

TOWN OF GUADALUPE, ARIZONA

Annual Financial Statements
and
Independent Auditors' Report
June 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Guadalupe, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Guadalupe, Arizona as of and for the year ended June 30, 2011 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

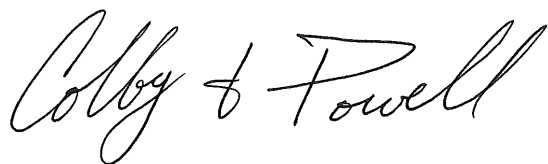
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Guadalupe, Arizona, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our consideration of the Town of Guadalupe, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of agent retirement plans' funding progress on pages 3 through 12, 40 through 44, and page 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

December 14, 2011

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2011

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, 2011. The intended purpose of the Management Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation. When referring to prior year data in this analysis we will be drawing upon information from last year's audited financial reports.

Overview of the Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 13 and 14 of this report.

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

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary funds. The Town of Guadalupe, Arizona maintains three different proprietary funds, or enterprise funds. 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 found on pages 19-22 of this report.

Notes to the basic financial statements. The notes to the financial statements (pages 23-39) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2011

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

Financial Highlight

- ♦ The assets of the governmental activities of the Town of Guadalupe, Arizona exceeded its liabilities at close of the most recent fiscal year by \$14,416,414 (net assets). Of this amount \$421,115 is restricted for capital asset acquisition, \$250,200 is restricted for highways and streets, \$571,072 is restricted for the HOME program, \$13,135,332 is invested in capital assets, net of related debt, and \$38,695 was unrestricted.
- ♦ As of the close of the current fiscal year, the Town of Guadalupe, Arizona's governmental funds reported combined ending fund balances of \$691,614 resulting in a decrease of \$382,406 in comparison with prior year.
- ♦ At the end of the current fiscal year, unassigned fund balance for the General Fund reflects a deficit of \$90.
- ♦ The Town's General Fund revenues exceeded estimates and were 13% higher than budgeted. Current year revenues were lower than prior year as a result of pass-through gaming grants in the prior year. General fund expenses and transfers to other funds were \$8,270 less than budgeted. Because the Town has no property tax it relies heavily on the current economy for its revenues. Budgeted revenues and transfers in for fiscal year 2011 were \$2,331,931 lower than the prior year. Likewise, budgeted expenses and transfers out were \$2,071,161 lower than prior year and as expected the economy did continue to be sluggish and revenues and expenses were very close to budget as forecasted. The Town experienced significant decreases in state-shared personal income taxes collected. In addition to low interest rates, investments continued to yield very low interest revenues as compared to years past. Revenues were \$415,814 higher than the final budget in the General Fund for fiscal year 2011. Revenues were slightly higher than budgeted only as a direct result of conservative budgeting practices due to the current economy. General Fund revenues still remain lower than the past six (6) years or back to fiscal year 2005.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2011

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets of the Town for June 30, 2011 showing that assets exceeded liabilities by \$16,448,105.

Town of Guadalupe, Arizona
Condensed Statement of Net Assets
As of June 30, 2011 and 2010

	Governmental Activities	Business-Type Activities	Total	Prior Year June 30, 2010
ASSETS				
Current and other assets	\$ 2,669,148	\$ 1,321,874	\$ 3,991,022	\$ 5,743,804
Capital assets				
Non-depreciable	7,070,674	84,703	7,155,377	7,805,640
Depreciable (net)	8,837,968	686,998	9,524,966	8,095,739
Total assets	18,577,790	2,093,575	20,671,365	21,645,183
LIABILITIES				
Other liabilities	1,287,946	61,884	1,349,830	2,914,306
Non-current liabilities				
Due within one year	136,789	-	136,789	155,490
Due in more than one year	2,736,641	-	2,736,641	2,975,672
Total liabilities	4,161,376	61,884	4,223,260	6,045,468
NET ASSETS				
Invested in capital assets, net of related debt	13,135,332	771,701	13,907,033	12,893,843
Restricted for:				
Capital acquisitions	421,115	-	421,115	765,379
Highways and streets	250,200	-	250,200	272,481
HOME program	571,072	-	571,072	412,494
Unrestricted (deficit)	38,695	1,259,990	1,298,685	1,255,518
Total net assets	\$ 14,416,414	\$ 2,031,691	\$ 16,448,105	\$ 15,599,715

The unrestricted net assets of the Governmental Activities for the Town of Guadalupe, Arizona have increased to a surplus of \$38,695 from a prior year deficit of \$81,162.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2011

Comparative Analysis of Government-Wide Revenues and Expenses
For the year ended June 30, 2011 and 2010

	Governmental Activities	Business-Type Activities	Total	Prior Year June 30, 2010
REVENUE				
Program revenue:				
Charges for services	\$ 377,343	\$ 508,771	\$ 886,114	\$ 923,371
Grants and contributions	2,741,444	22,671	2,764,115	2,794,348
Total program revenue	3,118,787	531,442	3,650,229	3,717,719
General revenue:				
Sales taxes	1,129,705	-	1,129,705	883,900
Franchise tax	23,496	-	23,496	22,981
Bed taxes	288,324	-	288,324	285,657
Restaurant tax	268,870	-	268,870	311,664
State sales tax revenue sharing	424,757	-	424,757	407,656
Auto lieu tax revenue sharing	181,718	-	181,718	186,137
State revenue sharing	540,684	-	540,684	717,209
Interest income	4,023	2,257	6,280	12,298
Gain (loss) on disposal of assets	-	-	-	(48,326)
Miscellaneous	61,062	-	61,062	49,521
Total general revenue	2,922,639	2,257	2,924,896	2,828,697
Total revenue	6,041,426	533,699	6,575,125	6,546,416
EXPENSE				
General government	912,100	-	912,100	1,212,269
Public safety	2,433,647	-	2,433,647	2,416,440
Public works and streets	690,926	-	690,926	677,476
Culture and recreation	93,031	-	93,031	100,437
Community Development	704,593	-	704,593	462,260
Health and welfare	326,039	-	326,039	362,987
Sewer	-	89,828	89,828	85,797
Tianguis	-	191,679	191,679	155,634
Refuse	-	284,892	284,892	301,096
Total expenses	5,160,336	566,399	5,726,735	5,774,396
Transfers	140,302	(140,302)	-	-
Change in net assets	1,021,392	(173,002)	848,390	772,020
Beginning net assets	13,395,022	2,204,693	15,599,715	14,827,695
Ending net assets	<u>\$ 14,416,414</u>	<u>\$ 2,031,691</u>	<u>\$ 16,448,105</u>	<u>\$ 15,599,715</u>

TOWN OF GUADALUPE, ARIZONA
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June 30, 2011

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 \$691,614, a decrease of \$382,406 in comparison with the prior year. Although General Fund expenses were reduced again by \$493,812 during the year, revenues declined as well, and as a results the General Fund Balance reflected a decrease of \$90 with a remaining deficit fund balance of \$90. The Town continues to budget conservatively as the state and local economy is and, we feel, will continue to be sluggish.

Fund	Balance at	Increase/(Decrease)
	June 30, 2011	From 2009-10
General Fund	\$ (90)	\$ (90)
HURF/LTAF	250,200	(22,281)
Comm. Dev. Grants	22,544	(13,616)
Capital Projects Fund	421,115	(344,264)

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 deficit of \$90, while the balance of all governmental funds declined to \$691,614.

The fund balance of Town of Guadalupe, Arizona's General Fund decreased by \$90 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 Restaurant/Bar, Vehicle in Lieu taxes and billboard revenues with a combined under budget amount of \$45,000.
- ♦ At year end, the General Fund revenues exceeded expenses by \$41,596. However, transfers from the General Fund to pay the bond principal and interest in the amount of \$317,151, from the General Fund to the senior center in the amount of \$28,241 and from the General Fund to the community action program in the amount of \$2,596 resulted in General Fund transfers and expenses exceeding revenues by \$306,302. To cover the shortfall in the General Fund, monies assigned for capital projects were transferred to the General Fund and the remainder was transferred from the Sewer Fund to the General Fund.
- ♦ Those departments materially over budget were the fire department by \$41,000 due to a grant revenue and expense that was not budgeted and both parks and youth

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2011

recreation were over budget by a combined \$21,000 due to a large increase in utility costs.

- ♦ Those departments materially under budget were information technology by \$35,000 due to accounting software not being updated.

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

Unrestricted net assets of the Refuse, Sewer, and Commercial Center Funds at the end of the year amounted to \$113,410, \$1,142,132, and \$4,448, respectively. The total change in net assets for the three funds was \$47,069, (\$148,913), and (\$71,158), 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 37-40. These statements compare the original adopted budget, the budget if amended during the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$3,538,451 were greater than budgeted revenues of \$3,122,637 by \$415,814 while expenditures of \$3,496,855 were greater than budgeted expenses of \$3,453,611 by \$43,244. The primary cause in the difference between the revenues and expenditures and the budgeted revenues and expenses was the result of taxes and state-shared revenues being higher than budgeted and fire department grant expenses not being budgeted.

Capital Asset and Debt Administration

The Town's capital assets for its governmental and business-type activities as of June 30, 2011 amount to \$16,803,343 (net of accumulated depreciation). For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 5 in the Notes to the Basic Financial Statements for further information regarding capital assets. The current year fixed asset additions were as follows;

- ♦ During the year the Town received gaming funds of \$80,000 from the Salt River Pima Maricopa Indian Community for the Fire Department to purchase heart monitors/defibrillators.
- ♦ The Town was awarded a Department of Commerce (Green) Grant to replace all high energy use throughout all town buildings for \$67,401.
- ♦ The Town received contributed assets from the Arizona Department of Transportation using ARRA funds for the improvements to Guadalupe and

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2011

Magdalena Roads as well as street lighting on Guadalupe Road and Avenida del Yaqui for a total of \$467,820.

- ♦ The Town also received from ADOT a federal grant for improvements to Magdalena Road for \$186,090.
- ♦ The Town received CDBG grants in the amount of \$383,346 for curbs and gutter for both La Cuarenta and Solarez streets.
- ♦ Residential street improvements and curb and gutters were added throughout the Town using federal grants, HURF funds, Impact fees and bond funds that totaled \$172,945.

The following table provides a breakdown of the capital assets of the Town at June 30, 2011

Capital Assets at June 30, 2011 and 2010
(Net of accumulated depreciation)

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 7,070,674	\$ 7,070,674	\$ 84,703	\$ 84,703	\$ 7,155,377	\$ 7,155,377
Land and improvements	204,751	250,506	-	-	204,751	250,506
Buildings and improvements	2,023,043	2,048,569	259,323	310,082	2,282,366	2,358,651
Infrastructure	2,691,646	1,693,754	427,675	473,228	3,119,321	2,166,982
Street lights	410,615	40,723	-	-	410,615	40,723
Machinery and equipment	430,376	521,369	-	-	430,376	521,369
Curbs and gutters	3,077,537	2,757,508	-	-	3,077,537	2,757,508
Construction in progress	-	650,263	-	-	-	650,263
Total	\$ 15,908,642	\$ 15,033,366	\$ 771,701	\$ 868,013	\$ 16,680,343	\$ 15,901,379

Long-term Debt

At the end of the current fiscal year, the Town of Guadalupe, Arizona had total long-term obligations outstanding of \$2,881,337. Of that amount \$2,720,000 outstanding debt is secured by pledges of specific revenue sources of the Town. Capital leases payable amount to \$53,310 and the remaining \$108,027 is compensated absences payable to employees. The following schedule shows the outstanding debt of the Town (both current and long-term) as of June 30, 2011. Further detail on the Town's outstanding debt may be found in Note 7 on pages 30-33.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
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Outstanding Debt

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue bonds	\$ 2,720,000	\$ 2,910,000	\$ -	\$ -	\$ 2,720,000	\$ 2,910,000
Capital leases payable	53,310	97,536	-	-	53,310	97,536
Compensated absences	100,120	117,322	7,907	6,304	108,027	123,626
TOTAL	\$ 2,873,430	\$ 3,124,858	\$ 7,907	\$ 6,304	\$ 2,881,337	\$ 3,131,162

Economic Factors and Next Year's Budgets and Rates

- ♦ State-shared revenue makes up 32% of the Town's General Fund revenue. State-shared revenue is expected to decrease by 8% or \$94,743 for fiscal year 2012. This is a result of the continuing slow economy, foreclosures, high unemployment with very little population growth as indicated from the slow home sales to out of state home buyers.
- ♦ Local tax revenue, which makes up 45% of the General Fund revenue, is expected to increase by 12% or \$182,413. This increase is expected based on a combination of a 3% reduction in local sales and a 1% increase in local sales tax. The sales reduction is expected due to current unemployment rates, local small business closures and loss of winter visitors.
- ♦ The vacancy rate for Town owned commercial building remains high due to the slow economy. We are anticipating that to continue until the economy rebounds from its current slump. We are hoping that as a result of the recent improvements sales tax revenue will increase from current retailers. The cultural aspects of the building have been restored and enhanced providing a nice relaxing atmosphere for both local residents and visitors from out of state. Many cultural events are taking place at the commercial center thus improving revenues for upkeep to the building.
- ♦ Because of the sluggish economy with no rebound in sight, the Town Council continued to make reductions in expenditures when the 2010-11 budget was prepared. However, expenses and transfers from the General Fund exceeded revenues by \$306,392. In noting this shortfall, the Town Council is considering additional significant reductions in expenditures to the 2011-2012 budget that will certainly impact services including hours of operation, staff shortages, capital project delays, suspend park improvements, suspend vehicle and equipment replacements as well as many other areas.
- ♦ In an effort to generate additional revenues, the Town continues to participate in the State Wild Land Fire Program. As a result of participation in this program, the Town is expecting to receive \$130,000 in additional revenues in 2012. After considering the related expenses of the program, approximately ¼ of the funds represent revenues

TOWN OF GUADALUPE, ARIZONA
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exceeding related expenses and these funds are used by the fire department for equipment maintenance, replacement purchases and fire department operating expenses.

Financial contact

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

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

Or visit our website at:
www.guadalupeaz.org

TOWN OF GUADALUPE, ARIZONA
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,443,197	\$ 1,287,444	\$ 2,730,641
Accounts receivable - net	-	644	644
Taxes receivable - net	121,081	-	121,081
Miscellaneous receivables	17,358	-	17,358
Due from other governments	505,389	31,873	537,262
Prepaid expenses	11,051	1,913	12,964
Notes receivable - net	571,072	-	571,072
Capital assets, not being depreciated	7,070,674	84,703	7,155,377
Capital assets, being depreciated, net	8,837,968	686,998	9,524,966
Total assets	18,577,790	2,093,575	20,671,365
LIABILITIES			
Accounts payable	148,036	36,906	184,942
Accrued expenses	107,228	3,802	111,030
Court bonds payable	88,499	-	88,499
Deferred revenue	944,183	-	944,183
Refundable deposits	-	13,269	13,269
Compensated absences			
Due within 1 year	90,108	7,117	97,225
Due in more than 1 year	10,012	790	10,802
Noncurrent liabilities			
Due within 1 year	46,681	-	46,681
Due in more than 1 year	2,726,629	-	2,726,629
Total liabilities	4,161,376	61,884	4,223,260
NET ASSETS			
Invested in capital assets, net of related debt	13,135,332	771,701	13,907,033
Restricted for:			
Capital acquisitions	421,115	-	421,115
Highways and streets	250,200	-	250,200
HOME program	571,072	-	571,072
Unrestricted (deficit)	38,695	1,259,990	1,298,685
Total net assets	\$ 14,416,414	\$ 2,031,691	\$ 16,448,105

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

TOWN OF GUADALUPE, ARIZONA
Statement of Activities
Year Ended June 30, 2011

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 912,100	\$ 64,051	\$ 101,751	\$ 67,709	\$ (678,589)	\$ -	\$ (678,589)
Public safety	2,433,647	236,728	34,303	80,000	(2,082,616)	-	(2,082,616)
Public works and streets	690,926	-	333,358	1,023,680	666,112	-	666,112
Culture and recreation	93,031	28,932	1,027	-	(63,072)	-	(63,072)
Community development	704,593	47,632	792,503	-	135,542	-	135,542
Health and welfare	326,039	-	307,113	-	(18,926)	-	(18,926)
Total governmental activities	5,160,336	377,343	1,570,055	1,171,389	(2,041,549)	-	(2,041,549)
Business-type activities							
Sewer	89,828	78,960	-	-	-	(10,868)	(10,868)
Tianguis	191,679	97,850	22,671	-	-	(71,158)	(71,158)
Refuse	284,892	331,961	-	-	-	47,069	47,069
Total business-type activities	566,399	508,771	22,671	-	-	(34,957)	(34,957)
Total primary government	\$ 5,726,735	\$ 886,114	\$ 1,592,726	\$ 1,171,389	(2,041,549)	(34,957)	(2,076,506)
General revenue:							
Taxes:							
Sales taxes					1,398,575	-	1,398,575
Franchise taxes					23,496	-	23,496
Bed taxes					288,324	-	288,324
State sales tax revenue sharing					424,757	-	424,757
Auto lieu tax revenue sharing					181,718	-	181,718
State revenue sharing					540,684	-	540,684
Interest income					4,023	2,257	6,280
Miscellaneous					61,062	-	61,062
Total general revenue					2,922,639	2,257	2,924,896
Transfers					140,302	(140,302)	-
Change in net assets					1,021,392	(173,002)	848,390
Net assets, July 1, 2010, restated					13,395,022	2,204,693	15,599,715
Net assets, June 30, 2011					\$ 14,416,414	\$ 2,031,691	\$ 16,448,105

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

TOWN OF GUADALUPE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2011

	General	HURF/LTAF	Community Development Grants	Community Service Grants	Capital Projects	Debt Service	Total Governmental
	Fund	Fund	Fund	Fund	Fund	Fund	Funds
ASSETS							
Cash and cash equivalents	\$ 788,066	\$ 73,288	\$ 146,893	\$ -	\$ 434,950	\$ -	\$ 1,443,197
Taxes receivable - net	121,081	-	-	-	-	-	121,081
Miscellaneous receivables	14,058	-	415,794	-	-	-	429,852
Due from other governments	143,795	201,137	91,572	68,885	-	-	505,389
Prepaid expenses	6,917	2,779	180	1,175	-	-	11,051
Due from other funds	15,749	-	-	-	-	-	15,749
Total assets	\$ 1,089,666	\$ 277,204	\$ 654,439	\$ 70,060	\$ 434,950	\$ -	\$ 2,526,319
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 82,895	\$ 17,146	\$ 10,675	\$ 23,485	\$ 13,835	\$ -	\$ 148,036
Accrued expenses	61,737	9,858	4,395	31,238	-	-	107,228
Court bonds payable	88,499	-	-	-	-	-	88,499
Due to other funds	-	-	-	15,749	-	-	15,749
Deferred revenue	856,625	-	616,825	1,743	-	-	1,475,193
Total liabilities	1,089,756	27,004	631,895	72,215	13,835	-	1,834,705
Fund balances							
Restricted for:							
Highways and streets	-	250,200	-	-	-	-	250,200
Community development	-	-	40,152	-	-	-	40,152
Capital acquisition	-	-	-	-	421,115	-	421,115
Unassigned	(90)	-	(17,608)	(2,155)	-	-	(19,853)
Total fund balances	(90)	250,200	22,544	(2,155)	421,115	-	691,614
Total liabilities and fund balances	\$ 1,089,666	\$ 277,204	\$ 654,439	\$ 70,060	\$ 434,950	\$ -	\$ 2,526,319

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

TOWN OF GUADALUPE, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2011

Fund balances--total governmental funds		\$ 691,614
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		15,908,642
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Notes receivable - net	571,072	
Sales taxes receivable	100,013	
HOME grant receivable	18,503	
		689,588
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds		
Compensated absences	(100,120)	
Capital leases payable	(53,310)	
Bonds payable	(2,720,000)	
		(2,873,430)
Net assets of governmental activities		\$ 14,416,414

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, 2011

	General	HURF/LTAF	Community Development Grants	Community Service Grants	Capital Projects	Debt Service	Total Governmental
	Fund	Fund	Fund	Fund	Fund	Fund	Funds
Revenue							
Intergovernmental	\$ 1,493,713	\$ 496,299	\$ 820,351	\$ 552,569	\$ -	\$ -	\$ 3,362,932
Taxes	1,610,382	-	-	-	-	-	1,610,382
Fines and forfeitures	236,728	-	-	-	-	-	236,728
Charges for services	92,983	-	-	-	-	-	92,983
Other revenue	55,771	-	34,481	5,292	5,292	-	100,836
Interest	1,242	597	-	-	2,184	-	4,023
Licenses and permits	47,632	-	-	-	-	-	47,632
Total revenue	3,538,451	496,896	854,832	557,861	7,476	-	5,455,516
Expenditures							
Current							
Public safety	2,312,521	-	-	-	6,168	-	2,318,689
General government	856,237	-	-	-	-	-	856,237
Community development	29,776	-	485,102	304,369	-	-	819,247
Public works and streets	11,836	323,142	-	-	13,039	-	348,017
Health and welfare	-	-	-	286,484	-	-	286,484
Culture and recreation	89,791	-	-	-	3,563	-	93,354
Debt Service							
Principal	44,226	-	-	-	-	190,000	234,226
Interest	5,049	-	-	-	-	127,151	132,200
Capital outlay	147,419	196,035	383,346	-	162,970	-	889,770
Total expenditures	3,496,855	519,177	868,448	590,853	185,740	317,151	5,978,224
Excess (deficiency) of revenue over (under) expenditures	41,596	(22,281)	(13,616)	(32,992)	(178,264)	(317,151)	(522,708)
Other financing sources (uses)							
Transfers in	306,302	-	-	30,837	-	317,151	654,290
Transfers out	(347,988)	-	-	-	(166,000)	-	(513,988)
Total other financing sources (uses)	(41,686)	-	-	30,837	(166,000)	317,151	140,302
Net change in fund balances	(90)	(22,281)	(13,616)	(2,155)	(344,264)	-	(382,406)
Fund balances, July 1, 2010	-	272,481	36,160	-	765,379	-	1,074,020
Fund balances, June 30, 2011	\$ (90)	\$ 250,200	\$ 22,544	\$ (2,155)	\$ 421,115	\$ -	\$ 691,614

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, 2011

Net change in fund balances--total governmental funds \$ (382,406)

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	\$ 889,770	
Depreciation expense	(481,888)	
		407,882

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

ADOT street improvements	467,394	
HOME note receivable additions	158,578	
Sales taxes	100,013	
HOME grant	18,503	
		744,488

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

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

Debt principal repayments	234,226	
Net change in compensated absences	17,202	
		251,428

Change in net assets of governmental activities		<u><u>\$ 1,021,392</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF GUADALUPE, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,145,664	\$ 32,447	\$ 109,333	\$ 1,287,444
Accounts receivable - net	-	644	-	644
Due from other governments	4,419	-	27,454	31,873
Prepaid expenses	241	825	847	1,913
Total current assets	<u>1,150,324</u>	<u>33,916</u>	<u>137,634</u>	<u>1,321,874</u>
Noncurrent assets				
Capital assets, net of accumulated depreciation, where applicable:				
Land	-	84,703	-	84,703
Utilities systems, net	427,675	-	-	427,675
Buildings, net	-	259,323	-	259,323
Total noncurrent assets	<u>427,675</u>	<u>344,026</u>	<u>-</u>	<u>771,701</u>
Total assets	<u>1,577,999</u>	<u>377,942</u>	<u>137,634</u>	<u>2,093,575</u>
LIABILITIES				
Current liabilities				
Accounts payable	22	12,660	24,224	36,906
Accrued expenses	1,986	1,816	-	3,802
Refundable deposits	-	13,269	-	13,269
Compensated absences - current portion	5,566	1,551	-	7,117
Total current liabilities	<u>7,574</u>	<u>29,296</u>	<u>24,224</u>	<u>61,094</u>
Noncurrent liabilities				
Compensated absences	618	172	-	790
Total liabilities	<u>8,192</u>	<u>29,468</u>	<u>24,224</u>	<u>61,884</u>
Net assets				
Invested in capital assets, net of related debt	427,675	344,026	-	771,701
Unrestricted (deficit)	1,142,132	4,448	113,410	1,259,990
Total net assets	<u>\$ 1,569,807</u>	<u>\$ 348,474</u>	<u>\$ 113,410</u>	<u>\$ 2,031,691</u>

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

TOWN OF GUADALUPE, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2011

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
Operating revenues				
Charges for services	\$ 78,960	\$ -	\$ 331,961	\$ 410,921
Rents (net of bad debts of \$14,929)	-	97,850	-	97,850
Total operating revenues	<u>78,960</u>	<u>97,850</u>	<u>331,961</u>	<u>508,771</u>
Operating expenses				
Professional services	248	805	283,090	284,143
Depreciation	45,553	50,759	-	96,312
Personnel	42,768	36,776	-	79,544
Utilities	266	51,088	-	51,354
Repairs and maintenance	485	44,927	-	45,412
Insurance	498	3,188	1,661	5,347
Materials and supplies	-	1,272	-	1,272
Miscellaneous	10	2,864	141	3,015
Total operating expenses	<u>89,828</u>	<u>191,679</u>	<u>284,892</u>	<u>566,399</u>
Operating income (loss)	<u>(10,868)</u>	<u>(93,829)</u>	<u>47,069</u>	<u>(57,628)</u>
Nonoperating revenue				
Investment income	2,257	-	-	2,257
Operating grant	-	22,671	-	22,671
Total nonoperating revenue	<u>2,257</u>	<u>22,671</u>	<u>-</u>	<u>24,928</u>
Income (loss) before transfers	<u>(8,611)</u>	<u>(71,158)</u>	<u>47,069</u>	<u>(32,700)</u>
Transfers out	<u>(140,302)</u>	<u>-</u>	<u>-</u>	<u>(140,302)</u>
Increase (decrease) in net assets	<u>(148,913)</u>	<u>(71,158)</u>	<u>47,069</u>	<u>(173,002)</u>
Total net assets, July 1, 2010	<u>1,718,720</u>	<u>419,632</u>	<u>66,341</u>	<u>2,204,693</u>
Total net assets, June 30, 2011	<u>\$ 1,569,807</u>	<u>\$ 348,474</u>	<u>\$ 113,410</u>	<u>\$ 2,031,691</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, 2011

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 79,104	\$ 109,423	\$ 332,759	\$ 521,286
Payments to suppliers and providers of goods and services	(14,254)	(112,867)	(285,449)	(412,570)
Payments to employees	(28,992)	(27,389)	-	(56,381)
Net cash provided (used) by operating activities	<u>35,858</u>	<u>(30,833)</u>	<u>47,310</u>	<u>52,335</u>
Cash flows from noncapital financing activities:				
Interfund transfer	(140,302)	-	-	(140,302)
Operating grant proceeds	-	22,671	-	22,671
Net cash provided by (used by) noncapital financing activities	<u>(140,302)</u>	<u>22,671</u>	<u>-</u>	<u>(117,631)</u>
Cash flows from investing activities:				
Interest received on investments	2,257	-	-	2,257
Net cash provided (used) by investing activities	<u>2,257</u>	<u>-</u>	<u>-</u>	<u>2,257</u>
Net increase (decrease) in cash and cash equivalents	(102,187)	(8,162)	47,310	(63,039)
Cash and cash equivalents, July 1, 2010	<u>1,247,851</u>	<u>40,609</u>	<u>62,023</u>	<u>1,350,483</u>
Cash and cash equivalents, June 30, 2011	<u>\$ 1,145,664</u>	<u>\$ 32,447</u>	<u>\$ 109,333</u>	<u>\$ 1,287,444</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, 2011
(Continued)

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (10,868)	\$ (93,829)	\$ 47,069	\$ (57,628)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	45,553	50,759	-	96,312
Bad debt	-	14,929	-	14,929
(Increase) decrease in:				
Accounts receivable	-	(4,410)	798	(3,612)
Due from other governments	144	-	-	144
Prepaid expenses	(112)	(238)	(483)	(833)
Increase (decrease) in:				
Accounts payable	-	416	(74)	342
Accrued expenses	12	12	-	24
Refundable deposits	-	1,054	-	1,054
Compensated absences payable	1,129	474	-	1,603
Net cash provided (used) by operating activities	<u><u>\$ 35,858</u></u>	<u><u>\$ (30,833)</u></u>	<u><u>\$ 47,310</u></u>	<u><u>\$ 52,335</u></u>

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

The ***Debt Service Fund*** accounts for resources to be set aside to meet current and future debt service requirements on general long-term debt.

The Town reports the following major enterprise funds:

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

C. Basis of Accounting

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

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

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2011

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, 2011 for the Tianguis Economic Development Fund was \$68,929. The amount recorded as uncollectible at June 30, 2011 for taxes receivable in the General Fund was \$236,623. The amount recorded as uncollectible at June 30, 2011 for notes receivable in the Governmental Activities was \$1,571,551.

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:

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2011

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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

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

Deposits – At June 30, 2011, the carrying amount of the Town's total nonpooled cash in bank was \$94,230, and the bank balance was \$190,778. The entire bank balance at June 30, 2011 was covered by federal depository insurance.

Investments—At June 30, 2011, the investments consisted of the following.

<u>Investment</u>	<u>Rating Organization</u>	<u>Credit Rating</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Arizona LGIP Pool 5	S&P	AAAf/S1	<u>\$ 2,626,722</u>	<u>\$ 2,626,722</u>

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 3 – DUE FROM OTHER GOVERNMENTS

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

	General Fund	HURF/LTAF Fund	Community Development Grants Fund	Community Service Grants Fund
U.S. Dept of Labor	\$ -	\$ -	\$ -	\$ 22,812
State of Arizona	143,795	201,137	25,000	-
Maricopa County	-	-	54,697	20,028
Other governments	-	-	11,875	26,045
	<u>\$ 143,795</u>	<u>\$ 201,137</u>	<u>\$ 91,572</u>	<u>\$ 68,885</u>

Due from other governments for the Sewer and Refuse Funds consisted of amounts due from the City of Tempe totaling \$4,419 and \$27,454, respectively.

NOTE 4 – NOTES RECEIVABLE

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

Notes receivables at June 30, 2011 consisted of \$2,142,623 of which \$1,571,551 are expected to be forgiven. The notes receivable balance – net totaled \$571,072.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 650,263	\$ -	\$ (650,263)	\$ -
Land	7,070,674	-	-	7,070,674
Total capital assets not being depreciated	<u>7,720,937</u>	<u>-</u>	<u>(650,263)</u>	<u>7,070,674</u>
Capital assets being depreciated:				
Building and building improvements	3,936,225	67,401	-	4,003,626
Land improvements	577,538	-	-	577,538
Equipment	1,964,289	80,001	-	2,044,290
Street lights	49,361	381,939	-	431,300
Streets	2,636,892	1,075,783	-	3,712,675
Curbs and gutters	3,140,762	402,303	-	3,543,065
Total	<u>12,305,067</u>	<u>2,007,427</u>	<u>-</u>	<u>14,312,494</u>
Less accumulated depreciation for:				
Building and building improvements	(1,887,656)	(92,927)	-	(1,980,583)
Land improvements	(327,032)	(45,755)	-	(372,787)
Equipment	(1,442,920)	(170,994)	-	(1,613,914)
Street lights	(8,638)	(12,047)	-	(20,685)
Streets	(943,138)	(77,891)	-	(1,021,029)
Curbs and gutters	(383,254)	(82,274)	-	(465,528)
Total	<u>(4,992,638)</u>	<u>(481,888)</u>	<u>-</u>	<u>(5,474,526)</u>
Total capital assets being depreciated, net	<u>7,312,429</u>	<u>1,525,539</u>	<u>-</u>	<u>8,837,968</u>
Governmental activities capital assets, net	<u>\$ 15,033,366</u>	<u>\$ 1,525,539</u>	<u>\$ (650,263)</u>	<u>\$ 15,908,642</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 5 – CAPITAL ASSETS – Continued

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 84,703	\$ -	\$ -	\$ 84,703
Total capital assets not being depreciated	<u>84,703</u>	<u>-</u>	<u>-</u>	<u>84,703</u>
Capital assets being depreciated:				
Utility systems	1,786,122	-	-	1,786,122
Equipment	27,401	-	-	27,401
Buildings	25,000	-	-	25,000
Building improvements	545,693	-	-	545,693
Total	<u>2,384,216</u>	<u>-</u>	<u>-</u>	<u>2,384,216</u>
Less accumulated depreciation for:				
Utility systems	(1,312,894)	(45,553)	-	(1,358,447)
Equipment	(27,401)	-	-	(27,401)
Buildings	(25,000)	-	-	(25,000)
Building improvements	(235,611)	(50,759)	-	(286,370)
Total	<u>(1,600,906)</u>	<u>(96,312)</u>	<u>-</u>	<u>(1,697,218)</u>
Total capital assets being depreciated, net	<u>783,310</u>	<u>(96,312)</u>	<u>-</u>	<u>686,998</u>
Business-type activities capital assets, net	<u>\$ 868,013</u>	<u>\$ (96,312)</u>	<u>\$ -</u>	<u>\$ 771,701</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 5 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
Highways and streets	\$ 218,153
Public safety	119,268
General government	58,107
Community development	45,674
Health and welfare	<u>40,686</u>
Total governmental activities depreciation expense	<u><u>\$ 481,888</u></u>
Business-type activities:	
Tianguis center	\$ 50,759
Sewer	<u>45,553</u>
Total business-type activities depreciation expense	<u><u>\$ 96,312</u></u>

NOTE 6 – DEFERRED REVENUE

The Town has received contract payments for the lease of billboard space with a term of 20-years. The Town recognizes revenue annually at 1/20th of the contract price. The remaining amount is recorded as deferred revenue that will be recognized as revenue over the life of the contract. The amount deferred for the billboard contract at June 30, 2011 is \$632,500.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 7 – LONG-TERM LIABILITIES

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

Bonds outstanding at June 30, 2011, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding June 30, 2011
Revenue bonds	\$ 3,445,000	2008-2022	2.25 - 4.75%	<u>\$ 2,720,000</u>

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2011.

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due within 1 year
Governmental activities:					
Compensated absences	\$ 117,322	\$ -	\$ 17,202	\$ 100,120	\$ 90,108
Capital leases payable	97,536	-	44,226	53,310	46,681
Bonds payable	<u>2,910,000</u>	<u>-</u>	<u>190,000</u>	<u>2,720,000</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 3,124,858</u>	<u>\$ -</u>	<u>\$ 251,428</u>	<u>\$ 2,873,430</u>	<u>\$ 136,789</u>
Business-type activities:					
Compensated absences	\$ 6,304	\$ 1,603	\$ -	\$ 7,907	\$ 7,117
Business-type activities long-term liabilities	<u>\$ 6,304</u>	<u>\$ 1,603</u>	<u>\$ -</u>	<u>\$ 7,907</u>	<u>\$ 7,117</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 7 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the Town's bonds payable at June 30, 2011.

Year Ending June 30	Governmental Activities	
	Revenue Bonds Payable	
	Principal	Interest
2012	-	123,331
2013	200,000	115,531
2014	205,000	107,431
2015	215,000	99,031
2016	225,000	90,063
2017-21	1,280,000	291,545
2022-23	595,000	28,619
Total	<u>\$ 2,720,000</u>	<u>\$ 855,551</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, 2011, outstanding defeased revenue bonds totaled \$1,150,000.

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

The assets acquired through capital lease are as follows:

	Governmental Activities
Copier	\$ 20,745
Wireless network	171,290
Fire truck	381,618
	<u>573,653</u>
Less: accumulated depreciation	<u>(352,651)</u>
Carrying value	<u>\$ 221,002</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 7 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the Town's capital leases payable at June 30, 2011.

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2011	\$ 49,594
2012	4,929
2013	<u>2,054</u>
Total minimum lease payments	56,577
Less amount representing interest	<u>(3,267)</u>
Present value of net minimum lease payments	<u><u>\$ 53,310</u></u>

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

General government	\$ 919
Public safety	4,130
Highways and streets	<u>127,151</u>
Total interest expense	<u><u>\$ 132,200</u></u>

NOTE 8 – RISK MANAGEMENT

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 9 – RETIREMENT PLANS

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

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

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

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

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

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

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

Cost-sharing plans – For the year ended June 30, 2011, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 9.85 percent (9.60 percent retirement and 0.25 percent long-term disability) of the members' annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2011, 2010, and 2009, were \$65,772, \$74,386, and \$85,172, respectively, which were equal to the required contributions for the year.

Agent plans – For the year ended June 30, 2011, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 17.33 percent.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 9 – RETIREMENT PLANS – Continued

Annual Pension Cost – The Town’s pension cost for the agent plan for the year ended June 30, 2011, and related information follows:

	<u>PSPRS</u>
Contribution rates:	
Town	17.33%
Plan members	7.65%
Annual pension cost	\$ 54,700
Contributions made	\$ 54,700

At the time of the issue of these financial statements, information for the year ended June 30, 2011 was unavailable. The prior year annual required contributions for the PSPRS were determined as part of its June 30, 2010, actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 8.50 percent investment rate of return and (b) projected salary increases ranging from 5.50 percent to 8.50 percent per year. Both (a) and (b) included an inflation component of 5.50 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010, was 26 years.

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

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PSPRS	2011	\$ 54,700	100 %	\$ -
	2010	67,540	100	-
	2009	53,424	100	-

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 10 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables – During the year ended June 30, 2011, the Community Services Grants Fund borrowed \$15,749 from the General Fund.

Interfund transfers – Interfund transfers for the year ended June 30, 2011, were as follows:

Transfer To	Transfer From			
	General Fund	Capital Projects Fund	Sewer Fund	Total
General Fund	\$ -	\$ 166,000	\$ 140,302	\$ 306,302
Community Service Grants Fund	30,837	-	-	30,837
Debt Service Fund	317,151	-	-	317,151
Total	<u>\$ 347,988</u>	<u>\$ 166,000</u>	<u>\$ 140,302</u>	<u>\$ 654,290</u>

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2011

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, 2011, were \$260,337. 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:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2012	\$ 271,904
2013	271,904
2014	271,904
2015	181,270

Public Safety – The Town of Guadalupe entered into a contract with the Maricopa County Sheriff's Department for public safety services for the next fiscal year. Based on this agreement, the rendition of police services, the standards of performance, the discipline of officers, and other matters incidental to the performance of such services, and the control of personnel so employed shall remain in the County Sheriff's Department. For the year ending June 30, 2011, the Town paid the County Sheriff \$1,185,999 and has agreed to monthly installments of \$100,841 for the 2012 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.

NOTE 12 – BEGINNING NET ASSETS RESTATED

Net assets of the Governmental Activities at July 1, 2010 were restated because the Town had expensed amounts related to the HOME program that should have been recorded as notes receivable on the statement of net assets. The change includes an addition of \$412,494 to net assets with a corresponding addition to notes receivable.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 1,355,166	\$ 1,355,166	\$ 1,493,713	\$ 138,547
Taxes	1,319,000	1,319,000	1,610,382	291,382
Fines and forfeitures	170,000	170,000	236,728	66,728
Charges for services	75,000	75,000	92,983	17,983
Other revenue	160,471	160,471	55,771	(104,700)
Interest	7,000	7,000	1,242	(5,758)
Licenses and permits	36,000	36,000	47,632	11,632
Total revenue	<u>3,122,637</u>	<u>3,122,637</u>	<u>3,538,451</u>	<u>415,814</u>
Expenditures				
Current				
Public safety	2,398,940	2,398,940	2,312,521	86,419
General government	851,186	851,186	856,237	(5,051)
Community development	31,463	31,463	29,776	1,687
Public works and streets	47,357	47,357	11,836	35,521
Culture and recreation	69,736	69,736	89,791	(20,055)
Debt Service				
Principal	-	-	44,226	(44,226)
Interest	-	-	5,049	(5,049)
Capital outlay	54,929	54,929	147,419	(92,490)
Total expenditures	<u>3,453,611</u>	<u>3,453,611</u>	<u>3,496,855</u>	<u>(43,244)</u>
Excess (deficiency) of revenue over expenditures	(330,974)	(330,974)	41,596	372,570
Other financing sources (uses)				
Transfers in	-	-	306,302	306,302
Transfers out	(399,502)	(399,502)	(347,988)	51,514
Total other financing sources (uses)	<u>(399,502)</u>	<u>(399,502)</u>	<u>(41,686)</u>	<u>357,816</u>
Net changes in fund balances	<u>(730,476)</u>	<u>(730,476)</u>	<u>(90)</u>	<u>730,386</u>
Fund balances, July 1, 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2011	<u><u>\$ (730,476)</u></u>	<u><u>\$ (730,476)</u></u>	<u><u>\$ (90)</u></u>	<u><u>\$ 730,386</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF/LTAF Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 2,187,929	\$ 2,187,929	\$ 496,299	\$ (1,691,630)
Interest	-	-	597	597
Total revenue	<u>2,187,929</u>	<u>2,187,929</u>	<u>496,896</u>	<u>(1,691,033)</u>
Expenditures				
Current				
Public works and streets	2,289,810	2,289,810	323,142	1,966,668
Capital outlay	-	-	196,035	(196,035)
Total expenditures	<u>2,289,810</u>	<u>2,289,810</u>	<u>519,177</u>	<u>1,770,633</u>
Net changes in fund balances	(101,881)	(101,881)	(22,281)	79,600
Fund balances, July 1, 2010	<u>272,481</u>	<u>272,481</u>	<u>272,481</u>	<u>-</u>
Fund balances, June 30, 2011	<u><u>\$ 170,600</u></u>	<u><u>\$ 170,600</u></u>	<u><u>\$ 250,200</u></u>	<u><u>\$ 79,600</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Community Development Grants Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 1,764,001	\$ 1,764,001	\$ 820,351	\$ (943,650)
Other revenue	-	-	34,481	34,481
Total revenue	<u>1,764,001</u>	<u>1,764,001</u>	<u>854,832</u>	<u>(909,169)</u>
Expenditures				
Current				
Community development	1,764,009	1,764,009	485,102	1,278,907
Capital outlay	-	-	383,346	(383,346)
Total expenditures	<u>1,764,009</u>	<u>1,764,009</u>	<u>868,448</u>	<u>895,561</u>
Net changes in fund balances	(8)	(8)	(13,616)	(13,608)
Fund balances, July 1, 2010	<u>36,160</u>	<u>36,160</u>	<u>36,160</u>	<u>-</u>
Fund balances, June 30, 2011	<u>\$ 36,152</u>	<u>\$ 36,152</u>	<u>\$ 22,544</u>	<u>\$ (13,608)</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Community Service Grants Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 632,462	\$ 632,462	\$ 552,569	\$ (79,893)
Other revenue	-	-	5,292	5,292
Total revenue	<u>632,462</u>	<u>632,462</u>	<u>557,861</u>	<u>(74,601)</u>
Expenditures				
Current				
Community development	414,777	414,777	304,369	110,408
Health and welfare	<u>300,608</u>	<u>300,608</u>	<u>286,484</u>	<u>14,124</u>
Total expenditures	<u>715,385</u>	<u>715,385</u>	<u>590,853</u>	<u>124,532</u>
Excess (deficiency) of revenue over expenditures	(82,923)	(82,923)	(32,992)	49,931
Other financing sources (uses)				
Transfers in	<u>82,923</u>	<u>82,923</u>	<u>30,837</u>	<u>(52,086)</u>
Net changes in fund balances	-	-	(2,155)	(2,155)
Fund balances, July 1, 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2011	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,155)</u></u>	<u><u>\$ (2,155)</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2011

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of Agent Retirement Plans' Funding Progress
June 30, 2011

Public Safety Personnel Retirement System

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
06/30/10	\$ 671,915	\$ 1,161,445	\$ (489,530)	57.9 %	\$ 389,274	125.8 %
06/30/09	575,818	1,168,802	(592,984)	49.3	450,187	131.7
06/30/08	509,696	1,089,226	(579,530)	46.8	454,750	127.4

SINGLE AUDIT ACT REPORTS SECTION

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

To the Town Council
Town of Guadalupe, Arizona

We have audited the financial statements of the Town of Guadalupe, Arizona, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

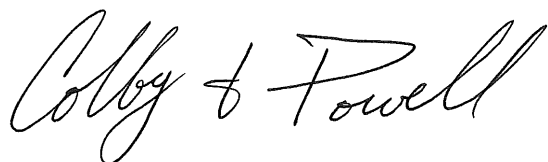
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. It is listed as item **11-01**.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item **11-02**.

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

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

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

December 14, 2011



COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Town Council
Town of Guadalupe, Arizona

Compliance

We have audited the Town of Guadalupe, Arizona's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Guadalupe, Arizona's major federal programs for the year ended June 30, 2011. The Town of Guadalupe, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Guadalupe, Arizona's management. Our responsibility is to express an opinion on the Town of Guadalupe, Arizona's compliance based on our audit.

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

As described in item **11-03** in the accompanying schedule of findings and questioned costs, we were not able to obtain sufficient documentation supporting the compliance of the Town of Guadalupe, Arizona with the YouthBuild Program regarding eligibility, nor were we able to satisfy ourselves as to the Town of Guadalupe, Arizona's compliance with those requirements by other auditing procedures.

In our opinion, except for compliance requirement described in the preceding paragraph, the Town of Guadalupe, Arizona complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

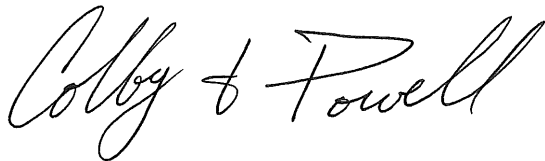
Management of the Town of Guadalupe, Arizona is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Guadalupe,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

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item **11-03**. 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.

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

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

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

December 14, 2011

TOWN OF GUADALUPE, ARIZONA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through Maricopa County Human Services:			
CSBG Cluster:			
Community Services Block Grant	93.569	C-22-10-087-3	\$ 7,499
ARRA - Community Services Block Grant	93.710	C-22-10-087-3	23,683
Total CSBG Cluster			31,182
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	C-22-10-087-3	5,032
Low-Income Home Energy Assistance	93.568	C-22-10-087-3	22,688
Social Services Block Grant	93.667	C-22-10-087-3	28,052
Passed through Area Agency on Aging:			
Aging Cluster:			
Title III - Part B	93.044	2011-19-GUA	37,990
Title III - Part C	93.045	2011-19-GUA	55,165
Nutrition Services Incentive Program	93.053	2011-19-GUA	12,412
Total Aging Cluster			105,567
Social Services Block Grant	93.667	2011-19-GUA	6,323
Total U.S. Department Health and Human Services			198,844
<u>U.S. Department of Transportation</u>			
Passed through AZ Department of Transportation:			
Highway Planning and Construction	20.205	TEA-GUA-0	173,061
<u>U.S. Department of Energy</u>			
Passed through AZ Governor's Office of Energy:			
ARRA - Energy Efficiency and Conservation Block Grant	81.128	R16-10-25	67,709
<u>U.S. Department of Labor</u>			
ARRA - Youthbuild	17.274	YB-19062-09-60-A-4	302,163
<u>U.S. Department of Agriculture</u>			
Passed through the Office of Economic Development and Empowerment Services:			
Rural Self-Help Housing Technical Assistance	10.420	--	65,455
Rural Self-Help Housing Technical Assistance	10.420	--	21,416
Total U.S. Department of Agriculture			86,871
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Maricopa County Community Development:			
Home Investment Partnerships Program	14.239	UC0907	68,039
Home Investment Partnerships Program	14.239	UC0907A	120,335
Home Investment Partnerships Program	14.239	UC1007	26,715
Home Investment Partnerships Program	14.239	UC1007A	114,411
Home Investment Partnerships Program	14.239	UC0807	29,078
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants	14.218	DG1004	258,582
ARRA - Community Development Block Grants	14.253	CDGBARRA0803	124,764
Total CDBG - Entitlement Grants Cluster			383,346
Total U.S. Department of Housing and Urban Development			741,924
Total Federal Assistance			\$ 1,570,572

The accompanying notes are an integral part of this schedule.

TOWN OF GUADALUPE, ARIZONA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2011

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, 2011

Section 1	Summary Of Auditors' Results
<i>Financial Statements</i>	
1. Type of auditor's report issued	Unqualified
2. Internal control over financial reporting:	
a. Material weaknesses?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
c. Noncompliance material to the financial statements noted?	Yes
<i>Federal Awards</i>	
1. Internal control over major program:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
2. Type of auditor's report issued on compliance for major program:	Qualified
3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510 (a)?	Yes
4. Identification of major program:	
<u>Name of Federal Program</u>	<u>CFDA Number</u>
CDBG – Entitlement Grants Cluster	
Community Development Block Grants	14.218
ARRA - Community Development Block Grants	14.253
ARRA - YouthBuild	17.274
Highway Planning and Construction	20.205
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, 2011

Financial Statement Findings

Item: 11-01

Criteria: All notes receivables should be recorded in the Town's general ledger.

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

Cause and Effect: Notes receivable information was not properly communicated from the housing department to staff that are responsible for recording such notes into the general ledger. Therefore, prior year net asset balances required restatement.

Recommendation: Housing department should communicate all notes receivable to the accounting staff to ensure that the note is recorded in the general ledger.

Management Response: Management agrees with this finding and will implement policies to ensure that all notes are recorded in the general ledger.

Item: 11-02

This finding is related to a non-major Federal program. (See Item 11-02 under Federal Award Findings and Questioned Costs.)

TOWN OF GUADALUPE, ARIZONA
Schedule of Findings and Questioned Costs
June 30, 2011

Federal Award Findings and Questioned Costs

Item: 11-02 – (Non-major Federal program)

Home Investment Partnership Program (HOME)

– U.S. Dept. of Housing and Urban Development

CFDA #: 14.239

Grant year ended June 30, 2011

Criteria: Program income should be used prior to requesting reimbursement from grant contracts.

Condition: It was found that the Town had foreclosed on a HOME property and had received sales proceeds from the property in March 2011. The Town had existing HOME grant contracts from which they continued to request reimbursement for grant expenditures instead of using the sales proceeds.

Questioned Costs: \$43,200

Context: During our testing of program income, we noted that proceeds from a sale of a HOME program property were not used for subsequent program expenditures.

Cause and Effect: The Town did not follow federal guidelines related to the HOME program and program income which resulted in the Town receiving funds from grant contracts that it should have not received because program income was not used first.

Recommendation: According to federal guidelines, program income should be used prior to seeking reimbursement from grant contracts.

Management Response: Management agrees with this finding and will use program income before requesting reimbursement from grant contracts.

TOWN OF GUADALUPE, ARIZONA
Schedule of Findings and Questioned Costs
June 30, 2011

Federal Award Findings and Questioned Costs - *continued*

Item: 11-03

Youthbuild – U.S. Dept. of Labor

CFDA #: 17.274

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

Grant year ended June 30, 2011

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

Criteria: Proper internal controls are required to ensure that federal funds are only spent on eligible participants. The grant program requires individuals to provide documentation in order to meet certain requirements to participate. That documentation is required to be retained to support eligibility determination.

Questioned Costs: Unable to determine.

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

Cause and Effect: The personnel over the Youth Build program were unaware that proper documentation was required to support eligibility claims and that a review was needed. Making the appropriate copies of documentation to support eligibility claims, having a different individual review those documents, would help prevent ineligible participants and questioned costs.

Recommendation: We recommend the Town implement appropriate policies and procedures in accordance with grant requirements to ensure all necessary documentation is retained and proper monitoring is completed.

Management Response: Management will ensure that eligibility documentation will be retained and reviewed for accuracy.

TOWN OF GUADALUPE, ARIZONA
Summary Schedule of Prior Audit Findings
June 30, 2011

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

Item: 2010-01

Community Development Block Grant – CDBG - Entitlement Grants Cluster
CFDA #'s 14.218 and 14.253; Grant year ended June
30, 2010.

Condition: Prevailing wages were not paid to workers as required under the Davis-Bacon Act.

Status: The Town has updated its policies and procedures to help ensure that contractors pay prevailing wage rates. The Town has resolved this finding.

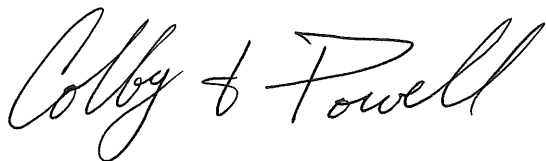
**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO THE USES OF
HIGHWAY USER REVENUE FUND MONIES IN
ACCORDANCE WITH ARS TITLE 28, CHAPTER 18,
ARTICLE 2**

To the Town Council
Town of Guadalupe, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Guadalupe as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 14, 2011.

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

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



December 14, 2011