

TOWN OF GUADALUPE, ARIZONA

Annual Financial Statements
and
Independent Auditors' Report
June 30, 2022

February 2023

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Guadalupe, Arizona

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Guadalupe, Arizona as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Guadalupe, Arizona's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Guadalupe, Arizona, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, for the year ended June 30, 2022, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and

for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Guadalupe, Arizona's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test-basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Guadalupe, Arizona's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Guadalupe, Arizona's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

The Town of Guadalupe, Arizona has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing information, although not 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 the appropriate operational, economic, or historical context.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Guadalupe, Arizona's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023, on our consideration of the Town of Guadalupe, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Guadalupe, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Guadalupe, Arizona's internal control over financial reporting and compliance.

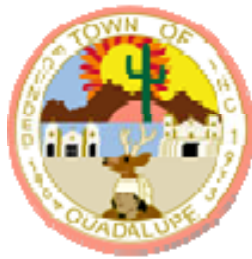
Other Reporting Required by Arizona Revised Statutes

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Town's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

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

Colby & Powell, PLC

January 17, 2023



TOWN OF GUADALUPE, ARIZONA
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,749,304	\$ 874,504	\$ 7,623,808
Taxes receivable - net	395,921	-	395,921
Miscellaneous receivables	634	-	634
Due from other governments	144,806	44,669	189,475
Prepaid expenses	18,409	1,384	19,793
Lease receivable	239,681	-	239,681
Net other postemployment benefits asset	30,300	3,188	33,488
Capital assets, not being depreciated	7,270,938	84,703	7,355,641
Capital assets, being depreciated, net	12,231,256	900,929	13,132,185
Total assets	27,081,249	1,909,377	28,990,626
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	762,990	25,440	788,430
LIABILITIES			
Accounts payable	274,371	62,734	337,105
Accrued expenses	119,524	13,466	132,990
Court bonds payable	13,771	-	13,771
Unearned revenue	1,770,097	-	1,770,097
Refundable deposits	-	10,798	10,798
Noncurrent liabilities			
Due within 1 year	149,065	7,229	156,294
Due in more than 1 year	2,291,075	102,040	2,393,115
Total liabilities	4,617,903	196,267	4,814,170
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	660,378	46,643	707,021
Deferred inflows related to leases	189,728	-	189,728
Total deferred inflows of resources	850,106	46,643	896,749
NET POSITION			
Net investment in capital assets	19,144,696	985,632	20,130,328
Unrestricted (deficit)	3,231,534	706,275	3,937,809
Total net position	\$ 22,376,230	\$ 1,691,907	\$ 24,068,137

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

TOWN OF GUADALUPE, ARIZONA
Statement of Activities
Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges	Operating	Capital	Primary Government		
		for	Grants and	Grants and	Governmental	Business-type	Total
		Services	Contributions	Contributions	Activities	Activities	
Primary government:							
Governmental activities							
Public safety	\$ 2,278,049	\$ 52	\$ -	\$ 134,091	\$ (2,143,906)	\$ -	\$ (2,143,906)
General government	966,263	250,894	2,860,001	-	2,144,632	-	2,144,632
Public works and streets	985,143	-	492,956	60,000	(432,187)	-	(432,187)
Health and welfare	460,909	-	274,713	1,026	(185,170)	-	(185,170)
Culture and recreation	1,688,489	5,403	5,000	-	(1,678,086)	-	(1,678,086)
Community development	1,203,968	-	-	-	(1,203,968)	-	(1,203,968)
Interest on general long-term debt	24,776	-	-	-	(24,776)	-	(24,776)
Total governmental activities	7,607,597	256,349	3,632,670	195,117	(3,523,461)	-	(3,523,461)
Business-type activities							
Sewer	170,982	76,124	445,776	-	-	350,918	350,918
Tianguis	202,488	163,300	-	-	-	(39,188)	(39,188)
Refuse	358,815	419,504	-	-	-	60,689	60,689
Total business-type activities	732,285	658,928	445,776	-	-	372,419	372,419
Total primary government	\$ 8,339,882	\$ 915,277	\$ 4,078,446	\$ 195,117	(3,523,461)	372,419	(3,151,042)
General revenues:							
Taxes:							
TPT taxes					3,137,148	-	3,137,148
Bed taxes					48,284	-	48,284
Franchise taxes					18,265	-	18,265
State revenue sharing					729,101	-	729,101
State TPT tax revenue sharing					765,141	-	765,141
Auto lieu tax revenue sharing					309,629	-	309,629
Interest income					29,218	1,605	30,823
Miscellaneous					14,469	-	14,469
Gain on sale of assets					10,614	-	10,614
Total general revenues					5,061,869	1,605	5,063,474
Change in net position					1,538,408	374,024	1,912,432
Net position, beginning of year (as restated)					20,837,822	1,317,883	22,155,705
Net position, end of year					\$ 22,376,230	\$ 1,691,907	\$ 24,068,137

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

TOWN OF GUADALUPE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,176,885	\$ 1,555,310	\$ 17,109	\$ 6,749,304
Taxes receivable - net	395,921	-	-	395,921
Lease receivable	239,681	-	-	239,681
Miscellaneous receivables	634	-	-	634
Due from other governments	51,900	-	92,906	144,806
Prepaid expenses	13,642	-	4,767	18,409
Due from other funds	24,244	-	-	24,244
Total assets	5,902,907	1,555,310	114,782	7,572,999
Liabilities				
Accounts payable	78,859	132,513	62,999	274,371
Accrued expenses	82,691	9,296	27,537	119,524
Court bonds payable	13,771	-	-	13,771
Due to other funds	-	-	24,244	24,244
Unearned revenue	323,875	1,446,220	2	1,770,097
Total liabilities	499,196	1,588,029	114,782	2,202,007
Deferred inflows of resources				
Deferred inflows related to leases	189,728	-	-	189,728
Fund balances				
Nonspendable	13,642	-	4,767	18,409
Unassigned	5,200,341	(32,719)	(4,767)	5,162,855
Total fund balances	5,213,983	(32,719)	-	5,181,264
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,902,907	\$ 1,555,310	\$ 114,782	\$ 7,572,999

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

TOWN OF GUADALUPE, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2022

Fund balances-total governmental funds \$ 5,181,264

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 19,502,194

Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds. 30,300

Long-term liabilities, such as net pension/OPEB liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. (2,440,140)

Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds. 102,612

Net position of governmental activities **\$ 22,376,230**

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, 2022

	General Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenue				
Intergovernmental	\$ 1,951,948	\$ 3,016,840	\$ 760,399	\$ 5,729,187
Taxes	3,203,697	-	-	3,203,697
Charges for services	151,166	-	-	151,166
Fines and forfeitures	52	-	-	52
Other revenue	17,469	-	15,630	33,099
Licenses and permits	102,131	-	-	102,131
Interest	27,102	-	2,116	29,218
Total revenue	5,453,565	3,016,840	778,145	9,248,550
Expenditures				
Current				
Public safety	2,028,811	93,825	-	2,122,636
General government	919,743	-	-	919,743
Health and welfare	-	62,535	397,085	459,620
Public works and streets	15,603	-	510,454	526,057
Community development	144,926	976,009	-	1,120,935
Culture and recreation	189,172	1,494,814	-	1,683,986
Debt Service				
Principal	52,119	-	545,000	597,119
Interest	13,852	-	27,624	41,476
Capital outlay	110,896	413,928	199,270	724,094
Total expenditures	3,475,122	3,041,111	1,679,433	8,195,666
Excess (deficiency) of revenue over (under) expenditures	1,978,443	(24,271)	(901,288)	1,052,884
Other financing sources (uses)				
Sale of capital assets	72,175	-	-	72,175
Transfers in (out)	(901,288)	-	901,288	-
Total other financing sources (uses)	(829,113)	-	901,288	72,175
Net change in fund balances	1,149,330	(24,271)	-	1,125,059
Fund balances, beginning of year- restated	4,064,653	(8,448)	-	4,056,205
Fund balances, end of year	\$ 5,213,983	\$ (32,719)	\$ -	\$ 5,181,264

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, 2022

Net change in fund balances-total governmental funds \$ 1,125,059

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	724,094	
Depreciation expense	(840,988)	
		(116,894)

In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold. (61,561)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.
Change in unavailable revenue (113,159)

Town pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.

Town pension/OPEB contributions	263,430	
Pension/OPEB expense	(166,349)	
		97,081

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are amortized in the statement of activities.

Debt principal repayments	598,677	
Amortization of loan premium	16,700	
		615,377

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.
Increase in compensated absences payable (7,495)

Change in net position of governmental activities \$ 1,538,408

TOWN OF GUADALUPE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis		Total
		Econ. Dev. Fund	Refuse Fund	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 567,700	\$ 11,364	\$ 295,440	\$ 874,504
Due from other governments	6,863	-	37,806	44,669
Prepaid expenses	372	618	394	1,384
Total current assets	<u>574,935</u>	<u>11,982</u>	<u>333,640</u>	<u>920,557</u>
Noncurrent assets				
Net other postemployment benefits asset	2,008	1,180	-	3,188
Capital assets, net of accumulated depreciation, where applicable:				
Land	-	84,703	-	84,703
Utilities systems, net	874,884	-	-	874,884
Buildings, net	-	26,045	-	26,045
Total noncurrent assets	<u>876,892</u>	<u>111,928</u>	<u>-</u>	<u>988,820</u>
Total assets	<u>1,451,827</u>	<u>123,910</u>	<u>333,640</u>	<u>1,909,377</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions and other postemployment benefits	16,025	9,415	-	25,440
LIABILITIES				
Current liabilities				
Accounts payable	37	34,654	28,043	62,734
Accrued expenses	4,838	8,628	-	13,466
Refundable deposits	-	10,798	-	10,798
Compensated absences - current portion	6,267	962	-	7,229
Total current liabilities	<u>11,142</u>	<u>55,042</u>	<u>28,043</u>	<u>94,227</u>
Noncurrent liabilities				
Compensated absences	696	107	-	803
Net pension and other postemployment benefits liability	63,769	37,468	-	101,237
Total noncurrent liabilities	<u>64,465</u>	<u>37,575</u>	<u>-</u>	<u>102,040</u>
Total liabilities	<u>75,607</u>	<u>92,617</u>	<u>28,043</u>	<u>196,267</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions and other postemployment benefits	29,380	17,263	-	46,643
NET POSITION				
Net investment in capital assets	874,884	110,748	-	985,632
Unrestricted (deficit)	487,981	(87,303)	305,597	706,275
Total net position	<u>\$ 1,362,865</u>	<u>\$ 23,445</u>	<u>\$ 305,597</u>	<u>\$ 1,691,907</u>

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

TOWN OF GUADALUPE, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2022

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis		Total
		Econ. Dev. Fund	Refuse Fund	
Operating revenues				
Charges for services	\$ 76,124	\$ -	\$ 419,504	\$ 495,628
Rents	-	163,300	-	163,300
Total operating revenues	<u>76,124</u>	<u>163,300</u>	<u>419,504</u>	<u>658,928</u>
Operating expenses				
Professional services	7,108	5,622	354,017	366,747
Personnel	115,852	92,511	-	208,363
Depreciation	27,246	7,404	-	34,650
Utilities	414	59,324	-	59,738
Repairs and maintenance	19,762	21,576	-	41,338
Materials and supplies	-	9,267	-	9,267
Insurance	600	3,519	4,798	8,917
Miscellaneous	-	3,265	-	3,265
Total operating expenses	<u>170,982</u>	<u>202,488</u>	<u>358,815</u>	<u>732,285</u>
Operating income (loss)	<u>(94,858)</u>	<u>(39,188)</u>	<u>60,689</u>	<u>(73,357)</u>
Nonoperating revenue				
Investment income	1,605	-	-	1,605
Capital grant	445,776	-	-	445,776
Total nonoperating revenue	<u>447,381</u>	<u>-</u>	<u>-</u>	<u>447,381</u>
Increase (decrease) in net position	352,523	(39,188)	60,689	374,024
Total net position, beginning of year	<u>1,010,342</u>	<u>62,633</u>	<u>244,908</u>	<u>1,317,883</u>
Total net position, end of year	<u>\$ 1,362,865</u>	<u>\$ 23,445</u>	<u>\$ 305,597</u>	<u>\$ 1,691,907</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, 2022

	Business-type Activities--Enterprise Funds			Total
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	
Cash flows from operating activities:				
Receipts from customers	\$ 102,702	\$ 167,551	\$ 436,394	\$ 706,647
Payments to suppliers and providers of goods and services	(15,982)	(72,023)	(362,716)	(450,721)
Payments to employees	(113,414)	(86,355)	-	(199,769)
Net cash provided (used) by operating activities	<u>(26,694)</u>	<u>9,173</u>	<u>73,678</u>	<u>56,157</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(445,776)	-	-	(445,776)
Capital grant contributions	445,776	-	-	445,776
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest received on investments	1,605	-	-	1,605
Net increase (decrease) in cash and cash equivalents	(25,089)	9,173	73,678	57,762
Cash and cash equivalents, beginning of year	<u>592,789</u>	<u>2,191</u>	<u>221,762</u>	<u>816,742</u>
Cash and cash equivalents, end of year	<u><u>\$ 567,700</u></u>	<u><u>\$ 11,364</u></u>	<u><u>\$ 295,440</u></u>	<u><u>\$ 874,504</u></u>

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

TOWN OF GUADALUPE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022
(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)	\$ (94,858)	\$ (39,188)	\$ 60,689	\$ (73,357)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	27,246	7,404	-	34,650
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	-	191	-	191
Due from other governments	26,578	-	16,890	43,468
Prepaid expenses	(267)	-	1,800	1,533
Net pension and other postemployment benefits asset	(1,780)	(1,098)	-	(2,878)
Deferred outflows of resources related to pensions and other postemployment benefits	(4,243)	(5,195)	-	(9,438)
Accounts payable	(5,166)	7,110	(5,701)	(3,757)
Accrued expenses	891	5,467	-	6,358
Refundable deposits	-	4,060	-	4,060
Compensated absences payable	1,547	689	-	2,236
Net pension and other postemployment benefits liability	(146)	14,575	-	14,429
Deferred inflows of resources related to pensions and other postemployment benefits	23,504	15,158	-	38,662
Net cash provided (used) by operating activities	\$ (26,694)	\$ 9,173	\$ 73,678	\$ 56,157

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

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 ***Grants Fund*** accounts for specific revenue received that is legally restricted to expenditures for specified purposes.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Town reports the following major enterprise funds:

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

C. Basis of Accounting

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

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

D. Cash and Investments

For the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of three months or less when purchased.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Capital Assets

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

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

F. Investment Income

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

G. Compensated Absences

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

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

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. Deferred Outflows/Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

I. Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Fund Balance Reporting

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the Town Council has approved, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but that are neither restricted nor committed. The Town Council has authorized the Town manager to assign resources for a specific purpose.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

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

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

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the Town's policy to use (the Town will use) restricted fund balance first. It is the Town's policy to use (the Town will use) committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

K. Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

Expenditures may not legally exceed budgeted appropriations at the department level. The individual budgetary comparison schedules as listed in the table of contents present all major governmental funds which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2022, if any.

L. Leases

The Town recognizes lease receivables with an initial, individual value of \$25,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Town charges the lessee) and the implicit rate cannot be determined, the Town uses its own estimated incremental borrowing rate as the discount rate to measure the lease receivables. The Town's estimated incremental borrowing rate is determined based on current market rates for similar transactions.

As lessee, the Town recognizes lease liabilities with an initial, individual value of \$25,000 or more. The Town uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The Town's estimated incremental borrowing rate is based on the Town's borrowing rate for unsecured debt for a comparable amount and time period.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer’s investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the Town Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit Risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated “A” or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody’s investor’s service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

The Town does not have a formal investment policy with respect to custodial risk, concentration of credit risk, or foreign currency risk.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Deposits – At June 30, 2022, the carrying amount of the Town’s total non-pooled cash in bank was \$1,183,440, and the bank balance was \$1,175,447. Of the bank balances, \$250,000 was covered by federal depository insurance or similar insurance. The remainder was covered by collateral held by the pledging financial institution in the Town’s name.

Investments—At June 30, 2022, the investments consisted of the following.

Investment	Rating Organization	Credit Rating	Reported Amount	Fair Value
Arizona LGIP Pool 5	S&P	AAA	\$6,440,360	\$6,440,360

Investments in the State Treasurer’s investment pools are valued at the pool’s share price multiplied by the number of shares the Town held. The fair value of a participant’s position in the pools approximates the value of that participant’s pool shares. The State Board of Investment provides oversight for the State Treasurer’s investment pools.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

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

	General Fund	HURF/LTAF Fund
State of Arizona	\$ 51,900	\$ 38,046

Due from other governments for each of the proprietary funds consisted of the following:

	Sewer Fund	Refuse Fund
City of Tempe	\$ 6,863	\$ 37,806

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 258,569	\$ -	\$ 258,569
Land	7,044,752	29,178	(61,561)	7,012,369
Total capital assets not being depreciated	<u>7,044,752</u>	<u>287,747</u>	<u>(61,561)</u>	<u>7,270,938</u>
Capital assets being depreciated:				
Building and building improvements	4,451,796	62,014	-	4,513,810
Land improvements	3,140,502	-	-	3,140,502
Equipment	2,543,648	318,452	-	2,862,100
Street lights	472,427	8,320	-	480,747
Streets	7,373,018	-	-	7,373,018
Curbs and gutters	4,594,713	47,561	-	4,642,274
Intangibles:				
Right-to-use lease assets				
Equipment	563,063	-	-	563,063
Total	<u>23,139,167</u>	<u>436,347</u>	<u>-</u>	<u>23,575,514</u>
Less accumulated depreciation for:				
Building and building improvements	(2,542,109)	(90,405)	-	(2,632,514)
Land improvements	(1,116,162)	(159,119)	-	(1,275,281)
Equipment	(2,100,344)	(131,910)	-	(2,232,254)
Street lights	(268,755)	(23,877)	-	(292,632)
Streets	(2,596,528)	(290,968)	-	(2,887,496)
Curbs and gutters	(1,668,234)	(88,405)	-	(1,756,639)
Intangibles:				
Right-to-use lease assets				
Equipment	(211,138)	(56,304)	-	(267,442)
Total	<u>(10,503,270)</u>	<u>(840,988)</u>	<u>-</u>	<u>(11,344,258)</u>
Total capital assets being depreciated, net	<u>12,635,897</u>	<u>(404,641)</u>	<u>-</u>	<u>12,231,256</u>
Governmental activities capital assets, net	<u>\$ 19,680,649</u>	<u>\$ (116,894)</u>	<u>\$ (61,561)</u>	<u>\$ 19,502,194</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 4 – CAPITAL ASSETS – Continued

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 84,703	\$ -	\$ -	\$ 84,703
Capital assets being depreciated:				
Utility systems	2,248,487	445,778	-	2,694,265
Equipment	91,421	-	-	91,421
Buildings	25,000	-	-	25,000
Building improvements	618,126	-	-	618,126
Total	<u>2,983,034</u>	<u>445,778</u>	<u>-</u>	<u>3,428,812</u>
Less accumulated depreciation for:				
Utility systems	(1,798,538)	(20,843)	-	(1,819,381)
Equipment	(85,019)	(6,402)	-	(91,421)
Buildings	(25,000)	-	-	(25,000)
Building improvements	(584,676)	(7,405)	-	(592,081)
Total	<u>(2,493,233)</u>	<u>(34,650)</u>	<u>-</u>	<u>(2,527,883)</u>
Total capital assets being depreciated, net	<u>489,801</u>	<u>411,128</u>	<u>-</u>	<u>900,929</u>
Business-type activities capital assets, net	<u>\$ 574,504</u>	<u>\$ 411,128</u>	<u>\$ -</u>	<u>\$ 985,632</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Highways and streets	\$ 484,889
Community development	101,025
Public safety	120,733
General government	88,647
Health and welfare	36,857
Culture and recreation	<u>8,837</u>
Total governmental activities depreciation expense	<u>\$ 840,988</u>
Business-type activities:	
Sewer	\$ 27,246
Tianguis center	<u>7,404</u>
Total business-type activities depreciation expense	<u>\$ 34,650</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 5 – UNEARNED REVENUE

The Town has received advanced contract payments for the lease of billboard space with a term of 20-years. The Town recognizes revenue annually at 1/20th of the contract price. The remaining amount is recorded as unearned revenue that will be recognized as revenue over the life of the contract. The amount deferred for the billboard contract at June 30, 2022 is \$27,501. The remaining balance of unearned revenue in the governmental funds consists of grant advances in which the Town had not yet fulfilled contract requirements to recognize revenue.

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2022.

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within 1 year
Governmental activities:					
Compensated absences	\$ 96,708	\$ 7,495	\$ -	\$ 104,203	\$ 93,783
Net pension and OPEB liability	2,409,651	-	431,212	1,978,439	-
Financed purchases	411,175	-	53,677	357,498	55,282
Loans payable from direct borrowings and direct placements	545,000	-	545,000	-	-
Loan premium	16,700	-	16,700	-	-
Governmental activities long-term liabilities	<u>\$ 3,479,234</u>	<u>\$ 7,495</u>	<u>\$ 1,046,589</u>	<u>\$ 2,440,140</u>	<u>\$ 149,065</u>
Business-type activities:					
Compensated absences	\$ 5,796	\$ 2,236	\$ -	\$ 8,032	\$ 7,229
Net pension and OPEB liability	86,808	14,429	-	101,237	-
Business-type activities long-term liabilities	<u>\$ 92,604</u>	<u>\$ 16,665</u>	<u>\$ -</u>	<u>\$ 109,269</u>	<u>\$ 7,229</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 6 – LONG-TERM LIABILITIES – Continued

Capital leases—The Town has acquired the right-to-use of equipment under the provisions of a long-term lease agreement.

The total amount of leased right-to-use assets and the related accumulated amortization are as follows:

	Governmental Activities
Fire truck	\$ 563,036
Less: accumulated depreciation	(267,442)
Carrying value	\$ 295,594

The following schedule details debt service requirements to maturity for the Town’s financed purchases at June 30, 2022:

Year Ending June 30	Financed Purchases		
	Governmental Activities		
	Principal	Interest	Total
2023	\$ 55,282	\$ 10,689	\$ 65,971
2024	56,935	9,036	65,971
2025	58,637	7,334	65,971
2026	60,391	5,580	65,971
2027	62,196	3,775	65,971
2028	64,057	1,914	65,971
Total	\$ 357,498	\$ 38,328	\$ 395,826

NOTE 7 – 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, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2022, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net OPEB asset	\$ 30,300	\$ 3,188	\$ 33,488
Net pension and OPEB liability	1,978,439	101,237	2,079,676
Deferred outflows of resources related to pension and OPEB	762,990	25,440	788,430
Deferred inflows of resources related to pension and OPEB	660,378	46,643	707,021
Pension and OPEB expense	166,349	(1,729)	164,620

The Town reported \$261,400 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

A. Arizona State Retirement System

Plan Description – Town employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

	Initial Membership Date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80	30 years age 55
	10 years age 62	25 years age 60
	5 years age 50*	10 years age 62
	Any years age 65	5 years age 50*
		Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 percent for long-term disability) of the active members’ annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.22 percent (10.13 percent for retirement, 0.09 percent for health insurance premium benefit, and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2022, were \$79,661, \$2,667, and \$1,231, respectively.

During fiscal year 2022, the Town paid for ASRS pension and OPEB contributions as follows: 31.48 percent from the General Fund, 13.43 percent from the HURF/LTAF Fund, 19.22 percent from the Community Services Grants Fund, 31.75 from the Grants Fund, 3.74 percent from the Sewer Fund, and 0.38 percent from the Tianguis Economic Development Fund.

Liability - At June 30, 2022, the Town reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

	Pension/OPEB
	(Asset)
	Liability
Pension	\$ 808,083
Health insurance premium benefit	(25,481)
Long-term disability	1,162

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net asset and net liabilities were measured as of June 30, 2021. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7-7.2 percent to 2.9-8.4 percent.

The Town’s proportion of the net asset or net liability was based on the Town’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2021. The Town’s proportions measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

	Proportion June 30, 2021	Increase (decrease) from June 30, 2020
Pension	0.00615%	-0.00053%
Health insurance premium benefit	0.00523%	-0.00063%
Long-term disability	0.00563%	-0.00054%

Expense – For the year ended June 30, 2022, the Town recognized the following pension and OPEB expense.

	Pension/OPEB Expense
Pension	\$ (11,693)
Health insurance premium benefit	(2,872)
Long-term disability	748

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources—At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance</u>		<u>Long-Term Disability</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,318	\$ -	\$ -	\$ 8,837	\$ 336	\$ 95
Changes of assumptions	105,178	-	1,263	1,030	372	1,464
Net difference between projected and actual earnings on plan investments	-	256,029	-	9,452	-	805
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	94,331	285	2	46	800
Town contributions subsequent to the measurement date	79,661	-	2,667	-	1,231	-
Total	\$ 197,157	\$ 350,360	\$ 4,215	\$ 19,321	\$ 1,985	\$ 3,164

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<u>Pension</u>	<u>Health Insurance</u>	<u>Long-Term Disability</u>
		<u>Premium Benefit</u>	
2023	\$ (65,578)	\$ (4,166)	\$ (341)
2024	(22,615)	(3,988)	(327)
2025	(56,441)	(4,380)	(357)
2026	(88,230)	(4,859)	(481)
2027	-	(380)	(266)
Thereafter	-	-	(638)

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

ASRS

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9 - 8.4% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2020, valuation was based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Equity	50%	2.45%
Fixed income - credit	20%	5.20%
Fixed income - interest rate sensitive bonds	10%	0.70%
Real estate	20%	5.70%
Total	<u>100%</u>	

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Discount Rate – At June 30, 2021, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pensions/OPEB liability.

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.0 percent, as well as what the Town’s proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease	Current	Discount Rate	1% Increase
	(6.0%)	(7.0%)	(7.0%)	(8.0%)
Town's Proportionate share of the				
Net pension liability	\$ 1,271,046	\$ 808,083	\$ 808,083	\$ 422,099
Net insurance premium benefit liability (asset)	(16,871)	(25,481)	(25,481)	(32,802)
Net long-term disability liability	1,513	1,162	1,162	822

Plan Fiduciary Net Position – Detailed information about the plans’ fiduciary net position is available in the separately issued ASRS financial report.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

B. Public Safety Personnel Retirement System

Plan Descriptions – Town fire employees participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the Town’s financial statements.

The PSPRS issues publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

Benefits Provided – The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 36 consecutive months of last 20 years
Benefit percentage		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited services over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

Employees Covered by Benefit Terms – At June 30, 2022, the following employees were covered by the agent plans’ benefit terms:

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Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2022, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member- Pension	Town-Pension	Town-Health Insurance Premium Benefit
PSPRS Fire	7.65% - 11.65%	36.99%	0.64%

In addition, statute required the Town to contribute at the actuarially determined rate of 30.64% for pension and .65% for the health insurance premium benefit of the annual covered payroll of Town employees who were PSPRS Tier 3 Risk Pool members.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The Town’s contributions to the plans for the year ended June 30, 2022, were:

	Pension	Health Insurance Premium Benefit
PSPRS Fire	\$ 146,707	\$ 783

During fiscal year 2022, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Liability – At June 30, 2022, the Town reported the following assets and liabilities:

	Net Pension (Asset) Liability	Net OPEB (Asset) Liability
PSPRS Fire	\$ 1,270,431	\$ (8,007)

The net assets and net liabilities were measured as of June 30, 2021, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

PSPRS

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Cash - Mellon	1%	-0.31%
Diversifying strategies	10%	3.99%
Core bonds	2%	0.42%
Private credit	20%	5.74%
Other assets (capital appreciation)	7%	5.43%
Private equity	20%	7.67%
Non-U.S. equity	16%	5.20%
U.S. equity	24%	4.08%
Total	100%	

Discount Rates – At June 30, 2021, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent which there was no change from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net Pension/OPEB Liability

	Pension		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 2,930,091	\$ 1,609,155	\$ 1,320,936
Changes for the year			
Service Cost	74,404	-	74,404
Interest on the total liability	217,429	-	217,429
Differences between expected and actual experience in the measurement of the liability	261,343	-	261,343
Contributions-employer	-	122,865	(122,865)
Contributions-employee	-	26,560	(26,560)
Net investment income	-	456,365	(456,365)
Benefit payments, including refunds of employee contributions	(52,037)	(52,037)	-
Administrative expense	-	(2,109)	2,109
Other changes	-	-	-
Net changes	501,139	551,644	(50,505)
Balances at June 30, 2022	\$ 3,431,230	\$ 2,160,799	\$ 1,270,431

	Health Insurance Premium Benefit		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at June 30, 2021	\$ 62,751	\$ 49,321	\$ 13,430
Changes for the year			
Service Cost	1,613	-	1,613
Interest on the total liability	4,669	-	4,669
Differences between expected and actual experience in the measurement of the liability	(12,542)	-	(12,542)
Contributions-employer	-	2,009	(2,009)
Net investment income	-	13,222	(13,222)
Benefit payments, including refunds of employee contributions	(815)	(815)	-
Administrative expense	-	(54)	54
Net changes	(7,075)	14,362	(21,437)
Balances at June 30, 2022	\$ 55,676	\$ 63,683	\$ (8,007)

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

The following table presents the Town’s net pension/OPEB (assets) liabilities calculated using the discount rate of 7.3 percent, as well as what the Town’s net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
PSPRS Fire			
Net pension (asset) liability	\$ 1,765,317	\$ 1,270,431	\$ 866,438
Net OPEB (asset) liability	(589)	(8,007)	(14,200)

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

Expense – For the year ended June 30, 2022, the Town recognized the following pension and OPEB expense:

	Pension Expense	OPEB Expense
PSPRS Fire	\$ 181,249	\$ (2,812)

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources – At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 316,099	\$ 102,764	\$ 22	\$ 19,834
Changes of assumptions	119,459	2,982	2,004	1,559
Net difference between projected and actual earnings on pension plan investments	-	201,509	-	5,528
Town contributions subsequent to the measurement date	<u>146,706</u>	<u>-</u>	<u>783</u>	<u>-</u>
Total	<u><u>\$ 582,264</u></u>	<u><u>\$ 307,255</u></u>	<u><u>\$ 2,809</u></u>	<u><u>\$ 26,921</u></u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<u>PSPRS Fire</u>	
	<u>Pension</u>	<u>Health</u>
2023	\$ 37,740	\$ (5,212)
2024	1,842	(4,578)
2025	(3,477)	(4,291)
2026	(13,990)	(4,882)
2027	53,094	(2,966)
Thereafter	53,094	(2,966)

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund payables – Interfund payables for the year ended June 30, 2022, consisted of \$24,244 owed to the General Fund from Community Service Grants Fund \$(24,244). The purpose of the interfund payables was to temporarily fund the operations of the community service grant activities.

Interfund transfers – Interfund transfers for the year ended June 30, 2022, were as follows:

Transfer To	Transfer From General Fund
HURF/LTAF Fund (non-major fund)	\$ 200,007
Community Services Grants Fund (non-major fund)	128,657
Debt Service Fund (non-major fund)	572,624
Total	\$ 901,288

The purpose of the interfund transfer shown above to the Community Service Grants Fund was to help pay for expenditures not reimbursable under grant contracts. The purpose of the transfer to the Debt Service Fund was to pay for debt service expenditures related to the GADA loans (see Note 6). The purpose of the interfund transfer from the General Fund to the HURF/LTAF Fund was to pay for transit expenditures incurred over current year revenues for the Town’s transit program.

NOTE 10 – COMMITMENTS

Refuse Collection Contract – The Town has contracted with a waste management firm to provide trash, and rubbish collection services to certain designated areas. The contract period is March 1, 2020 through February 28, 2028. Payments under the current contract for the year ended June 30, 2022, were approximately \$329,295. Payments are based on the number of containers in the Town times a monthly rate of \$20.38 for 1st residential container and \$12.14 for the 2nd residential container. The monthly rate is adjusted annually on March 1 based on the Consumer Price Index as published by the Bureau of Labor Statistics. The approximate total obligation under the contract for the next fiscal year based on the current number of residences in the Town is approximately \$365,348.

Public Safety – The Town of Guadalupe has entered into a contract with the Maricopa County Sheriff’s Department for public safety services for the next fiscal year. Based on this agreement, the rendition of police services, the standards of performance, the discipline of officers, and other matters incidental to the performance of such services, and the control of personnel so employed shall remain in the County Sheriff’s Department. For the year ending June 30, 2022, the Town paid the County Sheriff \$1,430,328 and had agreed to monthly installments of \$119,196 for the 2022 fiscal year. Under the contract, a notice of termination of contract may be given by either party 180 days prior to the date of intended termination.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

Due to the implementation of GASB 87, *Accounting for Leases*, the Town restated net position of the Governmental Activities and the fund balance of the General Fund as follows:

	Governmental Activities Net Position	General Fund
As previously reported at June 30, 2021	\$ 20,757,569	\$ 3,984,400
Prior period adjustment - implementation of GASB 87		
Lease Receivable	278,620	278,620
Deferred inflows related to leases	(198,367)	(198,367)
Total prior period adjustment	80,253	80,253
As restated July 1, 2021	\$ 20,837,822	\$ 4,064,653

NOTE 12 – LEASE RECEIVABLES

The Town leases land to Head Start, American Outdoor, Tower Co with a 5% interest rate.

- Land lease – Head Start: The lease expires May 2023. The current payment including interest is \$18,912 a year.
- Land lease – American Outdoor: The lease expires February 2029. The current payment including interest is \$10,000 a year.
- Cell tower lease – Tower Co. The lease expires October 2029. The current payment including interest is \$23,958 a year.

The following schedule details the expected future minimum payments under these agreements:

Year Ending June 30	Governmental Funds
2023	\$ 52,870
2024	33,958
2025	33,958
2026	36,354
2027	36,354
2028-2030	99,062
Total minimum lease revenue	292,556
Less amount representing interest	(52,874)
Present value of net minimum lease revenue	\$ 239,682

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Taxes	\$ 2,467,874	\$ 2,467,874	\$ 3,203,697	\$ 735,823
Intergovernmental	2,139,764	2,139,764	1,951,948	(187,816)
Charges for services	128,083	128,083	151,166	23,083
Licenses and permits	114,358	114,358	102,131	(12,227)
Other revenue	-	-	17,469	17,469
Fines and forfeits	-	-	52	52
Interest on investments	3,088	3,088	27,102	24,014
Total revenue	4,853,167	4,853,167	5,453,565	600,398
Expenditures				
General Government				
Administration	248,161	248,161	131,582	116,579
Town Manager	163,345	163,345	210,621	(47,276)
Finance	150,535	150,535	149,111	1,424
Town Attorney	74,495	74,495	81,777	(7,282)
Building Maintenance	169,442	169,442	124,212	45,230
Mayor & Council	65,854	65,854	64,326	1,528
Information Technology	120,646	120,646	117,406	3,240
Town Clerk	41,514	41,514	40,708	806
Total General Government	1,033,992	1,033,992	919,743	114,249
Public Safety				
Poilice	1,494,956	1,494,956	1,430,636	64,320
Fire	1,619,977	1,619,977	664,146	955,831
Total Public Safety	3,114,933	3,114,933	2,094,782	1,020,151
Culture and Recreation				
Parks	189,173	189,173	179,809	9,364
Library	10,100	10,100	9,363	737
Total Culture and Recreation	199,273	199,273	189,172	10,101
Public Works and Streets				
Cemetery	24,380	24,380	15,603	8,777
Community Development	238,112	238,112	144,926	93,186
Capital outlay	630,000	630,000	110,896	519,104
Total expenditures	5,240,690	5,240,690	3,475,122	1,765,568
Excess (deficiency) of revenue over expenditures	(387,523)	(387,523)	1,978,443	2,365,966
Other financing sources (uses)				
Sale of capital assets	-	-	72,175	72,175
Transfers in (out)	(693,554)	(693,554)	(901,288)	(207,734)
Total other financing sources (uses)	(693,554)	(693,554)	(829,113)	(135,559)
Net changes in fund balances	(1,081,077)	(1,081,077)	1,149,330	2,230,407
Fund balances, beginning of year	4,064,653	4,064,653	4,064,653	-
Fund balances, end of year	\$ 2,983,576	\$ 2,983,576	\$ 5,213,983	\$ 2,230,407

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 12,824,976	\$ 12,824,976	\$ 3,016,840	\$ (9,808,136)
Expenditures				
Public safety	\$ 9,531,476	9,531,476	93,825	9,437,651
Health and welfare	63,000	63,000	62,535	465
Public works and streets	65,000	65,000	-	65,000
Community development	980,000	980,000	976,009	3,991
Culture and recreation	1,500,000	1,500,000	1,494,814	5,186
Capital outlay	750,500	750,500	413,928	336,572
Total expenditures	12,889,976	12,889,976	3,041,111	9,848,865
Excess (deficiency) of revenue over expenditures	(65,000)	(65,000)	(24,271)	40,729
Other financing sources (uses)				
Transfers in (out)	40,000	40,000	-	(40,000)
Net changes in fund balances	(25,000)	(25,000)	(24,271)	729
Fund balances, beginning of year	(8,448)	(8,448)	(8,448)	-
Fund balances, end of year	\$ (33,448)	\$ (33,448)	\$ (32,719)	\$ 729

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2022

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

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

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Town Council's approval. With the exception of the General Fund, each fund includes only one department.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2022, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the Town Manager and Town Attorney departments of the General Fund.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2022

ASRS-Pension

	Reporting Fiscal Year (Measurement Date)								2014 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Town's proportion of the net pension liability	0.006150%	0.006680%	0.007540%	0.007810%	0.007570%	0.007970%	0.006910%	0.006605%	Information not available
Town's proportionate share of the net pension liability	\$ 808,083	\$ 1,157,412	\$ 1,097,158	\$ 1,089,220	\$ 1,179,258	\$ 1,286,438	\$ 1,075,859	\$ 977,331	
Town's covered payroll	\$ 868,182	\$ 747,562	\$ 809,291	\$ 774,034	\$ 738,432	\$ 745,853	\$ 636,171	\$ 595,402	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	93.08%	154.82%	135.57%	140.72%	159.70%	172.48%	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2022

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)					2017 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Town's proportion of the net OPEB (asset)	0.005230%	0.005860%	0.006740%	0.007400%	0.007610%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ (25,481)	\$ (4,149)	\$ (1,863)	\$ (2,665)	\$ (4,143)	
Town's covered payroll	\$ 868,182	\$ 747,562	\$ 809,291	\$ 774,034	\$ 738,432	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	-2.93%	-0.56%	-0.23%	-0.34%	-0.56%	
Plan fiduciary net position as a percentage of the total OPEB liability	130.24%	104.33%	101.62%	102.20%	103.57%	

ASRS-Long-Term Disability

	Reporting Fiscal Year (Measurement Date)					2017 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Town's proportion of the net OPEB (asset)	0.005630%	0.006170%	0.006110%	0.007800%	0.007570%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ 1,162	\$ 4,681	\$ 4,560	\$ 4,076	\$ 2,744	
Town's covered payroll	\$ 868,182	\$ 747,562	\$ 809,291	\$ 774,034	\$ 738,432	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	0.13%	0.63%	0.56%	0.53%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	90.38%	68.01%	72.85%	77.83%	84.44%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension/OPEB Liability and Related Ratios
Agent Plans
June 30, 2022

PSPRS

	Reporting Fiscal Year (Measurement Date)								2014 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability									Information not available
Service cost	\$ 74,404	\$ 87,208	\$ 80,219	\$ 77,589	\$ 79,931	\$ 59,089	\$ 50,177	\$ 50,552	
Interest on the total pension liability	217,429	196,718	178,342	168,778	147,625	119,379	110,540	96,007	
Changes of benefit terms	-	-	-	-	15,342	131,109	-	21,443	
Differences between expected and actual experience in the measurement of the pension liability	261,343	64,108	(92,096)	(107,903)	134,105	97,848	(4,211)	(41,101)	
Changes of assumptions or other inputs	-	-	161,805	-	(13,572)	78,089	-	106,427	
Benefit payments, including refunds of employee contributions	(52,037)	(51,016)	(50,016)	(51,264)	(48,359)	(48,359)	(48,359)	(47,649)	
Net change in total pension liability	501,139	297,018	278,254	87,200	315,072	437,155	108,147	185,679	
Total pension liability - beginning	2,930,091	2,633,073	2,354,819	2,267,619	1,952,547	1,515,392	1,407,245	1,221,566	
Total pension liability - ending (a)	<u>\$3,431,230</u>	<u>\$2,930,091</u>	<u>\$2,633,073</u>	<u>\$2,354,819</u>	<u>\$2,267,619</u>	<u>\$1,952,547</u>	<u>\$1,515,392</u>	<u>\$1,407,245</u>	
Plan fiduciary net position									
Adjustments to beginning of year	-	(1,169)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Contributions - employer	122,865	169,536	146,523	126,557	94,415	82,876	58,412	55,194	
Contributions - employee	26,560	30,818	28,291	25,685	37,461	36,288	30,153	27,116	
Net investment income	456,365	19,175	70,291	79,265	114,391	5,169	29,544	92,104	
Benefit payments, including refunds of employee contributions	(52,037)	(51,016)	(50,016)	(51,264)	(48,359)	(48,359)	(48,359)	(47,649)	
Hall/Parker Settlement	-	-	-	(53,246)	-	-	-	-	
Administrative expense	(2,109)	(1,563)	(2,215)	(1,906)	(1,412)	(1,144)	(1,107)	-	
Other changes	-	-	(1,654)	13	11	5	(527)	(23,055)	
Net change in plan fiduciary net position	551,644	165,781	191,220	125,104	196,507	74,835	68,116	103,710	
Plan fiduciary net position - beginning	1,609,155	1,443,374	1,252,154	1,127,050	930,543	855,708	787,592	683,882	
Plan fiduciary net position - ending (b)	<u>\$2,160,799</u>	<u>\$1,609,155</u>	<u>\$1,443,374</u>	<u>\$1,252,154</u>	<u>\$1,127,050</u>	<u>\$ 930,543</u>	<u>\$ 855,708</u>	<u>\$ 787,592</u>	
Town's net pension (asset) liability - ending (a) - (b)	<u>\$1,270,431</u>	<u>\$1,320,936</u>	<u>\$1,189,699</u>	<u>\$1,102,665</u>	<u>\$1,140,569</u>	<u>\$1,022,004</u>	<u>\$ 659,684</u>	<u>\$ 619,653</u>	
Plan fiduciary net position as a percentage of the total pension liability	62.97%	54.92%	54.82%	53.17%	49.70%	47.66%	56.47%	55.97%	
Covered payroll	\$ 275,380	\$ 310,677	\$ 390,173	\$ 336,757	\$ 351,344	\$ 311,485	\$ 272,878	\$ 261,991	
Town's net pension (asset) liability as a percentage of covered payroll	461.34%	425.18%	304.92%	327.44%	324.63%	328.11%	241.75%	236.52%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension/OPEB Liability and Related Ratios
Agent Plans
June 30, 2022

PSPRS-OPEB

	Reporting Fiscal Year (Measurement Date)					2017 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Total OPEB liability						
Service cost	\$ 1,613	\$ 1,905	\$ 1,044	\$ 977	\$ 1,159	Information not available
Interest on the total OPEB liability	4,669	4,647	4,688	4,339	4,605	
Differences between expected and actual experience in the measurement of the OPEB liability	(12,542)	(4,092)	(8,961)	54	(154)	
Changes of assumptions or other inputs	-	-	3,007	-	(7,094)	
Benefit payments	(815)	(1,200)	(1,200)	(1,200)	(1,200)	
Net change in total OPEB liability	(7,075)	1,260	(1,422)	4,170	(2,684)	
Total OPEB liability - beginning	62,751	61,491	62,913	58,743	61,427	
Total OPEB liability - ending (a)	<u>\$ 55,676</u>	<u>\$ 62,751</u>	<u>\$ 61,491</u>	<u>\$ 62,913</u>	<u>\$ 58,743</u>	
Plan fiduciary net position						
Contributions - employer	\$ 2,009	\$ 2,680	\$ 2,277	\$ 1,200	\$ 3,059	
Net investment income	13,222	581	2,304	2,758	4,071	
Benefit payments	(815)	(1,200)	(1,200)	(1,200)	(1,200)	
Administrative expense	(54)	(47)	(40)	(42)	(36)	
Other changes	-	-	1,654	-	-	
Net change in plan fiduciary net position	14,362	2,014	4,995	2,716	5,894	
Plan fiduciary net position - beginning	49,321	47,307	42,312	39,596	33,702	
Plan fiduciary net position - ending (b)	<u>\$ 63,683</u>	<u>\$ 49,321</u>	<u>\$ 47,307</u>	<u>\$ 42,312</u>	<u>\$ 39,596</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (8,007)</u>	<u>\$ 13,430</u>	<u>\$ 14,184</u>	<u>\$ 20,601</u>	<u>\$ 19,147</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	114.38%	78.60%	76.93%	67.25%	67.41%	
Covered payroll	\$ 275,380	\$ 310,677	\$ 390,173	\$ 336,757	\$ 351,344	
Town's net OPEB (asset) liability as a percentage of covered payroll	-2.91%	4.32%	3.64%	6.12%	5.45%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2022

ASRS-Pension

	Reporting Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 79,661	\$ 83,603	\$ 83,996	\$ 88,892	\$ 84,599	\$ 79,603	\$ 80,925	\$ 69,279	\$ 63,708	Information not available
Town's contributions in relation to the statutorily required	<u>(79,661)</u>	<u>(83,603)</u>	<u>(83,996)</u>	<u>(88,892)</u>	<u>(84,599)</u>	<u>(79,603)</u>	<u>(80,925)</u>	<u>(69,279)</u>	<u>(63,708)</u>	
Town's contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 868,182</u>	<u>\$ 710,762</u>	<u>\$ 747,562</u>	<u>\$ 809,291</u>	<u>\$ 774,034</u>	<u>\$ 738,432</u>	<u>\$ 745,853</u>	<u>\$ 636,171</u>	<u>\$ 595,402</u>	
Town's contributions as a percentage of covered payroll	9.18%	11.76%	11.24%	10.98%	10.93%	10.78%	10.85%	10.89%	10.70%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year						
	2022	2021	2020	2019	2018	2017	2016 through 2013
Statutorily required contribution	\$ 2,667	\$ 3,062	\$ 3,074	\$ 3,189	\$ 3,178	\$ 4,096	Information not available
Town's contributions in relation to the statutorily required	<u>(2,667)</u>	<u>(3,062)</u>	<u>(3,074)</u>	<u>(3,189)</u>	<u>(3,178)</u>	<u>(4,096)</u>	
Town's contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 868,182</u>	<u>\$ 710,762</u>	<u>\$ 747,562</u>	<u>\$ 809,291</u>	<u>\$ 774,034</u>	<u>\$ 738,432</u>	
Town's contributions as a percentage of covered payroll	0.31%	0.43%	0.41%	0.39%	0.41%	0.55%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2022

ASRS-Long-Term Disability

	Reporting Fiscal Year						2016 through 2013
	2022	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 1,231	\$ 1,131	\$ 1,135	\$ 1,163	\$ 1,237	\$ 1,029	Information not available
Town's contributions in relation to the statutorily required	(1,231)	(1,131)	(1,135)	(1,163)	(1,237)	(1,029)	
Town's contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 868,182</u>	<u>\$ 710,762</u>	<u>\$ 747,562</u>	<u>\$ 809,291</u>	<u>\$ 774,034</u>	<u>\$ 738,432</u>	
Town's contributions as a percentage of covered payroll	0.14%	0.16%	0.15%	0.14%	0.16%	0.14%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2022

PSPRS-Pension

	Reporting Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 146,706	\$ 132,746	\$ 184,259	\$ 147,376	\$ 126,557	\$ 94,415	\$ 82,876	\$ 58,412	\$ 55,194	Information not available
Town's contributions in relation to the actuarially determined contribution	(146,706)	(132,746)	(184,259)	(147,376)	(126,557)	(94,415)	(82,876)	(58,412)	(55,194)	
Town's contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's covered-employee payroll	\$ 275,380	\$ 327,590	\$ 382,337	\$ 387,747	\$ 336,757	\$ 351,344	\$ 311,485	\$ 272,878	\$ 261,991	
Town's contributions as a percentage of covered payroll	53.27%	40.52%	48.19%	38.01%	37.58%	26.87%	26.61%	21.41%	21.07%	

PSPRS-OPEB

	Reporting Fiscal Year						2016 through 2013
	2022	2021	2020	2019	2018	2017	
Actuarially determined contribution	\$ 783	\$ 2,182	\$ 2,961	\$ 3,213	\$ 1,200	\$ 3,059	Information not available
Town's contributions in relation to the actuarially determined contribution	(783)	(2,182)	(2,961)	(3,213)	(1,200)	(3,059)	
Town's contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 275,380	\$ 327,590	\$ 382,337	\$ 387,747	\$ 336,757	\$ 351,344	
Town's contributions as a percentage of covered payroll	0.28%	0.67%	0.77%	0.83%	0.36%	0.87%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2022

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	In the 2020 actuarial valuation, the amortization was changed for Tiers 1 & 2 to use a layered amortization approach. Level percent-of-pay, closed is used in Tier 3
Remaining amortization period as of the 2018 actuarial valuation	16 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 – FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members’ employee contribution rates. These changes are reflected in the plan’s pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2022

NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued

Law's effective date and fiscal year 2020 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refunded amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.



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

To the Town Council
Town of Guadalupe, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Guadalupe, Arizona, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Guadalupe, Arizona's, basic financial statements, and have issued our report thereon dated January 17, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

January 17, 2023



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Town Council
Town of Guadalupe, Arizona

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Guadalupe, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Guadalupe, Arizona's major federal programs for the year ended June 30, 2022. 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.

In our opinion, Town of Guadalupe, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Guadalupe, Arizona and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Guadalupe, Arizona's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town of Guadalupe, Arizona's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Guadalupe, Arizona's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Guadalupe, Arizona's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Guadalupe, Arizona's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Guadalupe, Arizona's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Guadalupe, Arizona's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

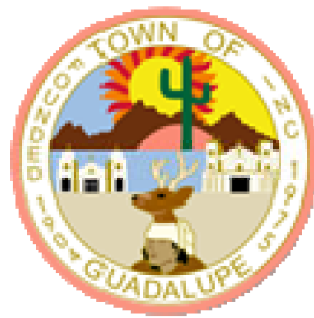
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Lobby & Powell, PLC

January 17, 2023



TOWN OF GUADALUPE, ARIZONA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through Area Agency on Aging:			
Aging Cluster:			
Special Programs for the Aging_ Title III, Part B	93.044	2022-21-GUA	\$ 22,269
Special Programs for the Aging_ Title III, Part C	93.045	2022-21-GUA	91,387
Nutrition Services Incentive Program	93.053	2022-21-GUA	<u>4,994</u>
Total Aging Cluster			118,650
Social Services Block Grant	93.667	2022-21-GUA	12,178
Passed through Maricopa County Human Services Department:			
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	C-22-16-046-3-04	1,433
Low-Income Home Energy Assistance	93.568	C-22-16-046-3-04	13,567
CSBG Cluster:			
Community Services Block Grant	93.569	C-22-16-046-3-04	<u>1,142</u>
Total U.S. Department Health and Human Services			<u>146,970</u>
<u>U.S. Department of the Treasury</u>			
Coronavirus State and Local Fiscal Recovery Funds	21.027		1,107,311
Passed through Pasqua Yaqui Tribe:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	C2020-25A	1,714,411
Passed through Maricopa County Human Services:			
Coronavirus State and Local Fiscal Recovery Funds	21.027		8,360
Emergency Rental Assistance Program	21.023	C-22-16-046-3-04	<u>85,452</u>
Total U.S. Department of Treasury			<u>2,915,534</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Maricopa County Community Development:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218	C-22-21-014-3-02	<u>445,776</u>
Total Federal Awards			<u>\$ 3,508,280</u>

The accompanying notes are an integral part of this schedule.

TOWN OF GUADALUPE, ARIZONA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Town of Guadalupe, Arizona under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Guadalupe, Arizona, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Guadalupe, Arizona.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual/accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of Guadalupe, Arizona has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

TOWN OF GUADALUPE, ARIZONA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to
be material weakness(es)? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to
be material weakness(es)? _____ Yes X No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance
with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major federal programs:

CFDA

Number Name of Federal Program

21.027 Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee? X Yes _____ No

Federal Award Findings and Questioned Costs None

TOWN OF GUADALUPE, ARIZONA
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2022

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

There were no prior year findings.