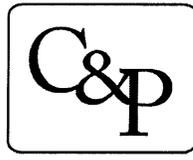


**TOWN OF GUADALUPE, ARIZONA**

Annual Financial Statements  
and  
Independent Auditors' Report  
June 30, 2009

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## INDEPENDENT AUDITORS' REPORT

To the Town Council  
Town of Guadalupe, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Guadalupe, Arizona as of and for the year ended June 30, 2009, as listed in the table of contents, which collectively comprise the Town's basic financial statements. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Guadalupe, Arizona as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 3 through 12, the Budgetary Comparison Schedules on pages 38 through 42, and the Schedule of Agent Retirement Plans' Funding Progress on page 43 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Guadalupe, Arizona's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards listed in the table of contents is presented for purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2009, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

November 2, 2009

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2009**

**Management's Discussion and Analysis**

We (the Town of Guadalupe, Arizona) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2009. The intended purpose of the Management Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes. This introduction provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation. When referring to prior year data in this analysis we will be drawing upon information from last year's audited financial reports.

**Overview of the Financial Statements**

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

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

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

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

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

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2009**

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

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

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the refuse, sewer and commercial center operations. All three funds are considered to be major funds of the Town of Guadalupe, Arizona. The basic proprietary fund financial statements can be both found on pages 19-22 of this report.

**Notes to the basic financial statements.** The notes to the financial statements (pages 23-37) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2009**

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

**Financial Highlight**

- ♦ The assets of the governmental activities of the Town of Guadalupe, Arizona exceeded its liabilities at close of the most recent fiscal year by \$12,689,866 (net assets). Of this amount \$98,351 is restricted for capital asset acquisition and \$371,740 is restricted for highways and streets, \$10,429,207 is invested in capital assets, net of related debt, and \$1,790,568 is unrestricted to be used to meet the government's ongoing obligations to citizens and creditors.
- ♦ As of the close of the current fiscal year, Town of Guadalupe, Arizona's governmental funds reported combined ending fund balances of \$2,260,953 resulting in a decrease of \$547,652 in comparison with prior year.
- ♦ At the end of the current fiscal year, the unreserved fund balance for the General Fund reflects a deficit of \$16,790 with a total unreserved and reserved fund balance of \$70,204.
- ♦ The Town's General Fund revenues fell short of estimates and were 22% lower than budgeted. Current year revenues were 15% lower than prior year due to the slowing local and state economy. General Fund expenses and transfers to other funds were \$503,341, or 11%, less than budgeted. The Town experienced significant decreases in local and state sales tax revenue and Transient Occupancy Tax (or bed tax). Because the Town has no property tax it relies heavily on the current economy for its revenues. Therefore, even though expenses were under budget, the economy proved to have much more of an impact than anticipated. In addition to low interest rates, investments were hard hit by the crash of the housing bubble causing a \$64,000 loss that was shared by all funds of the Town resulting in interest losses for every fund. Net revenues (on a budgetary basis) were \$1,001,631 lower than the final budget in the General Fund for fiscal year 2009. Of that amount, \$451,000 was due to the public safety grant aid budgeted but not received. Additionally, the fire department expenses were under budget by \$530,000 as a result of not receiving the grant in aid that was budgeted and the related reduction of expenditures for fire department equipment.

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2009**

**Government-Wide Financial Analysis**

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets of the Town for June 30, 2009 showing that assets exceeded liabilities by \$14,827,695.

**Town of Guadalupe, Arizona**  
**Condensed Statement of Net Assets**  
**As of June 30, 2009 and 2008**

	Governmental Activities	Business-Type Activities	Total	Prior Year June 30, 2008
<b>ASSETS</b>				
Current and other assets	\$ 6,071,087	\$ 1,258,294	\$ 7,329,381	\$ 7,704,874
Capital assets				
Non-depreciable	7,070,674	84,703	7,155,377	3,205,537
Depreciable (net)	6,592,972	849,407	7,442,379	7,144,892
Total assets	<u>19,734,733</u>	<u>2,192,404</u>	<u>21,927,137</u>	<u>18,055,303</u>
<b>LIABILITIES</b>				
Other liabilities	3,691,473	49,908	3,741,381	3,644,245
Non-current liabilities				
Due within one year	148,963	4,200	153,163	139,737
Due in more than one year	3,204,431	467	3,204,898	3,407,262
Total liabilities	<u>7,044,867</u>	<u>54,575</u>	<u>7,099,442</u>	<u>7,191,244</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	10,429,207	934,110	11,363,317	6,918,455
Restricted for:				
Capital acquisitions	98,351	-	98,351	98,351
Highways and streets	371,740	-	371,740	499,781
Unrestricted (deficit)	<u>1,790,568</u>	<u>1,203,719</u>	<u>2,994,287</u>	<u>3,347,472</u>
Total net assets	<u>\$ 12,689,866</u>	<u>\$ 2,137,829</u>	<u>\$ 14,827,695</u>	<u>\$ 10,864,059</u>

The unrestricted net assets of the Governmental Activities for the Town of Guadalupe, Arizona have decreased to \$1,790,568 from a prior year balance of \$2,233,314.

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2009**

**Comparative Analysis of Government-Wide Revenues and Expenses**  
**For the year ended June 30, 2009 and 2008**

	Governmental Activities	Business-Type Activities	Total	Prior Year June 30, 2008
<b>REVENUE</b>				
<b>Program revenue:</b>				
Charges for services	\$ 364,791	\$ 550,602	\$ 915,393	\$ 1,036,500
Grants and contributions	6,082,611	38,816	6,121,427	2,250,907
<b>Total program revenue</b>	<b>6,447,402</b>	<b>589,418</b>	<b>7,036,820</b>	<b>3,287,407</b>
<b>General revenue:</b>				
Sales taxes	955,335	-	955,335	1,118,693
Franchise tax	21,777	-	21,777	15,547
Bed taxes	349,503	-	349,503	435,381
Restaurant tax	281,249	-	281,249	385,970
State sales tax revenue sharing	441,973	-	441,973	510,526
Auto lieu tax revenue sharing	201,658	-	201,658	222,900
State revenue sharing	831,775	-	831,775	781,755
Interest income	37,088	12,718	49,806	194,161
Gain on disposal of capital assets	18,103	-	18,103	-
Miscellaneous	14,874	-	14,874	24,196
<b>Total general revenue</b>	<b>3,153,335</b>	<b>12,718</b>	<b>3,166,053</b>	<b>3,689,129</b>
<b>Total revenue</b>	<b>9,600,737</b>	<b>602,136</b>	<b>10,202,873</b>	<b>6,976,536</b>
<b>EXPENSE</b>				
General government	1,196,548	-	1,196,548	809,582
Public safety	2,443,830	-	2,443,830	2,420,214
Public works and streets	792,642	-	792,642	648,647
Culture and recreation	116,947	-	116,947	157,932
Community Development	821,919	-	821,919	672,764
Health and welfare	298,185	-	298,185	279,184
Sewer	-	86,212	86,212	70,273
Tianguis	-	168,577	168,577	199,611
Refuse	-	314,377	314,377	299,835
<b>Total expenses</b>	<b>5,670,071</b>	<b>569,166</b>	<b>6,239,237</b>	<b>5,558,042</b>
Change in net assets	3,930,666	32,970	3,963,636	1,418,494
Beginning net assets	8,759,200	2,104,859	10,864,059	9,445,565
Ending net assets	<u>\$ 12,689,866</u>	<u>\$ 2,137,829</u>	<u>\$ 14,827,695</u>	<u>\$ 10,864,059</u>

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2009**

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

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,260,953, a decrease of \$547,652 in comparison with the prior year. Although General Fund expenses were reduced again during the year, revenues declined even further and, as a result, the General Fund balance reflected a decrease of \$419,664 with a remaining balance of \$70,204. The Town continues to budget conservatively as we feel the state and local economy will continue to be sluggish.

<u>Fund</u>	<u>Balance at June 30, 2009</u>	<u>Increase/(Decrease) From 2007-08</u>
General Fund	\$ 70,204	\$ (419,664)
HURF/LTAF	383,097	(134,239)
Comm. Dev. Grants	(75,855)	(20,474)
Capital Projects Fund	1,883,507	26,725

The General Fund is the chief operating fund of the Town of Guadalupe, Arizona. At the end of the current fiscal year, the fund balance of the General Fund was \$70,204, while the balance of all funds declined to \$2,260,953.

The fund balance of Town of Guadalupe, Arizona's General Fund decreased by \$419,664 during the current fiscal year. Key factors in this change are as follows:

- ♦ Local sales taxes were \$359,413 lower than budgeted. Retail stores, restaurants and hotels are all experiencing slowing sales due to the downturn in the economy.
- ♦ State shared revenues were \$89,000 (rounded) lower than budgeted because of the economy.
- ♦ Budgeted fire department grants were not received in the amount of \$447,000 (rounded). However, no monies were spent for grants not received.
- ♦ Under budgeted expenditures prevented the General Fund from experiencing a deficit. Of those under budget was the fire department in the amount of \$447,000 (rounded) for grant expenses because grants were not received and \$38,000 (rounded) under budget in other departments.

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2009**

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

Unrestricted net assets of the Sewer, Commercial Center, and Refuse Funds at the end of the year amounted to \$1,165,892, \$8,654 and \$29,173, respectively. The total change in net assets for the three funds was \$12,318, \$919 and \$19,733, respectively.

**General Fund Budgetary Highlights**

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 38-42. These statements compare the original adopted budget, the budget if amended during the fiscal year, and the actual expenditures prepared on a budgetary basis.

Actual General Fund revenues of \$3,609,066 were less than budgeted revenues of \$4,610,697 by \$1,001,631 while actual expenditures of \$3,638,115 were less than budgeted expenses of \$4,082,198 by \$444,083. The primary cause in the difference between the actual revenues and expenditures and the budgeted revenues and expenses was the result of public safety grant funding not received or expended and loss of tax dollars based on the health of the economy.

**Capital Asset and Debt Administration**

The Town's capital assets for its governmental and business-type activities as of June 30, 2009 amount to \$14,597,756 (net of accumulated depreciation). For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 4 in the Notes to the Basic Financial Statements for further information regarding capital assets. The current year capital asset additions were as follows:

- ♦ The General Fund entered into capital lease for \$20,745 to replace a copy machine that is used by all departments.
- ♦ During the prior year, the Biehn Colony Trust transferred ownership of several properties to the General Fund of the Town for a total of \$4,365,090. The property, for the most part, runs along Avenida del Yaqui (a main arterial) and will be held for commercial development. It is expected that the few residential lots will be used for the Town's housing program.
- ♦ Improvements in the amount of \$39,379 were made to the roof of the Tianguis building. The grant for improvements to the Tianguis building is nearly complete and should be finished by June 30, 2010.
- ♦ During the year curbs, gutters, and sidewalks were added to streets in the Gastelo area of Town in the amount of \$163,380 with Grant funds received from Maricopa County Community Development Department.

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2009**

- ♦ During the year curbs, gutters, and sidewalks were added to Carmen Street in the amount of \$98,595 using Highway User Revenue Funds.
- ♦ During the year curbs, gutters, and sidewalks were added to streets in the Sende Vista area of Town in the amount of \$187,334 with Grant funds received from Maricopa County Community Development Department.
- ♦ The Stottlemeyer Park restroom continued to be constructed during the year in which \$30,322 was spent using a Pascua Yaqui grant funds. At June 30, 2009 there was a dispute regarding the building safety and other features. It was determine that the building would be torn down and construction on a new building would commence during fiscal year 2010 with a new construction company using the remaining grant funds and Town funds.
- ♦ The Guadalupe Town Hall computer server was replaced for \$23,567 as the current server reached its maximum useful life.

The following table provides a breakdown of the capital assets of the Town at June 30, 2009:

**Capital Assets at June 30, 2009 and 2008**  
**(Net of accumulated depreciation)**

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 7,070,674	\$ 2,838,259	\$ 84,703	\$ 84,703	\$ 7,155,377	\$ 2,922,962
Land and improvements	211,039	215,505	-	-	211,039	215,505
Buildings and improvements	2,075,309	2,161,979	330,654	341,725	2,405,963	2,503,704
Infrastructure	1,430,706	1,388,230	518,753	564,273	1,949,459	1,952,503
Street lights	41,953	43,187	-	-	41,953	43,187
Machinery and equipment	533,034	702,807	-	-	533,034	702,807
Curbs and gutters	2,300,931	1,727,186	-	-	2,300,931	1,727,186
Construction in progress	-	282,575	-	-	-	282,575
<b>Total</b>	<b>\$ 13,663,646</b>	<b>\$ 9,359,728</b>	<b>\$ 934,110</b>	<b>\$ 990,701</b>	<b>\$ 14,597,756</b>	<b>\$ 10,350,429</b>

**Long-term Debt**

At the end of the current fiscal year, the Town of Guadalupe, Arizona had total long-term obligations outstanding of \$3,358,061. Of that amount, \$3,095,000 of outstanding debt is secured by pledges of specific revenue sources of the Town, capital leases payable amount to \$139,439 and the remaining \$123,622 is compensated absences payable to employees. The following schedule shows the outstanding debt of the Town (both current and long-term) as of June 30, 2009. Further detail on the Town's outstanding debt may be found in Note 6 on pages 32-34.

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2009**

**Outstanding Debt**

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue bonds	\$ 3,095,000	\$ 3,275,000	\$ -	\$ -	\$ 3,095,000	\$ 3,275,000
Capital leases payable	139,439	156,974	-	-	139,439	156,974
Compensated absences	118,955	109,896	4,667	5,129	123,622	115,025
<b>TOTAL</b>	<b>\$ 3,353,394</b>	<b>\$ 3,541,870</b>	<b>\$ 4,667</b>	<b>\$ 5,129</b>	<b>\$ 3,358,061</b>	<b>\$ 3,546,999</b>

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

- ♦ State Shared Revenue makes up 34% of the Town's General Fund revenue. State-shared revenue is expected to decrease by 8.8% or \$169,981 for fiscal year 2010. This is a result of the slow economy, foreclosures, high unemployment with very little population growth as indicated from the slow home sales to out of state home buyers.
- ♦ Local Tax Revenue, which makes up 42% of the General Fund revenue, is expected to increase by 5% or \$81,136. This increase, although optimistic, is based on forecasted construction of new multi family residential property and forecasted re-openings of closed businesses through-out the Town.
- ♦ The Town has nearly completed the improvements to the Town owned and operated commercial center using the last of the two federal grants awarded in 2005-06. The vacancy rate for this commercial building has increased due to the slow economy. We are anticipating that to worsen until the economy rebounds from its current slump. We are hoping that as a result of the improvements, sales tax revenue will increase from those retailers. The cultural aspects of the building have been restored and enhanced providing a nice relaxing atmosphere for both local residents and visitors from out of state.
- ♦ Because of the sluggish economy with no rebound in sight, the Town Council continued to make significant reductions in staffing and other expenditures when the 2008-09 budget was prepared. However, expenses and transfers from the General Fund exceeded revenues by \$419,664. In noting this shortfall, the Town Council made additional significant reductions in staffing and other expenditures to the 2009-2010 budget that will certainly impact services including hours of operation, staff shortages, capital project delays, suspend park improvements, suspend vehicle and equipment replacements as well as many other areas.
- ♦ During the fiscal year 2008-09, the Senior Center, Community Action Program, and the Americor program all applied for and received stimulus funding. These stimulus grants were used to provide additional services to the users and maintain current staff

**TOWN OF GUADALUPE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2009**

levels and reduce transfers from the General Fund and, in turn, aided the General Fund in maintaining, with one exception, its staffing levels. However, we do not expect these stimulus funds to last beyond December 2010 when management will need to revisit staffing levels and current funding.

- ◆ In an effort to generate additional revenues, the Town continues to participate in the State Wild Land Fire Program. As a result of participation in this program, the Town has received \$51,981 in additional revenues in 2009. After considering the related expenses of the program, approximately  $\frac{1}{4}$  of the funds represent revenues exceeding related expenses and these funds are used by the fire department for equipment maintenance, replacement purchases, and fire department operating expenses.

**Financial Contact**

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

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

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

**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Net Assets**  
**June 30, 2009**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,441,341	\$ 1,216,723	\$ 4,658,064
Accounts receivable - net	186,549	5,528	192,077
Taxes receivable	20,807	-	20,807
Interest receivable	6,532	2,062	8,594
Due from other governments	525,434	32,918	558,352
Prepaid expenses	35,546	1,063	36,609
Notes receivable	1,854,878	-	1,854,878
Capital assets, not being depreciated	7,070,674	84,703	7,155,377
Capital assets, being depreciated, net	6,592,972	849,407	7,442,379
<b>Total assets</b>	<b>19,734,733</b>	<b>2,192,404</b>	<b>21,927,137</b>
<b>LIABILITIES</b>			
Accounts payable	467,944	37,726	505,670
Accrued expenses	80,718	2,201	82,919
Court bonds payable	58,021	-	58,021
Deferred revenue	3,084,790	-	3,084,790
Refundable deposits	-	9,981	9,981
Compensated absences			
Due within 1 year	107,060	4,200	111,260
Due in more than 1 year	11,895	467	12,362
Noncurrent liabilities			
Due within 1 year	41,903	-	41,903
Due in more than 1 year	3,192,536	-	3,192,536
<b>Total liabilities</b>	<b>7,044,867</b>	<b>54,575</b>	<b>7,099,442</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	10,429,207	934,110	11,363,317
Restricted for:			
Capital acquisitions	98,351	-	98,351
Highways and streets	371,740	-	371,740
Unrestricted (deficit)	1,790,568	1,203,719	2,994,287
<b>Total net assets</b>	<b>\$ 12,689,866</b>	<b>\$ 2,137,829</b>	<b>\$ 14,827,695</b>

*See accompanying notes to financial statements.*

**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2009**

Functions / Programs	Expenses	Program Revenue		Net (Expenses) Revenue and Changes in Net Assets		
		Changes for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities
<b>Primary government:</b>						
Governmental activities						
General government	\$ 1,196,548	\$ 66,001	\$ 100,000	\$ -	\$ (1,030,547)	\$ (1,030,547)
Public safety	2,443,830	236,951	-	3,085	(2,203,794)	(2,203,794)
Public works and streets	792,642	-	366,573	362,017	(64,052)	(64,052)
Culture and recreation	116,947	24,961	-	7,450	(84,536)	(84,536)
Community development	821,919	36,878	579,896	4,461,543	4,256,398	4,256,398
Health and welfare	298,185	-	202,047	-	(96,138)	(96,138)
<b>Total governmental activities</b>	<b>5,670,071</b>	<b>364,791</b>	<b>1,248,516</b>	<b>4,834,095</b>	<b>777,331</b>	<b>777,331</b>
Business-type activities						
Sewer	86,212	85,812	-	-	(400)	(400)
Tianguis	168,577	130,680	-	38,816	919	919
Refuse	314,377	334,110	-	-	19,733	19,733
<b>Total business-type activities</b>	<b>569,166</b>	<b>550,602</b>	<b>-</b>	<b>38,816</b>	<b>20,252</b>	<b>20,252</b>
<b>Total primary government</b>	<b>\$ 6,239,237</b>	<b>\$ 915,393</b>	<b>\$ 1,248,516</b>	<b>\$ 4,872,911</b>	<b>777,331</b>	<b>797,583</b>

**General revenue:**

Taxes:	
Sales taxes	955,335
Franchise taxes	21,777
Bed taxes	349,503
Restaurant tax	281,249
State sales tax revenue sharing	441,973
Auto lieu tax revenue sharing	201,658
State revenue sharing	831,775
Interest income	37,088
Gain on disposal of capital assets	18,103
Miscellaneous	14,874
<b>Total general revenue</b>	<b>3,153,335</b>
Change in net assets	3,930,666
Net assets, July 1, 2008	8,759,200
Net assets, June 30, 2009	\$ 12,689,866
	\$ 2,137,829
	\$ 14,827,695

See accompanying notes to financial statements.

**TOWN OF GUADALUPE, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

	General Fund	HURF/LTAF Fund	Community Development Grants Fund	Community Service Grants Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,187,476	\$ 373,861	\$ -	\$ -	\$ 1,880,004	\$ -	\$ 3,441,341
Accounts receivable - net	36,094	-	-	-	-	-	36,094
Taxes receivable	20,807	-	-	-	-	-	20,807
Interest receivable	2,583	446	-	-	3,503	-	6,532
Miscellaneous receivables	15,281	-	135,174	-	-	-	150,455
Due from other governments	139,580	30,068	236,803	118,983	-	-	525,434
Prepaid expenses	11,419	3,280	20,251	596	-	-	35,546
Due from other funds	107,783	-	-	-	-	-	107,783
<b>Total assets</b>	<b>\$ 1,521,023</b>	<b>\$ 407,655</b>	<b>\$ 392,228</b>	<b>\$ 119,579</b>	<b>\$ 1,883,507</b>	<b>\$ -</b>	<b>\$ 4,323,992</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ 181,708	\$ 17,178	\$ 249,369	\$ 19,689	\$ -	\$ -	\$ 467,944
Accrued expenses	46,002	7,380	5,675	21,661	-	-	80,718
Court bonds payable	58,021	-	-	-	-	-	58,021
Due to other funds	-	-	51,591	56,192	-	-	107,783
Deferred revenue	1,165,088	-	161,448	22,037	-	-	1,348,573
<b>Total liabilities</b>	<b>1,450,819</b>	<b>24,558</b>	<b>468,083</b>	<b>119,579</b>	<b>-</b>	<b>-</b>	<b>2,063,039</b>
<b>Fund balances</b>							
Reserved for:							
Capital acquisitions	86,994	11,357	-	-	-	-	98,351
Unreserved, reported in:							
General fund	(16,790)	-	-	-	-	-	(16,790)
Special revenue funds	-	371,740	(75,855)	-	-	-	295,885
Capital projects funds	-	-	-	-	1,883,507	-	1,883,507
<b>Total fund balances</b>	<b>70,204</b>	<b>383,097</b>	<b>(75,855)</b>	<b>-</b>	<b>1,883,507</b>	<b>-</b>	<b>2,260,953</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,521,023</b>	<b>\$ 407,655</b>	<b>\$ 392,228</b>	<b>\$ 119,579</b>	<b>\$ 1,883,507</b>	<b>\$ -</b>	<b>\$ 4,323,992</b>

*See accompanying notes to financial statements.*

**TOWN OF GUADALUPE, ARIZONA**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**Governmental Funds**  
**June 30, 2009**

Fund balances--total governmental funds		\$ 2,260,953
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		13,663,646
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
CDBG grant receivable	118,661	
HOME loan note receivables	<u>1,854,878</u>	
		1,973,539
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds		
HOME loan deferred revenue	(1,854,878)	
Compensated absences	(118,955)	
Capital leases payable	(139,439)	
Bonds payable	<u>(3,095,000)</u>	
		<u>(5,208,272)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 12,689,866</u></u>

*See accompanying notes to financial statements.*

**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**Year Ended June 30, 2009**

	General Fund	HURF/LTAF Fund	Community Development Grants Fund	Community Service Grants Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Fund
<b>Revenue</b>							
Intergovernmental	\$ 1,688,025	\$ 366,572	\$ 690,258	\$ 429,834	\$ -	\$ -	\$ 3,174,689
Taxes	1,607,864	-	-	-	30,088	-	1,637,952
Fines and forfeitures	158,365	-	-	-	-	-	158,365
Charges for services	90,962	-	-	-	-	-	90,962
Other revenue	14,874	-	18,090	4,841	-	-	37,805
Interest	12,098	3,383	-	-	21,607	-	37,088
Licenses and permits	36,878	-	-	-	-	-	36,878
<b>Total revenue</b>	<b>3,609,066</b>	<b>369,955</b>	<b>708,348</b>	<b>434,675</b>	<b>51,695</b>	<b>-</b>	<b>5,173,739</b>
<b>Expenditures</b>							
Current							
Public safety	2,329,800	-	-	-	-	-	2,329,800
General government	976,625	-	-	-	24,354	2,160	1,003,139
Community development	76,218	-	385,279	317,512	-	-	779,009
Public works and streets	15,181	463,474	-	-	-	-	478,655
Health and welfare	-	-	-	256,549	-	-	256,549
Culture and recreation	116,720	-	-	-	-	-	116,720
Debt Service							
Principal	38,280	-	-	-	-	180,000	218,280
Interest	9,260	-	-	-	-	140,525	149,785
Capital outlay	76,031	98,595	350,714	-	616	-	525,956
<b>Total expenditures</b>	<b>3,638,115</b>	<b>562,069</b>	<b>735,993</b>	<b>574,061</b>	<b>24,970</b>	<b>322,685</b>	<b>5,857,893</b>
Excess (deficiency) of revenue over (under) expenditures	(29,049)	(192,114)	(27,645)	(139,386)	26,725	(322,685)	(684,154)
<b>Other financing sources (uses)</b>							
Capital lease acquisition	20,745	-	-	-	-	-	20,745
Sale of assets	57,882	57,875	-	-	-	-	115,757
Transfers in	-	-	7,171	139,386	-	322,685	469,242
Transfers out	(469,242)	-	-	-	-	-	(469,242)
<b>Total other financing sources (uses)</b>	<b>(390,615)</b>	<b>57,875</b>	<b>7,171</b>	<b>139,386</b>	<b>-</b>	<b>322,685</b>	<b>136,502</b>
<b>Net change in fund balances</b>	<b>(419,664)</b>	<b>(134,239)</b>	<b>(20,474)</b>	<b>-</b>	<b>26,725</b>	<b>-</b>	<b>(547,652)</b>
Fund balances, July 1, 2008	489,868	517,336	(55,381)	-	1,856,782	-	2,808,605
<b>Fund balances, June 30, 2009</b>	<b>\$ 70,204</b>	<b>\$ 383,097</b>	<b>\$ (75,855)</b>	<b>\$ -</b>	<b>\$ 1,883,507</b>	<b>\$ -</b>	<b>\$ 2,260,953</b>

*See accompanying notes to 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, 2009**

Net change in fund balances--total governmental funds \$ (547,652)  
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	\$ 525,956	
Depreciation expense	(405,785)	
		120,171

In the Statement of Activities, only the gain/loss on the sale  
of capital assets is reported whereas in the governmental  
funds, the proceeds from the sale increase financial  
resources. Thus, the change in net assets differ from the  
change in fund balance by the book value of the capital  
assets sold. (239,224)

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

Contribution of land	4,422,971	
Prior year unavailable grant funds	(132,737)	
Current year unavailable grant funds	118,661	
		4,408,895

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

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

Debt principal repayments	218,280	
Capital asset acquisition	(20,745)	
Net change in compensated absences	(9,059)	
		188,476

**Change in net assets of governmental activities \$ 3,930,666**

*See accompanying notes to financial statements.*

**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2009**

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,162,999	\$ 26,546	\$ 27,178	\$ 1,216,723
Accounts receivable - net	-	5,528	-	5,528
Interest receivable	2,062	-	-	2,062
Prepaid expenses	127	582	354	1,063
Due from other governments	4,611	-	28,307	32,918
<b>Total current assets</b>	<u>1,169,799</u>	<u>32,656</u>	<u>55,839</u>	<u>1,258,294</u>
Noncurrent assets				
Capital assets, net of accumulated depreciation, where applicable:				
Land	-	84,703	-	84,703
Utilities systems, net	518,753	-	-	518,753
Buildings, net	-	330,654	-	330,654
<b>Total noncurrent assets</b>	<u>518,753</u>	<u>415,357</u>	<u>-</u>	<u>934,110</u>
<b>Total assets</b>	<u>1,688,552</u>	<u>448,013</u>	<u>55,839</u>	<u>2,192,404</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	19	11,041	26,666	37,726
Accrued expenses	708	1,493	-	2,201
Refundable deposits	-	9,981	-	9,981
Compensated absences - current portion	2,862	1,338	-	4,200
<b>Total current liabilities</b>	<u>3,589</u>	<u>23,853</u>	<u>26,666</u>	<u>54,108</u>
Noncurrent liabilities				
Compensated absences	318	149	-	467
<b>Total liabilities</b>	<u>3,907</u>	<u>24,002</u>	<u>26,666</u>	<u>54,575</u>
Net assets				
Invested in capital assets, net of related debt	518,753	415,357	-	934,110
Unrestricted (deficit)	1,165,892	8,654	29,173	1,203,719
<b>Total net assets</b>	<u>\$ 1,684,645</u>	<u>\$ 424,011</u>	<u>\$ 29,173</u>	<u>\$ 2,137,829</u>

*See accompanying notes to financial statements.*

**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Revenue, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2009**

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
<b>Operating revenues</b>				
Charges for services	\$ 85,812	\$ -	\$ 334,110	\$ 419,922
Rents (net of bad debt of \$5,000)	-	130,680	-	130,680
<b>Total operating revenues</b>	<u>85,812</u>	<u>130,680</u>	<u>334,110</u>	<u>550,602</u>
<b>Operating expenses</b>				
Advertising	-	2,050	-	2,050
Depreciation	45,521	50,450	-	95,971
Insurance	768	3,746	2,025	6,539
Materials and supplies	-	2,300	-	2,300
Miscellaneous	9	-	-	9
Personnel	21,426	40,555	-	61,981
Professional services	240	2,267	302,920	305,427
Repairs and maintenance	3,689	14,617	9,432	27,738
Utilities	224	52,592	-	52,816
<b>Total operating expenses</b>	<u>71,877</u>	<u>168,577</u>	<u>314,377</u>	<u>554,831</u>
<b>Operating income (loss)</b>	<u>13,935</u>	<u>(37,897)</u>	<u>19,733</u>	<u>(4,229)</u>
<b>Nonoperating revenue</b>				
Investment expense	(14,335)	-	-	(14,335)
Investment income	12,718	-	-	12,718
<b>Total nonoperating revenue</b>	<u>(1,617)</u>	<u>-</u>	<u>-</u>	<u>(1,617)</u>
<b>Income (loss) before contributions gains, losses, and transfers</b>	12,318	(37,897)	19,733	(5,846)
Capital grant contributions	-	38,816	-	38,816
<b>Increase (decrease) in net assets</b>	12,318	919	19,733	32,970
Total net assets, July 1, 2008	<u>1,672,327</u>	<u>423,092</u>	<u>9,440</u>	<u>2,104,859</u>
<b>Total net assets, June 30, 2009</b>	<u>\$ 1,684,645</u>	<u>\$ 424,011</u>	<u>\$ 29,173</u>	<u>\$ 2,137,829</u>

*See accompanying notes to financial statements.*

**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2009**

Business-type Activities--Enterprise Funds

	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 85,776	\$ 139,339	\$ 331,289	\$ 556,404
Payments to suppliers and providers of goods and services	(5,124)	(82,044)	(317,605)	(404,773)
Payments to employees	(21,212)	(47,263)	-	(68,475)
<b>Net cash provided by (used by) operating activities</b>	<u>59,440</u>	<u>10,032</u>	<u>13,684</u>	<u>83,156</u>
<b>Cash flows from noncapital financing activities:</b>				
Repayment of interfund loans	-	(25,523)	-	(25,523)
<b>Net cash provided by (used by) noncapital financing activities</b>	<u>-</u>	<u>(25,523)</u>	<u>-</u>	<u>(25,523)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	-	(39,379)	-	(39,379)
Proceeds from capital grants	-	81,416	-	81,416
<b>Net cash provided by (used by) capital and related financing activities</b>	<u>-</u>	<u>42,037</u>	<u>-</u>	<u>42,037</u>
<b>Cash flows from investing activities:</b>				
Interest received on investments	833	-	-	833
<b>Net cash provided by (used by) investing activities</b>	<u>833</u>	<u>-</u>	<u>-</u>	<u>833</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	60,273	26,546	13,684	100,503
Cash and cash equivalents, July 1, 2008	<u>1,102,726</u>	<u>-</u>	<u>13,494</u>	<u>1,116,220</u>
<b>Cash and cash equivalents, June 30, 2009</b>	<u>\$ 1,162,999</u>	<u>\$ 26,546</u>	<u>\$ 27,178</u>	<u>\$ 1,216,723</u>

*See accompanying notes to financial statements.*

**TOWN OF GUADALUPE, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2009**  
*(Continued)*

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
<b>Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:</b>				
Operating income (loss)	\$ 13,935	\$ (37,897)	\$ 19,733	\$ (4,229)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	45,521	50,450	-	95,971
Bad debt	-	5,000	-	5,000
(Increase) decrease in:				
Accounts receivable	-	8,698	-	8,698
Due from other governments	(36)	-	(2,821)	(2,857)
Prepaid expenses	(127)	(582)	(354)	(1,063)
Increase (decrease) in:				
Accounts payable	(67)	(3,890)	(2,874)	(6,831)
Accrued expenses	94	(6,126)	-	(6,032)
Compensated absences payable	120	(582)	-	(462)
Refundable deposits	-	(5,039)	-	(5,039)
<b>Net cash provided by (used by) operating activities</b>	<u>\$ 59,440</u>	<u>\$ 10,032</u>	<u>\$ 13,684</u>	<u>\$ 83,156</u>

*See accompanying notes to financial statements.*

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2009**

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

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

**A. Reporting Entity**

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

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

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

**B. Basis of Presentation**

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

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2009**

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2009**

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

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

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

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

The Town reports the following major enterprise funds:

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

**C. Basis of Accounting**

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

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

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2009**

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

**D. Cash and Investments**

For purposes of its statement of cash flows, the Town considers only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

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

**E. Allowance for Uncollectible Accounts**

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the Town. The amount recorded as uncollectible at June 30, 2009 for the Tianguis Economic Development Fund was \$54,000.

**F. Property Tax Calendar**

The Town does not levy property taxes.

**G. Capital Assets**

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

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

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

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2009**

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

**H. Investment Income**

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

**I. 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.

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

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

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

*Deposits* – At June 30, 2009, the carrying amount of the Town's total nonpooled cash in bank was \$118,268, and the bank balance was \$398,637. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held by the Town's agent in the Town's name.

*Investments* – The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the

**TOWN OF GUADALUPE, ARIZONA**

**Notes to Financial Statements**

**June 30, 2009**

***NOTE 2 – DEPOSITS AND INVESTMENT S – Continued***

value of that participant’s pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk. All other investments were insured or registered in the Town’s name, or were held by the Town or its agent in the Town’s name. At June 30, 2009 investments in the State Treasurer’s investment pool totaled \$4,532,861, which equaled its fair value.

***NOTE 3 – DUE FROM OTHER GOVERNMENTS***

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

	General Fund	HURF/LTAF Fund	Community Development Grants Fund	Community Service Grants Fund
State of Arizona	\$ 139,580	\$ 30,068	\$ 25,000	\$ 83,833
Maricopa County	-	-	182,637	2,097
Other governments	-	-	29,166	33,053
	\$ 139,580	\$ 30,068	\$ 236,803	\$ 118,983

Due from other governments for the Sewer and Refuse Funds consisted of amounts due from the City of Tempe totaling \$4,611 and \$28,307, respectively.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 282,575	\$ -	\$ (282,575)	\$ -
Land	2,838,259	4,422,971	(190,556)	7,070,674
<b>Total capital assets not       being depreciated</b>	<u>3,120,834</u>	<u>4,422,971</u>	<u>(473,131)</u>	<u>7,070,674</u>
Capital assets being depreciated:				
Building and building improvements	3,877,516	-	-	3,877,516
Land improvements	477,404	31,729	(4,496)	504,637
Equipment	2,197,167	44,302	(338,448)	1,903,021
Street lights	49,361	-	-	49,361
Streets	2,211,320	99,211	-	2,310,531
Curbs and gutters	1,967,119	633,289	-	2,600,408
<b>Total</b>	<u>10,779,887</u>	<u>808,531</u>	<u>(342,944)</u>	<u>11,245,474</u>
Less accumulated depreciation for:				
Building and building improvements	(1,715,537)	(86,670)	-	(1,802,207)
Land improvements	(261,899)	(36,194)	4,495	(293,598)
Equipment	(1,494,360)	(165,407)	289,780	(1,369,987)
Street lights	(6,174)	(1,234)	-	(7,408)
Streets	(823,090)	(56,735)	-	(879,825)
Curbs and gutters	(239,932)	(59,545)	-	(299,477)
<b>Total</b>	<u>(4,540,992)</u>	<u>(405,785)</u>	<u>294,275</u>	<u>(4,652,502)</u>
<b>Total capital assets being depreciated, net</b>	<u>6,238,895</u>	<u>402,746</u>	<u>(48,669)</u>	<u>6,592,972</u>
Governmental activities capital assets, net	<u>\$ 9,359,729</u>	<u>\$ 4,825,717</u>	<u>\$ (521,800)</u>	<u>\$ 13,663,646</u>

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 4 – CAPITAL ASSETS – Continued**

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 84,703	\$ -	\$ -	\$ 84,703
<b>Total capital assets not       being depreciated</b>	<u>84,703</u>	<u>-</u>	<u>-</u>	<u>84,703</u>
Capital assets being depreciated:				
Utility systems	1,786,122	-	-	1,786,122
Equipment	27,401	-	-	27,401
Buildings	25,000	-	-	25,000
Building improvements	475,524	39,379	-	514,903
<b>Total</b>	<u>2,314,047</u>	<u>39,379</u>	<u>-</u>	<u>2,353,426</u>
Less accumulated depreciation for:				
Utility systems	(1,221,848)	(45,521)	-	(1,267,369)
Equipment	(27,401)	-	-	(27,401)
Buildings	(24,377)	(623)	-	(25,000)
Building improvements	(134,422)	(49,827)	-	(184,249)
<b>Total</b>	<u>(1,408,048)</u>	<u>(95,971)</u>	<u>-</u>	<u>(1,504,019)</u>
<b>Total capital assets being depreciated, net</b>	<u>905,999</u>	<u>(56,592)</u>	<u>-</u>	<u>849,407</u>
Business-type activities capital assets, net	<u>\$ 990,702</u>	<u>\$ (56,592)</u>	<u>\$ -</u>	<u>\$ 934,110</u>

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 4 – CAPITAL ASSETS – Continued**

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 50,864
Public safety	105,581
Highways and streets	173,462
Culture and recreation	227
Community development	36,183
Health and welfare	39,468
	<hr/>
Total governmental activities depreciation expense	\$ 405,785
	<hr/> <hr/>
Business-type activities:	
Tianguis center	\$ 50,450
Sewer	45,521
	<hr/>
Total business-type activities depreciation expense	\$ 95,971
	<hr/> <hr/>

**NOTE 5 – DEFERRED REVENUE**

The Town has received contract payments for the lease of billboard space with a term of 20-years. The Town recognizes revenue annually at 1/20<sup>th</sup> of the contract price. The remaining amount is recorded as deferred revenue that will be recognized over the life of the contract. The amount recorded as deferred revenue for the billboard contract at June 30, 2009 is \$797,500.

On the government-wide statement of net assets, the Town also recognizes notes receivable from individuals who are part of the Home Investment Partnership Program (HOME). Through the HOME program, qualifying families receive funding towards buying a home. The Town, in turn, places a lien on the property for the amount of HOME funds the family receives. The Town forgives a portion of the HOME funds on a straight-line basis over the life of the lien. If the family sells the home before the entire amount of the lien has been forgiven, the remaining amount of the HOME funds not already forgiven must be paid back to the Town. The total amount of unforgiven HOME loans at June 30, 2009 was \$1,854,878. The Town, in turn, has recorded \$1,854,878 of deferred revenue from these unforgiven HOME loans.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 6 – LONG-TERM LIABILITIES**

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

Bonds outstanding at June 30, 2009, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding June 30, 2009
Revenue bonds	\$ 3,445,000	2008-2022	2.25 - 4.75%	<u>\$ 3,095,000</u>

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2009.

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within 1 year
Governmental activities:					
Compensated absences	\$ 109,896	\$ 9,059	\$ -	\$ 118,955	\$ 107,060
Capital leases payable	156,974	20,745	38,280	139,439	41,903
Bonds payable	3,275,000	-	180,000	3,095,000	-
Governmental activities long-term liabilities	<u>\$ 3,541,870</u>	<u>\$ 29,804</u>	<u>\$ 218,280</u>	<u>\$ 3,353,394</u>	<u>\$ 148,963</u>
Business-type activities:					
Compensated absences	\$ 5,129	\$ -	\$ 462	\$ 4,667	\$ 4,200
Business-type activities long-term liabilities	<u>\$ 5,129</u>	<u>\$ -</u>	<u>\$ 462</u>	<u>\$ 4,667</u>	<u>\$ 4,200</u>

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 6 – LONG-TERM LIABILITIES – Continued**

The following schedule details debt service requirements to maturity for the Town's bonds payable at June 30, 2009.

Year Ending June 30	Governmental Activities	
	Revenue Bonds Payable	
	Principal	Interest
2010	\$ -	\$ 137,681
2011	185,000	130,831
2012	190,000	123,331
2013	200,000	115,531
2014	205,000	107,431
2015-19	1,175,000	398,555
2020-23	1,140,000	110,703
Total	\$ 3,095,000	\$ 1,124,063

In prior years, the Town defeased a revenue bond by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bond. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the Town's financial statements. At June 30, 2009, outstanding defeased revenue bonds totaled \$1,375,000.

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

The assets acquired through capital lease are as follows:

	Governmental Activities
Copier	\$ 20,745
Wireless network	171,290
Fire truck	381,618
	573,653
Less: accumulated depreciation	(239,481)
Carrying value	\$ 334,172

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2009**

***NOTE 6 – LONG-TERM LIABILITIES – Continued***

The following schedule details debt service requirements to maturity for the Town's capital leases payable at June 30, 2009.

Year Ending June 30	Governmental Activities
2010	\$ 49,594
2011	49,594
2012	49,594
2013	4,929
2014	2,054
Total minimum lease payments	155,765
Less amount representing interest	(16,326)
Present value of net minimum lease payments	\$ 139,439

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

General government	\$ 811
Public safety	8,449
Highways and streets	140,525
Total interest expense	\$ 149,785

***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, 2009**

**NOTE 8 – RETIREMENT PLANS**

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

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

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

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

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

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

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

*Cost-sharing plans* – For the year ended June 30, 2009, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2009, 2008, and 2007, were \$85,172, \$79,364, and \$82,738, respectively, which were equal to the required contributions for the year.

*Agent plans* – For the year ended June 30, 2009, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 11.80 percent.

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 8 – RETIREMENT PLANS – Continued**

Annual Pension Cost – The Town’s pension cost for the agent plan for the year ended June 30, 2009, and related information follows:

	PSPRS
Contribution rates:	
Town	11.80%
Plan members	7.65%
Annual pension cost	\$ 53,424
Contributions made	\$ 53,424

The current-year annual required contributions for the PSPRS were determined as part of its revised June 30, 2009, actuarial valuation, however, information about the valuation was not available as of the issue date of this report. The following information presents the June 30, 2008 actuarial valuation which was presented using the projected unit credit method. The actuarial assumptions included (a) 8.50 percent investment rate of return and (b) projected salary increases ranging from 5.50 percent to 9.00 percent per year. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was 28 years closed for unfunded actuarial accrued liability, and 20 years open for the excess.

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

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2009	\$ 53,424	100 %	\$ -
	2008	30,060	100	-
	2007	24,789	100	-

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 9 – INTERFUND BALANCES AND ACTIVITY**

Interfund receivables and payables – Interfund balances at June 30, 2009, were as follows:

Payable from	Payable to General Fund
Community Services Grants Fund	\$ 56,192
Community Development Grants Fund	51,591
	\$ 107,783

Interfund transfers – Interfund transfers for the year ended June 30, 2009, were as follows:

Transfer From	Transfer to			Total
	Community Development Grants Fund	Community Service Grants Fund	Debt Service Fund	
General Fund	\$ 7,171	\$ 139,386	\$ 322,685	\$ 469,242

The purpose of the interfund transfers shown above to the Community Development Grants Fund and the Community Service Grants Fund were to help pay for expenditures not reimbursable under grant contracts. The purpose of the transfer to the Debt Service Fund was to pay for debt service expenditures related to the GADA revenue bonds (see Note 6).

**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, 2009 through February 28, 2010. Payments under the current contract for the year ended June 30, 2009, were \$263,199. The total obligation under contract for the fiscal year ended June 30, 2010 is approximately \$167,128.

**Public Safety** – The Town of Guadalupe entered into a contract with the Maricopa County Sheriff’s Department for public safety services for three years beginning July 1, 2007. Annual costs for services under the contract are revised each 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, 2009, the Town paid the County Sheriff \$1,205,046 and has agreed to monthly installments of \$100,740 for the 2010 fiscal year. Under the contract, a notice of termination of contract may be given by either party 180 days prior to the date of intended termination.

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 2,220,426	\$ 2,220,426	\$ 1,688,025	\$ (532,401)
Taxes	1,964,500	1,964,500	1,607,864	(356,636)
Fines and forfeitures	230,000	230,000	158,365	(71,635)
Charges for services	75,000	75,000	90,962	15,962
Other revenue	31,771	31,771	14,874	(16,897)
Interest	50,000	50,000	12,098	(37,902)
Licenses and permits	39,000	39,000	36,878	(2,122)
<b>Total revenue</b>	<u>4,610,697</u>	<u>4,610,697</u>	<u>3,609,066</u>	<u>(1,001,631)</u>
<b>Expenditures</b>				
Current				
Public safety	2,989,153	2,989,153	2,329,800	659,353
General government	710,087	710,087	976,625	(266,538)
Community development	89,265	89,265	76,218	13,047
Public works and streets	86,180	86,180	15,181	70,999
Culture and recreation	203,032	203,032	116,720	86,312
Debt Service				
Principal	-	-	38,280	(38,280)
Interest	-	-	9,260	(9,260)
Capital outlay	4,481	4,481	76,031	(71,550)
<b>Total expenditures</b>	<u>4,082,198</u>	<u>4,082,198</u>	<u>3,638,115</u>	<u>444,083</u>
Excess (deficiency) of revenue over expenditures	528,499	528,499	(29,049)	(557,548)
<b>Other financing sources (uses)</b>				
Capital lease acquisition	-	-	20,745	20,745
Sale of assets	-	-	57,882	57,882
Transfers out	(528,500)	(528,500)	(469,242)	59,258
<b>Total other financing sources (uses)</b>	<u>(528,500)</u>	<u>(528,500)</u>	<u>(390,615)</u>	<u>137,885</u>
<b>Net changes in fund balances</b>	(1)	(1)	(419,664)	(419,663)
Fund balances, July 1, 2008	489,868	489,868	489,868	-
<b>Fund balances, June 30, 2009</b>	<u>\$ 489,867</u>	<u>\$ 489,867</u>	<u>\$ 70,204</u>	<u>\$ (419,663)</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**HURF/LTAF Fund**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 615,937	\$ 615,937	\$ 366,572	\$ (249,365)
Interest	-	-	3,383	3,383
<b>Total revenue</b>	<u>615,937</u>	<u>615,937</u>	<u>369,955</u>	<u>(245,982)</u>
<b>Expenditures</b>				
Current				
Public works and streets	819,143	819,143	463,474	355,669
Capital outlay	-	-	98,595	(98,595)
<b>Total expenditures</b>	<u>819,143</u>	<u>819,143</u>	<u>562,069</u>	<u>257,074</u>
Excess (deficiency) of revenue over expenditures	(203,206)	(203,206)	(192,114)	11,092
<b>Other financing sources (uses)</b>				
Sale of assets	-	-	57,875	57,875
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>57,875</u>	<u>57,875</u>
<b>Net changes in fund balances</b>	(203,206)	(203,206)	(134,239)	68,967
Fund balances, July 1, 2008	<u>517,336</u>	<u>517,336</u>	<u>517,336</u>	<u>-</u>
<b>Fund balances, June 30, 2009</b>	<u>\$ 314,130</u>	<u>\$ 314,130</u>	<u>\$ 383,097</u>	<u>\$ 68,967</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Community Development Grants Fund**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 1,317,490	\$ 1,317,490	\$ 690,258	\$ (627,232)
Other revenue	-	-	18,090	18,090
<b>Total revenue</b>	<u>1,317,490</u>	<u>1,317,490</u>	<u>708,348</u>	<u>(609,142)</u>
<b>Expenditures</b>				
Current				
Community development	1,337,020	1,337,020	385,279	951,741
Capital outlay	-	-	350,714	(350,714)
<b>Total expenditures</b>	<u>1,337,020</u>	<u>1,337,020</u>	<u>735,993</u>	<u>601,027</u>
Excess (deficiency) of revenue over expenditures	(19,530)	(19,530)	(27,645)	(8,115)
<b>Other financing sources (uses)</b>				
Transfers in	19,530	19,530	7,171	(12,359)
<b>Total other financing sources (uses)</b>	<u>19,530</u>	<u>19,530</u>	<u>7,171</u>	<u>(12,359)</u>
<b>Net changes in fund balances</b>	-	-	(20,474)	(20,474)
Fund balances, July 1, 2008	(55,381)	(55,381)	(55,381)	-
<b>Fund balances, June 30, 2009</b>	<u>\$ (55,381)</u>	<u>\$ (55,381)</u>	<u>\$ (75,855)</u>	<u>\$ (20,474)</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Community Service Grants Fund**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 588,418	\$ 588,418	\$ 429,834	\$ (158,584)
Other revenue	-	-	4,841	4,841
<b>Total revenue</b>	<u>588,418</u>	<u>588,418</u>	<u>434,675</u>	<u>(153,743)</u>
<b>Expenditures</b>				
Current				
Community development	-	-	317,512	(317,512)
Health and welfare	778,838	778,838	256,549	522,289
<b>Total expenditures</b>	<u>778,838</u>	<u>778,838</u>	<u>574,061</u>	<u>204,777</u>
Excess (deficiency) of revenue over expenditures	(190,420)	(190,420)	(139,386)	51,034
<b>Other financing sources (uses)</b>				
Transfers in	184,890	184,890	139,386	(45,504)
<b>Total other financing sources (uses)</b>	<u>184,890</u>	<u>184,890</u>	<u>139,386</u>	<u>(45,504)</u>
<b>Net changes in fund balances</b>	(5,530)	(5,530)	-	5,530
Fund balances, July 1, 2008	-	-	-	-
<b>Fund balances, June 30, 2009</b>	<u>\$ (5,530)</u>	<u>\$ (5,530)</u>	<u>\$ -</u>	<u>\$ 5,530</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2009**

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

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

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

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

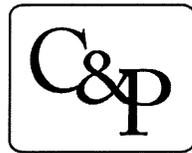
The Town's budget is prepared on a basis consistent with generally accepted accounting principles.

**TOWN OF GUADALUPE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Agent Retirement Plans' Funding Progress**  
**June 30, 2009**

Public Safety Personnel Retirement System

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
06/30/08	\$ 509,696	\$ 1,117,991	\$ (608,295)	45.6 %	\$ 454,750	133.8 %
06/30/07	766,618	843,353	(76,735)	90.9	441,819	17.4
06/30/06	694,085	611,950	82,135	113.4	394,012	-

**SINGLE AUDIT ACT REPORTS SECTION**



COLBY &  
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Town Council  
Town of Guadalupe, Arizona

We have audited the 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, 2009, which collectively comprise the Town of Guadalupe, Arizona's basic financial statements and have issued our report thereon dated November 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Town of Guadalupe,

Arizona's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Town of Guadalupe, Arizona's financial statements that is more than inconsequential will not be prevented or detected by Town of Guadalupe, Arizona's internal control. We consider the deficiencies with reference numbers **2009-01** to **2009-02** described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Town of Guadalupe, Arizona's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items **2009-01** to **2009-02** to be material weaknesses.

### **Compliance and Other Matters**

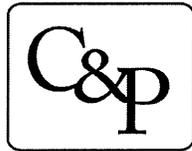
As part of obtaining reasonable assurance about whether the Town of Guadalupe, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with a certain provisions of laws, regulations, contracts, and loan agreements, noncompliance with which could have a direct 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*.

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

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



November 2, 2009



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**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Town Council  
Town of Guadalupe, Arizona

**Compliance**

We have audited the compliance of the Town of Guadalupe, Arizona, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Town of Guadalupe, Arizona's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Town of Guadalupe, Arizona's management. Our responsibility is to express an opinion on the Town of Guadalupe, Arizona's compliance based on our audit.

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

In our opinion, the Town of Guadalupe, Arizona, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

## **Internal Control over Compliance**

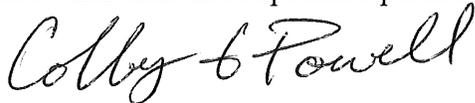
The management of the Town of Guadalupe, Arizona, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Guadalupe,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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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



November 2, 2009

**TOWN OF GUADALUPE, ARIZONA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass through Grantor's Number	Disbursements/ Expenditures
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed through Maricopa County Human Services:			
Temporary assistance for needy families	93.558	C-22-08-071-2	\$ 32,644
Low-income energy assistance	93.568	C-22-08-071-2	20,829
Social services block grant	93.667	C-22-08-071-2	6,382
Community services block grant	93.569	C-22-08-071-2	4,405
Passed through Area Agency on Aging:			
Aging cluster:			
Title III-b	93.044	2009-21-GUA	29,937
Title III-c	93.045	2009-21-GUA	36,001
Total aging cluster			65,938
Nutrition services incentive program	93.053	2009-21-GUA	9,939
Aging Home-Delivered Nutrition Services for States	93.705	2009-21-GUA	4,461
Social services block grant	93.667	2009-21-GUA	4,218
Aging Congregate Nutrition Services for States	93.707	2009-21-GUA	1,599
Total U.S. Department Health and Human Services			150,415
<b><u>U.S. Department of Agriculture</u></b>			
Passed through the Office of Economic Development and Empowerment Services:			
Rural self-help housing technical assistance	10,420	--	147,056
Total U.S. Department of Agriculture			147,056
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Economic development initiative-special project	14.251	B-04-SP-AZ-0047	38,816
Passed through Maricopa County Community Development:			
Home investment partnership program	14.239	UC0707	84,537
Home investment partnership program	14.239	UC0807	93,876
Community development block grant	14.218	DG0704	186,036
Community development block grant	14.218	DG0804	164,678
Total U.S. Department of Housing and Urban Development			567,943
<b><u>Corporation For National and Community Services</u></b>			
Passed through the State of Arizona Division of Volunteerism:			
Americorps	94.006	AC-VSG-07-9273-03Y2	54,911
Americorps	94.006	AC-VSG-07-9273-03Y3	91,016
Americorps	94.006	AC-REC-09-0120-03	22,676
Total Corporation For National and Community Services			168,603
Total Federal Assistance			\$ 1,034,017

**TOWN OF GUADALUPE, ARIZONA**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2009**

***NOTE 1 – BASIS OF PRESENTATION***

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

**TOWN OF GUADALUPE, ARIZONA**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2009**

<b>Section 1</b>	<b>Summary Of Auditors' Results</b>
<i>Financial Statements</i>	
1. Type of auditor's report issued	Unqualified
2. Internal control over financial reporting:	
a. Material weaknesses?	Yes
b. Significant deficiencies identified not considered to be material weaknesses?	No
c. Noncompliance material to the financial statements noted?	None
<i>Federal Awards</i>	
1. Internal control over major program:	
a. Material weaknesses identified?	None
b. Significant deficiencies identified not considered to be material weaknesses?	None
2. Type of auditor's report issued on compliance for major program:	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510 (a)?	No
4. Identification of major program:	
<u>Name of Federal Program</u>	<u>CFDA Number</u>
Community Development Block Grant	14.218
Americorps	94.006
5. Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	Yes

**TOWN OF GUADALUPE, ARIZONA**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2009**

**Financial Statement Findings**

Audit findings and responses are as follows:

***Item: 2009-01***

*Subject:* Purchasing policies and procedures.

*Criteria/Specific Requirements:* As part of the Town's purchasing policy, all purchase orders must be approved by the Town Manager.

*Condition and Effect:* It was determined that not all purchase orders are being approved by the Town Manager, and, therefore, the Town's policy was not being followed consistently. Override of the Town's purchasing policies and procedures could lead to errors and misstatements.

*Recommendation:* Town management and employees should follow the Town's policies and procedures to prevent material misstatements in the accounting records.

*Response:* Management agrees with this finding and will implement procedures to ensure that purchasing policies and procedures are consistently followed.

***Item: 2009-02***

*Subject:* Employee policies and procedures.

*Criteria/Specific Requirements:* The Town should maintain an up-to-date employee policies and procedures manual.

*Condition:* The Town does not have an up-to-date employee policies and procedures manual.

*Effect:* For the year under audit, there was some confusion related to compensated time accruals because the employee policies and procedures manual had not been kept up-to-date.

*Cause:* Employee policies and have not been kept up-to-date.

**TOWN OF GUADALUPE, ARIZONA**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2009**

**Financial Statement Findings – *continued***

*Recommendation:* The Town should maintain an up-to-date employee policies and procedures manual.

*Response:* Management agrees with this finding and will implement procedures to ensure that the employee policies and procedures manual is kept up-to-date.

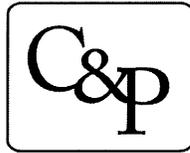
**Federal Award Findings and Questioned Costs**

None

**TOWN OF GUADALUPE, ARIZONA**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2009**

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

No prior year audit findings.



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

To the Town Council  
Town of Guadalupe, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Guadalupe as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 2, 2009.

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

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

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

November 2, 2009