,377	1,928	5,950
Materials and supplies	-	3,960	-	3,960
Miscellaneous	117	951	-	1,068
<b>Total operating expenses</b>	<u>118,431</u>	<u>170,540</u>	<u>293,633</u>	<u>582,604</u>
<b>Operating income (loss)</b>	<u>(37,493)</u>	<u>(27,404)</u>	<u>29,606</u>	<u>(35,291)</u>
<b>Nonoperating revenue</b>				
Investment income	1,033	-	-	1,033
<b>Increase (decrease) in net position</b>	<u>(36,460)</u>	<u>(27,404)</u>	<u>29,606</u>	<u>(34,258)</u>
Total net position, beginning of year	<u>1,543,265</u>	<u>221,928</u>	<u>204,618</u>	<u>1,969,811</u>
<b>Total net position, end of year</b>	<u><u>\$ 1,506,805</u></u>	<u><u>\$ 194,524</u></u>	<u><u>\$ 234,224</u></u>	<u><u>\$ 1,935,553</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, 2014**

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 97,465	\$ 129,448	\$ 398,644	\$ 625,557
Payments to suppliers and providers of goods and services	(19,714)	(101,273)	(314,220)	(435,207)
Payments to employees	(38,978)	(27,814)	-	(66,792)
<b>Net cash provided (used) by             operating activities</b>	<u>38,773</u>	<u>361</u>	<u>84,424</u>	<u>123,558</u>
<b>Cash flows from noncapital financing activities:</b>				
Interfund loans	(21,096)	21,096	-	-
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	-	(21,457)	-	(21,457)
<b>Cash flows from investing activities:</b>				
Interest received on investments	1,033	-	-	1,033
<b>Net increase (decrease) in cash             and cash equivalents</b>	18,710	-	84,424	103,134
Cash and cash equivalents, beginning of year	1,148,633	-	94,878	1,243,511
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,167,343</u>	<u>\$ -</u>	<u>\$ 179,302</u>	<u>\$ 1,346,645</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, 2014**  
*(Continued)*

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (37,493)	\$ (27,404)	\$ 29,606	\$ (35,291)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	47,220	41,750	-	88,970
(Increase) decrease in:				
Accounts receivable	-	(3,797)	-	(3,797)
Due from other governments	16,527	-	75,405	91,932
Prepaid expenses	78	(192)	186	72
Increase (decrease) in:				
Accounts payable	(7)	746	(20,773)	(20,034)
Accrued expenses	8,145	932	-	9,077
Refundable deposits	-	(9,891)	-	(9,891)
Compensated absences payable	4,303	(1,783)	-	2,520
<b>Net cash provided (used) by operating activities</b>	<u>\$ 38,773</u>	<u>\$ 361</u>	<u>\$ 84,424</u>	<u>\$ 123,558</u>

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

***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 position and a statement of activities. These statements report the financial activities of the overall government. They also distinguish between the governmental and business-type activities of the Town and between the Town and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

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

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

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

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

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

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

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major enterprise funds:

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

**C. Basis of Accounting**

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

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

***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, 2014 for the Tianguis Economic Development Fund was \$60,258. The amount recorded as uncollectible at June 30, 2014 for notes receivable in the Governmental Activities was \$1,421,734 (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, 2014**

***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, 2014**

***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.

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

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012.

In June 2012, the GASB issued Statement 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Upon implementation, it is anticipated that this statement will cause a restatement of beginning net position of the Governmental Activities, Business-type Activities, and proprietary funds.

***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.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

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

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, 2014, the carrying amount of the Town's total nonpooled cash in bank was \$331,869, and the bank balance was \$333,214. 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, 2014, the investments consisted of the following.

Investment	Rating Organization	Credit Rating	Reported Amount	Fair Value
Arizona LGIP Pool 5	S&P	AAA	\$ 2,480,959	\$ 2,480,959

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

**NOTE 3 – DUE FROM OTHER GOVERNMENTS**

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

	General Fund	HURF/LTAF Fund (non-major)	Community Development Grants Fund	Community Service Grants Fund (non-major)
Federal Government	\$ -	\$ -	\$ 12,485	\$ -
State of Arizona	49,242	29,233	19,833	-
Maricopa County	-	-	60,849	-
Other governments	85,028	-	482	29,697
	<u>\$ 134,270</u>	<u>\$ 29,233</u>	<u>\$ 93,649</u>	<u>\$ 29,697</u>

Due from other governments for the Sewer and Refuse Funds consisted of amounts due from the City of Tempe totaling \$13,726 and \$56,803, respectively.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 4 – NOTES RECEIVABLE**

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

Notes receivables at June 30, 2014 consisted of \$2,273,312 of which \$1,421,734 are expected to be forgiven. The notes receivable balance – net totaled \$851,578.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 7,039,174	\$ -	\$ -	\$ 7,039,174
<b>Total capital assets not             being depreciated</b>	<u>7,039,174</u>	<u>-</u>	<u>-</u>	<u>7,039,174</u>
Capital assets being depreciated:				
Building and building improvements	4,041,094	13,694	-	4,054,788
Land improvements	642,315	56,630	(3,638)	695,307
Equipment	2,023,353	101,670	-	2,125,023
Street lights	472,427	-	-	472,427
Streets	4,355,202	365,095	-	4,720,297
Curbs and gutters	4,594,274	-	-	4,594,274
<b>Total</b>	<u>16,128,665</u>	<u>537,089</u>	<u>(3,638)</u>	<u>16,662,116</u>
Less accumulated depreciation for:				
Building and building improvements	(2,147,127)	(75,502)	-	(2,222,629)
Land improvements	(464,382)	(18,628)	3,638	(479,372)
Equipment	(1,525,555)	(152,367)	-	(1,677,922)
Street lights	(69,477)	(24,909)	-	(94,386)
Streets	(1,203,154)	(106,457)	-	(1,309,611)
Curbs and gutters	(669,733)	(131,781)	-	(801,514)
<b>Total</b>	<u>(6,079,428)</u>	<u>(509,644)</u>	<u>3,638</u>	<u>(6,585,434)</u>
<b>Total capital assets being depreciated, net</b>	<u>10,049,237</u>	<u>27,445</u>	<u>-</u>	<u>10,076,682</u>
Governmental activities capital assets, net	<u>\$ 17,088,411</u>	<u>\$ 27,445</u>	<u>\$ -</u>	<u>\$ 17,115,856</u>

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 5 – CAPITAL ASSETS – Continued**

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 84,703	\$ -	\$ -	\$ 84,703
<b>Total capital assets not being depreciated</b>	<u>84,703</u>	<u>-</u>	<u>-</u>	<u>84,703</u>
Capital assets being depreciated:				
Utility systems	1,819,472	-	-	1,819,472
Equipment	27,401	-	-	27,401
Buildings	25,000	-	-	25,000
Building improvements	545,693	21,457	-	567,150
<b>Total</b>	<u>2,417,566</u>	<u>21,457</u>	<u>-</u>	<u>2,439,023</u>
Less accumulated depreciation for:				
Utility systems	(1,452,053)	(47,220)	-	(1,499,273)
Equipment	(27,401)	-	-	(27,401)
Buildings	(25,000)	-	-	(25,000)
Building improvements	(376,695)	(41,750)	-	(418,445)
<b>Total</b>	<u>(1,881,149)</u>	<u>(88,970)</u>	<u>-</u>	<u>(1,970,119)</u>
<b>Total capital assets being depreciated, net</b>	<u>536,417</u>	<u>(67,513)</u>	<u>-</u>	<u>468,904</u>
Business-type activities capital assets, net	<u>\$ 621,120</u>	<u>\$ (67,513)</u>	<u>\$ -</u>	<u>\$ 553,607</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Highways and streets	\$ 285,224
Public safety	115,240
General government	61,570
Community development	22,277
Health and welfare	21,695
Culture and recreation	<u>3,638</u>
Total governmental activities depreciation expense	<u>\$ 509,644</u>
Business-type activities:	
Tianguis center	\$ 41,750
Sewer	<u>47,220</u>
Total business-type activities depreciation expense	<u><u>\$ 88,970</u></u>

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 6 – UNEARNED REVENUE**

The Town has received advanced contract payments for the lease of billboard space with a term of 20-years. The Town recognizes revenue annually at 1/20<sup>th</sup> of the contract price. The remaining amount is recorded as unearned revenue that will be recognized as revenue over the life of the contract. The amount deferred for the billboard contract at June 30, 2014 is \$467,500. The remaining balance of unearned revenue in the governmental funds consists of grant advances in which the Town had not yet fulfilled contract requirements to recognize revenue.

**NOTE 7 – LONG-TERM LIABILITIES**

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

Loans payable at June 30, 2014, were as follows:

Description	Face Value	Maturity Ranges	Interest Rate	Outstanding June 30, 2014
Loan payable	\$ 2,145,000	2014-2022	2.00%	<u>\$ 2,145,000</u>

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2014.

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due within 1 year
Governmental activities:					
Compensated absences	\$ 116,857	\$ -	\$ 61,192	\$ 55,665	\$ 50,099
Capital leases payable	2,018	-	2,018	-	-
Loans payable	2,315,000	2,145,000	2,315,000	2,145,000	220,000
Loan premium	-	244,785	-	244,785	38,719
Governmental activities long-term liabilities	<u>\$ 2,433,875</u>	<u>\$ 2,389,785</u>	<u>\$ 2,378,210</u>	<u>\$ 2,445,450</u>	<u>\$ 308,818</u>
Business-type activities:					
Compensated absences	\$ 6,085	\$ 2,520	\$ -	\$ 8,605	\$ 7,745
Business-type activities long-term liabilities	<u>\$ 6,085</u>	<u>\$ 2,520</u>	<u>\$ -</u>	<u>\$ 8,605</u>	<u>\$ 7,745</u>

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

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

The following schedule details debt service requirements to maturity for the Town's loan payable at June 30, 2014.

Year Ending June 30	Governmental Activities		
	Loan Payable		
	Premium		
	Principal	Amortization	Interest
2015	\$ 220,000	\$ 38,719	\$ 44,081
2016	210,000	41,878	36,722
2017	215,000	40,381	29,619
2018	220,000	35,530	23,470
2019	235,000	29,192	18,058
2020-23	1,045,000	59,084	19,616
Total	<u>\$ 2,145,000</u>	<u>\$ 244,784</u>	<u>\$ 171,566</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, 2014, outstanding defeased revenue bonds totaled \$635,000.

***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, 2014**

***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 retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a flat dollar amount per month towards the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and dependents

The *Arizona State Retirement System* (ASRS) administers cost-sharing multiple-employer defined benefit pension, health insurance premium, and long-term disability plans that cover employees of the State of Arizona and participating political subdivisions and school districts. 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 system issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Arizona State Retirement System, 3300 N. Central Ave., P.O. Box 33910, Phoenix, Arizona, 85067-3910 or by calling (602) 240-2000 or 1 (800) 621-3778.

The *Public Safety Personnel Retirement System* (PSPRS) administers agent multiple-employer defined benefit pension and health insurance premium plans that cover 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. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016-4416, or by calling (602) 255-5575.

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

*Cost-sharing plans* – For the year ended June 30, 2014, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2014, 2013, and 2012, were \$70,146, \$80,675, and \$69,610, respectively, which were equal to the required contributions for the year.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

***NOTE 9 – RETIREMENT PLANS – Continued***

*Agent plans* – For the year ended June 30, 2014, active PSPRS members were required by statute to contribute 10.35 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 22.19 percent, of which 1.26 percent was the health insurance premium portion.

The contribution requirements for the year ended June 30, 2014, were established by the June 30, 2012 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on 1) the plans as understood by the Town of Guadalupe, Arizona and plan members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the Town and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used to establish the fiscal year 2014 contribution requirements are as follows:

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	24 years for underfunded actuarial liability, 20 years for overfunded
Asset valuation method	7-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.00% - 9.00%
Payroll growth	5.00%

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 9 – RETIREMENT PLANS – Continued**

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

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Pension	2014	\$ 59,999	100 %	\$ -
	2013	57,704	100	-
	2012	72,876	100	-
Health Insurance	2014	\$ 3,514	34.15 %	\$ -
	2013	3,529	0	-
	2012	4,593	0	-

Schedules of Funded Status – Following are the schedules of funded status of the plans as of the most recent valuation date, June 30, 2014, and the previous two fiscal years. The fiscal year 2014 actuarial methods and assumptions used for the schedules are not significantly different than the fiscal year 2013 actuarial methods and assumptions.

**Pension**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2014	\$ 798,666	\$ 1,407,245	\$ 608,579	56.8 %	\$ 261,990	232.3 %
6/30/2013	764,790	1,221,566	456,776	62.6	262,193	174.2
6/29/2012	701,209	1,136,760	435,551	61.7	252,982	172.2

**Health Insurance**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2014	\$ 28,702	\$ 51,313	\$ 22,611	55.9 %	\$ 261,990	8.6 %
6/30/2013	-	48,005	48,005	0.0	262,193	18.3
6/29/2012	-	44,185	44,185	0.0	252,982	17.5

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 10 – INTERFUND BALANCES AND ACTIVITY**

Interfund payables – Interfund payables for the year ended June 30, 2014, were as follows:

Payable from	Payable to		
	General Fund	Sewer Fund	Total
Community Services Grants Fund (non-major)	\$ 13,469	\$ -	\$ 13,469
Tianguis Econ. Dev. Fund	-	22,698	22,698
Community Development Grants Fund	3,358	-	3,358
Total	<u>\$ 16,827</u>	<u>\$ 22,698</u>	<u>\$ 39,525</u>

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

Interfund transfers – Interfund transfers for the year ended June 30, 2014, were as follows:

Transfer To	Transfer From		
	General Fund	Community Development Grants Fund	Total
General Fund	\$ -	\$ 13,914	\$ 13,914
Community Services Grants Fund (non-major)	107,641	-	107,641
Debt Service Fund (non-major)	44,073	-	44,073
Total	<u>\$ 151,714</u>	<u>\$ 13,914</u>	<u>\$ 165,628</u>

The purpose of the interfund transfer shown above to the General Fund from the Community Development Grants Fund was to reimburse the Town for land owned by the Town used as part of a HOME project. 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, 2014**

**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, 2014, were \$261,456. 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
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, 2014, the Town paid the County Sheriff \$1,231,139 and has agreed to monthly installments of \$115,280 for the 2015 fiscal year. Under the contract, a notice of termination of contract may be given by either party 180 days prior to the date of intended termination.



**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenue</b>				
Intergovernmental	\$ 4,631,490	\$ 4,631,490	\$ 1,540,446	\$ (3,091,044)
Taxes	1,828,821	1,828,821	2,148,944	320,123
Fines and forfeitures	211,000	211,000	239,266	28,266
Charges for services	138,089	138,089	153,140	15,051
Other revenue	30,000	30,000	8,804	(21,196)
Licenses and permits	58,000	58,000	27,998	(30,002)
Interest	1,000	1,000	8,764	7,764
<b>Total revenue</b>	<u>6,898,400</u>	<u>6,898,400</u>	<u>4,127,362</u>	<u>(2,771,038)</u>
<b>Expenditures</b>				
Current				
Public safety	2,349,506	2,349,506	2,337,521	11,985
General government	1,377,269	1,377,269	709,764	667,505
Community development	14,840	14,840	27,913	(13,073)
Public works and streets	13,613	13,613	12,450	1,163
Culture and recreation	93,132	93,132	105,334	(12,202)
Debt Service				
Principal	8,599	8,599	2,018	6,581
Interest	-	-	36	(36)
Capital outlay	2,792,363	2,792,363	169,814	2,622,549
<b>Total expenditures</b>	<u>6,649,322</u>	<u>6,649,322</u>	<u>3,364,850</u>	<u>3,284,472</u>
Excess (deficiency) of revenue over expenditures	249,078	249,078	762,512	513,434
<b>Other financing sources (uses)</b>				
Transfers	(454,457)	(454,457)	(137,800)	316,657
<b>Total other financing sources (uses)</b>	<u>(454,457)</u>	<u>(454,457)</u>	<u>(137,800)</u>	<u>316,657</u>
<b>Net changes in fund balances</b>	(205,379)	(205,379)	624,712	830,091
Fund balances, beginning of year	251,073	251,073	251,073	-
<b>Fund balances, end of year</b>	<u>\$ 45,694</u>	<u>\$ 45,694</u>	<u>\$ 875,785</u>	<u>\$ 830,091</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, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenue</b>				
Intergovernmental	\$ 3,008,340	\$ 3,008,340	\$ 595,037	\$ (2,413,303)
Other revenue	220,000	220,000	42,570	(177,430)
<b>Total revenue</b>	<u>3,228,340</u>	<u>3,228,340</u>	<u>637,607</u>	<u>(2,590,733)</u>
<b>Expenditures</b>				
Current				
Community development	2,256,494	2,256,494	293,979	1,962,515
Capital outlay	<u>971,846</u>	<u>971,846</u>	<u>365,095</u>	<u>606,751</u>
<b>Total expenditures</b>	<u>3,228,340</u>	<u>3,228,340</u>	<u>659,074</u>	<u>2,569,266</u>
Excess (deficiency) of revenue over expenditures	-	-	(21,467)	(21,467)
<b>Other financing sources (uses)</b>				
Transfers	<u>-</u>	<u>-</u>	<u>(13,914)</u>	<u>(13,914)</u>
<b>Net changes in fund balances</b>	-	-	(35,381)	(35,381)
Fund balances, beginning of year	<u>38,863</u>	<u>38,863</u>	<u>38,863</u>	-
<b>Fund balances, end of year</b>	<u><u>\$ 38,863</u></u>	<u><u>\$ 38,863</u></u>	<u><u>\$ 3,482</u></u>	<u><u>\$ (35,381)</u></u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2014**

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

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

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

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

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

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**June 30, 2014**

**Pension**

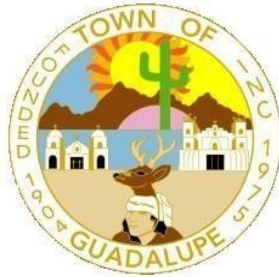
Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2014	\$ 798,666	\$ 1,407,245	\$ 608,579	56.8 %	\$ 261,990	232.3 %
6/30/2013	764,790	1,221,566	456,776	62.6	262,193	174.2
6/29/2012	701,209	1,136,760	435,551	61.7	252,982	172.2

**Health Insurance**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2014	\$ 28,702	\$ 51,313	\$ 22,611	55.9 %	\$ 261,990	8.6 %
6/30/2013	-	48,005	48,005	0.0	262,193	18.3
6/29/2012	-	44,185	44,185	0.0	252,982	17.5



## **SINGLE AUDIT ACT REPORTS SECTION**





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

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

To the Town Council  
Town of Guadalupe, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Guadalupe, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Guadalupe, Arizona's, basic financial statements, and have issued our report thereon dated December 12, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal

control labeled as **14-01**, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

December 12, 2014



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

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

To the Town Council  
Town of Guadalupe, Arizona

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

We have audited the Town of Guadalupe, Arizona's compliance with the types of compliance requirements described in the *OMB 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, 2014. The Town of Guadalupe, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Guadalupe, Arizona's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Guadalupe, Arizona's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the Town of Guadalupe, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## **Report on Internal Control Over Compliance**

Management of the Town of Guadalupe, Arizona is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Guadalupe, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



December 12, 2014

**TOWN OF GUADALUPE, ARIZONA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass through Grantor's Number	Disbursements/ Expenditures
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed through Area Agency on Aging:			
Aging Cluster:			
Special Programs for the Aging_ Title III, Part B	93.044	2014-23-GUA	\$ 42,755
Special Programs for the Aging_ Title III, Part C	93.045	2014-23-GUA	64,855
Nutrition Services Incentive Program	93.053	2014-23-GUA	<u>7,653</u>
Total Aging Cluster			115,263
Social Services Block Grant	93.667	2014-23-GUA	<u>3,136</u>
Total U.S. Department Health and Human Services			<u>118,399</u>
<b><u>U.S. Department of Agriculture</u></b>			
Community Facilities Loans and Grants Cluster:			
Community Facilities Loans and Grants	10.766		47,874
Rural Self-Help Housing Technical Assistance	10.420		<u>54,879</u>
Total U.S. Department of Agriculture			<u>102,753</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Passed through Maricopa County Community Development:			
Home Investment Partnerships Program	14.239	UC1107	102,685
Passed through Arizona Department of Housing:			
Home Investment Partnerships Program	14.239	307-13	76,880
Passed through Maricopa County Community Development:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants	14.218	DG1303	<u>365,758</u>
Total U.S. Department of Housing and Urban Development			<u>545,323</u>
Total Federal Assistance			<u><u>\$ 766,475</u></u>

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2014**

***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, 2014**

<b>Section 1</b>	<b>Summary Of Auditors' Results</b>
<b><i>Financial Statements</i></b>	
1. Type of auditor's report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses?	Yes
b. Significant deficiencies identified not considered to be material weaknesses?	No
c. Noncompliance material to the financial statements noted?	No
<b><i>Federal Awards</i></b>	
1. Internal control over major program:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
2. Type of auditor's report issued on compliance for major program:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510 (a)?	No
4. Identification of major program:	
<u>Name of Federal Program</u>	<u>CFDA Number</u>
CDBG – Entitlement Grants Cluster:	
Community Development Block Grants	14.218
Home Investment Partnerships Program	14.239
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, 2014**

**Financial Statement Findings**

***Item: 14-01***

*Subject:* Misstatements requiring audit adjustments.

*Condition:* During our audit we noted misstatements that were not identified by the Town's finance department which required us to propose adjusting journal entries.

*Recommendation:* We recommend that management review all audit entries to help in identifying areas in the accounting system that required adjustment. The finance department should ensure that these areas are complete before each audit.

*Response:* Management agrees with this finding and will work on improving the accounting reconciliations to ensure that there are less audit adjustments.

**Federal Award Findings and Questioned Costs**

None

**TOWN OF GUADALUPE, ARIZONA**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2014**

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

No prior year audit findings.