

TOWN OF GUADALUPE, ARIZONA

Annual Financial Statements
and
Independent Auditors' Report
June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Guadalupe, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Guadalupe, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Guadalupe, Arizona, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 to 14 and 43 to 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Guadalupe, Arizona's basic financial statements. The schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2014, on our consideration of the Town of Guadalupe, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Guadalupe, Arizona's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Colby & Powell".

February 4, 2014

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2013

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, 2013. The intended purpose of the Management Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation. When referring to prior year data in this analysis we will be drawing upon information from last year's audited financial reports.

Overview of the Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 15 and 16 of this report.

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

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

The basic governmental fund financial statements can be found on pages 17-20 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the refuse, sewer and commercial center operations. All three funds are considered to be major funds of the Town of Guadalupe, Arizona. The basic proprietary fund financial statements can be both found on pages 21-24 of this report.

Notes to the basic financial statements. The notes to the financial statements (pages 25-42) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

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

Financial Highlight

- ♦ The assets of the governmental activities of the Town of Guadalupe, Arizona exceeded its liabilities at close of the most recent fiscal year by \$15,899,460 (net position). Of this amount \$72,226 is restricted for capital asset acquisition, \$109,985 is restricted for highways and streets, \$762,062 is restricted for the HOME program, \$14,771,393 is invested in capital assets, net of related debt, \$10,715 is restricted for community service programs, \$38,863 is restricted for community development activities and \$134,216 is unrestricted and is available to be used to meet the government's ongoing obligations to citizens and creditors.
- ♦ As of the close of the current fiscal year, Town of Guadalupe, Arizona's governmental funds reported combined ending fund balances of \$482,862 resulting in a decrease of \$158,043 in comparison with prior year. The decrease is entirely the result of capital projects being completed in the amount of \$216,646, while the general fund reflects an increase in fund balance of \$72,970.
- ♦ At the end of the current fiscal year, unassigned fund balance for the general fund reflects a surplus of \$251,073.

The Town's general fund revenues fell short of estimates and were 16% lower than budgeted due to grants budgeted but not received. Local sales tax and state share revenues received were greater than or equal to amounts budgeted. General fund expenses and transfers to other funds were \$995,405 less than budgeted. Because the Town has no property tax, it relies heavily on the current economy for its revenues. With a slight improvement in the economy, the Town budgeted revenues and transfers in for fiscal year 2013 to be \$657,554 higher than prior year actual. Likewise budgeted expenses and transfers out were \$1,259,649 higher than prior year. Due to job growth the state shared personal income taxes received increased by 21%, or \$98,017. Low interest rates on investments continued to yield very low interest revenues as compared to years past. The Town also saw significant increases over prior year in Transient Occupancy and State Sales Taxes. General fund revenues do appear to be rebounding. However, the Town's management and budgetary committees will continue to be conservative after the experience of the past couple of years.

Excess revenues over expenditures were \$435,212 higher than budgeted in the general fund for fiscal year 2013.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2013

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Position of the Town for June 30, 2013 showing that assets exceeded liabilities by \$17,869,271.

Town of Guadalupe, Arizona
Condensed Statement of Net Position
As of June 30, 2013 and 2012

	Governmental Activities	Business-Type Activities	Total	Prior Year June 30, 2012
ASSETS				
Current and other assets	\$ 2,706,231	\$ 1,411,793	\$ 4,118,024	\$ 4,153,550
Capital assets				
Non-depreciable	7,039,174	84,703	7,123,877	7,123,877
Depreciable (net)	10,049,237	536,417	10,585,654	9,875,390
Total assets	<u>19,794,642</u>	<u>2,032,913</u>	<u>21,827,555</u>	<u>21,152,817</u>
LIABILITIES				
Other liabilities	1,578,164	63,102	1,641,266	1,641,798
Non-current liabilities				
Due within one year	2,018	-	2,018	4,611
Due in more than one year	2,315,000	-	2,315,000	2,522,018
Total liabilities	<u>3,895,182</u>	<u>63,102</u>	<u>3,958,284</u>	<u>4,168,427</u>
NET POSITION				
Invested in capital assets, net of related debt	14,771,393	621,120	15,392,513	14,472,638
Restricted for:				
Capital acquisitions	72,226	-	72,226	256,205
Highways and streets	109,985	-	109,985	210,820
Community Service	10,715	-	10,715	-
Community Development	38,863	-	38,863	-
HOME program	762,062	-	762,062	661,658
Unrestricted (deficit)	<u>134,216</u>	<u>1,348,691</u>	<u>1,482,907</u>	<u>1,383,069</u>
Total net position	<u>\$ 15,899,460</u>	<u>\$ 1,969,811</u>	<u>\$ 17,869,271</u>	<u>\$ 16,984,390</u>

The unrestricted net position of the Governmental Activities for the Town of Guadalupe, Arizona has increased to a surplus of \$134,216 from the prior year of \$103,128.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
June 30, 2013

Comparative Analysis of Government-Wide Revenues and Expenses
For the year ended June 30, 2013 and 2012

	Governmental Activities	Business-Type Activities	Total	Prior Year June 30, 2012
REVENUE				
Program revenue:				
Charges for services	\$ 452,270	\$ 523,700	\$ 975,970	\$ 1,034,900
Grants and contributions	2,440,174	-	2,440,174	2,449,816
Total program revenue	2,892,444	523,700	3,416,144	3,484,716
General revenue:				
Sales taxes	1,149,402	-	1,149,402	1,140,834
Franchise tax	23,402	-	23,402	24,605
Bed taxes	334,351	-	334,351	316,824
Restaurant tax	316,354	-	316,354	321,734
State sales tax revenue sharing	452,068	-	452,068	431,569
Auto lieu tax revenue sharing	184,396	-	184,396	176,888
State revenue sharing	564,163	-	564,163	466,145
Interest income	16,652	2,198	18,850	8,774
Gain (loss) on disposal of assets	-	-	-	(20,025)
Miscellaneous	5,326	-	5,326	32,657
Total general revenue	3,046,114	2,198	3,048,312	2,900,005
Total revenue	5,938,558	525,898	6,464,456	6,384,721
EXPENSE				
General government	916,202	-	916,202	911,725
Public safety	2,326,743	-	2,326,743	2,337,477
Public works and streets	718,789	-	718,789	684,409
Culture and recreation	96,261	-	96,261	82,881
Community Development	681,651	-	681,651	951,021
Health and welfare	286,987	-	286,987	320,627
Sewer	-	88,505	88,505	108,920
Tianguis	-	182,813	182,813	161,394
Refuse	-	281,624	281,624	289,982
Total expenses	5,026,633	552,942	5,579,575	5,848,436
Change in net position	911,925	(27,044)	884,881	536,285
Beginning net position	14,987,535	1,996,855	16,984,390	16,448,105
Ending net position	<u>\$ 15,899,460</u>	<u>\$ 1,969,811</u>	<u>\$ 17,869,271</u>	<u>\$ 16,984,390</u>

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

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$482,862, a decrease of \$158,043 in comparison with the prior year. The decrease is directly related to the completion of capital projects such as Solarez improvements and the Senior Center Roof repair. General fund expenses were increased by \$82,607 over prior year and revenues decreased over prior year by \$4,417. General fund balance increased by \$72,970 with a total fund balance of \$251,073. Local sales taxes declined from prior year by \$6,800. However, state shared revenues increased from prior year by \$126,024 covering the local short fall and generating an increase over all in the fund balance. This trend indicates the importance of encouraging local commercial development and promoting current local businesses. While it appears that the state and local economy are improving the Town continues to budget conservatively.

Fund	Balance at	Increase/(Decrease)
	June 30, 2013	From 2011-12
General Fund	\$ 251,073	\$ 72,970
HURF/LTAF	109,985	(100,835)
Comm. Dev. Grants	38,863	43,086
Comm. Serv. Grants	10,715	10,715
Capital Projects Fund	72,226	(183,979)

The general fund is the chief operating fund of the Town of Guadalupe, Arizona. At the end of the current fiscal year, the fund balance of the general fund was a surplus of \$251,073, while the balance of all governmental funds declined to \$482,862.

The fund balance of the Town of Guadalupe, Arizona's general fund increased by \$72,970 during the current fiscal year. Key factors in this change are as follows:

- ♦ Most general fund revenues were over or at budget with the exception of budgeted grants that were not received. Transient Occupancy Tax, Restaurant/Bar, State Sales Tax, Fines and Forfeitures and Rents and Concessions were over budget by a total of \$75,198. However, grants budgeted but not received were under budget by \$878,212.
- ♦ One time revenues are revenues that are not anticipated nor budgeted. Those one time revenues that attributed to the surplus in the general fund included \$39,556 for wildland fires with related expenses of approximately 60% of that amount.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
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- ♦ At year end, the general fund revenues and other financing sources exceeded expenditures by \$443,125. However, transfers from the general fund to pay the bond payment and interest in the amount of \$316,531, from the general fund to the Senior Center in the amount of \$30,205, from the general fund to the Community Action Program in the amount of \$23,421 and resulted in general fund revenues and other financing sources exceeding transfers and expenditures by \$72,970. As a result, the general fund ended the year with a surplus of \$251,073.
- ♦ No departments were materially over budget.

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

Net position of the Refuse, Sewer and Commercial Center Funds at the end of the year amounted to \$204,618, \$1,543,265, and \$221,928, respectively. The total change in net position for the three funds was \$39,607, \$(2,056) and \$(64,595), 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 43-47. These statements compare the original adopted budget, the budget if amended during the fiscal year, and the actual revenues and expenditures.

General fund revenues of \$3,719,472 were less than budgeted revenues of \$4,410,559 by \$691,087 while expenditures of \$3,276,345 were less than budgeted expenses of \$4,402,644 by \$1,126,299. The primary cause in the difference between the actual revenues and expenditures and the budgeted revenues and expenditures was the result of budgeted grants that were not received or spent and planned capital projects that were suspended.

Capital Asset and Debt Administration

The Town's capital assets for its governmental and business-type activities as of June 30, 2013 amounted to \$17,709,531 (net of accumulated depreciation). For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 5 in the Notes to the Basic Financial Statements for further information regarding capital assets. The current year capital asset additions were as follows:

- ♦ The Town in partnership with the Salt River Municipal Aesthetics Program began work on the Highline Canal Improvements Project that will extent a recreational path along the canal that is on the east side of Town and runs from the north side of Avenida del Yaqui south to Mineral Road and will eventually connect to the recreational path in Tempe. The expenditures as of June 30, 2013 amounted to \$28,398.

TOWN OF GUADALUPE, ARIZONA
Management's Discussion and Analysis
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- ♦ The Guadalupe Fire Department in partnership with the Tempe Fire Department received a FEMA grant to purchase digital portable radios. Guadalupe's portion of the grant award for the purchase was \$35,077 and the Town match was \$9,469 for a total of \$44,546.
- ♦ An Air condition was replaced at the Town of Guadalupe Fire Department for \$7,027.
- ♦ The Fire Department's fire engine LaFrance required a major repair/replacement of the truck engine that extended the life of the vehicle for another 5 years costing \$9,023.
- ♦ During the year the Town received gaming funds of \$30,000 from Salt River Pima Maricopa Indian Community for the Fire Department to purchase radio communication equipment necessary for first responders.
- ♦ The Town received CDBG grants in the amount of \$316,750 for curbs and gutters in the Solarez Neighborhood. The Town also contributed an additional \$169,515 in matching funds to total \$486,265.
- ♦ The Town also received CDBG grants in the amount of \$602,439 for Street repaving for the La Cuarenta neighborhood area.
- ♦ The Town used capital project funding to complete minor repairs to both streets and curbs and sidewalks to both of the following streets; Bella Vista and Guadalupe Rd/Sun Circle in the amount of \$13,488.
- ♦ The Town purchased a new Walker Mower for the Town's parks and water basins for \$12,210.
- ♦ The Town's John Deer Backhoe required a major repair that will extend the life another 10 years in the amount of \$21,881.
- ♦ The Town made repairs to the Senior Center roof for \$44,801. The remaining repairs will be made during fiscal year 2014.

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Management's Discussion and Analysis
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The following table provides a breakdown of the capital assets of the Town at June 30, 2013:

Capital Assets at June 30, 2013 and 2012
(Net of accumulated depreciation)

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 7,039,174	\$ 7,039,174	\$ 84,703	\$ 84,703	\$ 7,123,877	\$ 7,123,877
Land and improvements	177,933	198,016	-	-	177,933	198,016
Buildings and improvements	1,893,969	1,959,789	168,998	216,738	2,062,967	2,176,527
Infrastructure	3,152,046	2,638,889	367,419	415,473	3,519,465	3,054,362
Street lights	402,949	428,888	-	-	402,949	428,888
Machinery and equipment	497,799	523,244	-	-	497,799	523,244
Curbs and gutters	3,924,541	3,494,353	-	-	3,924,541	3,494,353
Total	\$ 17,088,411	\$ 16,282,353	\$ 621,120	\$ 716,914	\$ 17,709,531	\$ 16,999,267

Long-term Debt

At the end of the current fiscal year, the Town of Guadalupe, Arizona had total long-term obligations outstanding of \$2,439,960. Of that amount \$2,315,000 outstanding debt is secured by pledges of specific revenue sources of the Town. Capital leases payable amount to \$2,018 and the remaining \$122,942 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, 2013. Further detail on the Town's outstanding debt may be found in Note 7 on pages 36-38.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue bonds	\$ 2,315,000	\$ 2,520,000	\$ -	\$ -	\$ 2,315,000	\$ 2,520,000
Capital leases payable	2,018	6,629	-	-	2,018	6,629
Compensated absences	116,857	160,246	6,085	14,997	122,942	175,243
TOTAL	\$ 2,433,875	\$ 2,686,875	\$ 6,085	\$ 14,997	\$ 2,439,960	\$ 2,701,872

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Economic Factors and Next Year's Budgets and Rates

- ♦ Excluding grant revenue, State Shared Revenue makes up 34% of the Town's general fund revenue. State Shared Revenue is expected to increase by 6.7% or \$80,905 for fiscal year 2014. More than half of this increase is Urban Revenue Sharing (State Income Tax). Urban Revenue Sharing is distributed two years after the State collects the funds. Therefore, this increase indicates that job growth and pay rates increased by 9% in 2012 over 2013 as indicated in the 9% increase in Urban Revenue Sharing distributions. State Shared Sales Tax is forecasted to increase by 6% or by \$27,870. All State Shared Revenue estimates increased by a rate less than half of last year indicating that the Arizona economy continues to grow but at a much slower pace. The Town of Guadalupe management and budget staff remain conservative in estimating revenues.
- ♦ Local Tax Revenue, which makes up 33% of the general fund revenue, is expected to increase by 3% or \$39,611.
- ♦ Because of the slow growth rate of the economy the town council continued to make reductions in expenditures when the 2013-14 budget was prepared. Revenues did exceed expenses and transfers at fiscal year end 2013; therefore the council did increase budgeted expenses for capital outlays, parks improvements and computers systems and networks.
- ♦ In an effort to generate additional revenues, the Town continues to participate in the State Wild Land Fire Program. As a result of participation in this program, the Town received \$39,555 in additional revenues in 2013. After considering the related expenses of the program, approximately ¼ of the funds represent revenues exceeding related expenses and these funds are used by the fire department for equipment maintenance, replacement purchases and fire department operating expenses.
- ♦ In efforts to promote businesses located in the Town's Commercial Center, the Town Council and Town Manager have been holding numerous special events in and around the building. It does appear that sales have been picking up and there is also a spike in interest of the vacant suites.

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Financial contact

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

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

Or visit our website at:
www.guadalupeaz.org

TOWN OF GUADALUPE, ARIZONA
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,255,487	\$ 1,243,511	\$ 2,498,998
Accounts receivable - net	-	4,307	4,307
Taxes receivable - net	169,291	-	169,291
Due from other governments	507,558	162,461	670,019
Prepaid expenses	11,833	1,514	13,347
Notes receivable - net	762,062	-	762,062
Capital assets, not being depreciated	7,039,174	84,703	7,123,877
Capital assets, being depreciated, net	10,049,237	536,417	10,585,654
Total assets	19,794,642	2,032,913	21,827,555
LIABILITIES			
Accounts payable	606,942	36,341	643,283
Accrued expenses	32,216	959	33,175
Court bonds payable	101,311	-	101,311
Deferred revenue	720,838	-	720,838
Refundable deposits	-	19,717	19,717
Compensated absences			
Due within 1 year	105,171	5,477	110,648
Due in more than 1 year	11,686	608	12,294
Noncurrent liabilities			
Due within 1 year	2,018	-	2,018
Due in more than 1 year	2,315,000	-	2,315,000
Total liabilities	3,895,182	63,102	3,958,284
NET POSITION			
Invested in capital assets, net of related debt	14,771,393	621,120	15,392,513
Restricted for:			
Capital acquisitions	72,226	-	72,226
Highways and streets	109,985	-	109,985
Community service	10,715	-	10,715
Community development	38,863	-	38,863
HOME program	762,062	-	762,062
Unrestricted (deficit)	134,216	1,348,691	1,482,907
Total net position	\$ 15,899,460	\$ 1,969,811	\$ 17,869,271

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

TOWN OF GUADALUPE, ARIZONA
Statement of Activities
Year Ended June 30, 2013

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges	Operating	Capital	Primary Government		
		for	Grants and	Grants and	Governmental	Business-type	Total
		Services	Contributions	Contributions	Activities	Activities	
Primary government:							
Governmental activities							
General government	\$ 916,202	\$ 212,016	\$ 111,685	\$ 16,408	\$ (576,093)	\$ -	\$ (576,093)
Public safety	2,326,743	236,200	24,230	21,930	(2,044,383)	-	(2,044,383)
Public works and streets	718,789	-	318,429	4,287	(396,073)	-	(396,073)
Culture and recreation	96,261	4,054	-	3,875	(88,332)	-	(88,332)
Community development	681,651	-	758,988	964,544	1,041,881	-	1,041,881
Health and welfare	286,987	-	215,798	-	(71,189)	-	(71,189)
Total governmental activities	5,026,633	452,270	1,429,130	1,011,044	(2,134,189)	-	(2,134,189)
Business-type activities							
Sewer	88,505	84,251	-	-	-	(4,254)	(4,254)
Tianguis	182,813	118,218	-	-	-	(64,595)	(64,595)
Refuse	281,624	321,231	-	-	-	39,607	39,607
Total business-type activities	552,942	523,700	-	-	-	(29,242)	(29,242)
Total primary government	\$ 5,579,575	\$ 975,970	\$ 1,429,130	\$ 1,011,044	(2,134,189)	(29,242)	(2,163,431)
General revenue:							
Taxes:							
Sales taxes					1,465,756	-	1,465,756
Franchise taxes					23,402	-	23,402
Bed taxes					334,351	-	334,351
State sales tax revenue sharing					452,068	-	452,068
Auto lieu tax revenue sharing					184,396	-	184,396
State revenue sharing					564,163	-	564,163
Interest income					16,652	2,198	18,850
Miscellaneous					5,326	-	5,326
Total general revenue					3,046,114	2,198	3,048,312
Change in net position					911,925	(27,044)	884,881
Net position, beginning of year					14,987,535	1,996,855	16,984,390
Net position, end of year					\$ 15,899,460	\$ 1,969,811	\$ 17,869,271

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

TOWN OF GUADALUPE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2013

	General	HURF/LTAF	Community Development Grants	Community Service Grants	Capital Projects	Debt Service	Total Governmental
	Fund	Fund	Fund	Fund	Fund	Fund	Funds
ASSETS							
Cash and cash equivalents	\$ 912,447	\$ 92,080	\$ 114,553	\$ 42,300	\$ 94,107	\$ -	\$ 1,255,487
Taxes receivable - net	148,921	-	-	-	-	-	148,921
Miscellaneous receivables	223	-	762,476	-	-	-	762,699
Due from other governments	48,302	28,488	424,395	26,106	-	-	527,291
Prepaid expenses	7,474	3,296	180	883	-	-	11,833
Total assets	\$ 1,117,367	\$ 123,864	\$ 1,301,604	\$ 69,289	\$ 94,107	\$ -	\$ 2,706,231
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 109,239	\$ 11,535	\$ 454,536	\$ 9,751	\$ 21,881	\$ -	\$ 606,942
Accrued expenses	26,386	2,344	760	2,726	-	-	32,216
Court bonds payable	101,311	-	-	-	-	-	101,311
Deferred revenue	629,358	-	807,445	46,097	-	-	1,482,900
Total liabilities	866,294	13,879	1,262,741	58,574	21,881	-	2,223,369
Fund balances							
Restricted for:							
Highways and streets	-	109,985	-	-	-	-	109,985
Community development	-	-	38,863	-	-	-	38,863
Community service	-	-	-	10,715	-	-	10,715
Capital acquisition	-	-	-	-	72,226	-	72,226
Unassigned	251,073	-	-	-	-	-	251,073
Total fund balances	251,073	109,985	38,863	10,715	72,226	-	482,862
Total liabilities and fund balances	\$ 1,117,367	\$ 123,864	\$ 1,301,604	\$ 69,289	\$ 94,107	\$ -	\$ 2,706,231

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

TOWN OF GUADALUPE, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2013

Fund balances--total governmental funds		\$	482,862
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			17,088,411
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.			
Notes receivable - net			762,062
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds			
Capital leases payable	(2,018)		
Compensated absences	(116,857)		
Bonds payable	(2,315,000)		
			<u>(2,433,875)</u>
Net position of governmental activities			<u><u>\$ 15,899,460</u></u>

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

TOWN OF GUADALUPE, ARIZONA
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2013

	General	HURF/LTAF	Community Development Grants	Community Service Grants	Capital Projects	Debt Service	Total Governmental
	Fund	Fund	Fund	Fund	Fund	Fund	Funds
Revenue							
Inter governmental	\$ 1,413,937	\$ 318,429	\$ 1,497,105	\$ 418,944	\$ -	\$ -	\$ 3,648,415
Taxes	1,868,521	-	-	-	31,895	-	1,900,416
Fines and forfeitures	173,409	-	-	-	-	-	173,409
Charges for services	141,790	-	-	-	-	-	141,790
Other revenue	32,680	-	61,996	5,766	-	-	100,442
Licenses and permits	73,847	-	-	-	-	-	73,847
Interest	15,288	591	-	-	772	-	16,651
Total revenue	3,719,472	319,020	1,559,101	424,710	32,667	-	6,054,970
Expenditures							
Current							
Public safety	2,229,404	-	-	-	1,114	-	2,230,518
General government	860,423	-	-	-	1,142	-	861,565
Community development	29,017	-	552,201	198,197	10,230	-	789,645
Public works and streets	12,346	355,735	-	-	1,372	-	369,453
Health and welfare	-	-	-	269,424	-	-	269,424
Culture and recreation	85,791	-	-	-	5,013	-	90,804
Debt Service							
Principal	4,611	-	-	-	-	205,000	209,611
Interest	837	-	-	-	-	111,531	112,368
Capital outlay	53,916	64,120	963,814	-	197,775	-	1,279,625
Total expenditures	3,276,345	419,855	1,516,015	467,621	216,646	316,531	6,213,013
Excess (deficiency) of revenue over (under) expenditures	443,127	(100,835)	43,086	(42,911)	(183,979)	(316,531)	(158,043)
Other financing sources (uses)							
Transfers	(370,157)	-	-	53,626	-	316,531	-
Net change in fund balances	72,970	(100,835)	43,086	10,715	(183,979)	-	(158,043)
Fund balances, beginning of year	178,103	210,820	(4,223)	-	256,205	-	640,905
Fund balances, end of year	\$ 251,073	\$ 109,985	\$ 38,863	\$ 10,715	\$ 72,226	\$ -	\$ 482,862

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

TOWN OF GUADALUPE, ARIZONA
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year Ended June 30, 2013

Net change in fund balances--total governmental funds \$ (158,043)

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	\$ 1,279,625	
Depreciation expense	(498,509)	
	781,116	

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

Loss on disposal of assets		(10,136)
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Revenues in the Statement of Activities that do not provide
current financial resources are not reported as revenues
in the funds.

HOME note receivable additions	100,404	
Noncash grant of police equipment	35,078	
HOME grant	(44,481)	
Sales taxes	(45,013)	
	45,988	

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

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

Debt principal repayments	209,611	
Net change in compensated absences	43,389	
	253,000	

Change in net position of governmental activities		\$ 911,925
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The accompanying notes are an integral part of these financial statements.

TOWN OF GUADALUPE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,148,633	\$ -	\$ 94,878	\$ 1,243,511
Accounts receivable - net	-	4,307	-	4,307
Due from other governments	30,253	-	132,208	162,461
Prepaid expenses	208	709	597	1,514
Due from other funds	1,602	-	-	1,602
Total current assets	<u>1,180,696</u>	<u>5,016</u>	<u>227,683</u>	<u>1,413,395</u>
Noncurrent assets				
Capital assets, net of accumulated depreciation, where applicable:				
Land	-	84,703	-	84,703
Utilities systems, net	367,419	-	-	367,419
Buildings, net	-	168,998	-	168,998
Total noncurrent assets	<u>367,419</u>	<u>253,701</u>	<u>-</u>	<u>621,120</u>
Total assets	<u>1,548,115</u>	<u>258,717</u>	<u>227,683</u>	<u>2,034,515</u>
LIABILITIES				
Current liabilities				
Accounts payable	32	13,244	23,065	36,341
Accrued expenses	516	443	-	959
Refundable deposits	-	19,717	-	19,717
Compensated absences - current portion	3,872	1,605	-	5,477
Due to other funds	-	1,602	-	1,602
Total current liabilities	<u>4,420</u>	<u>36,611</u>	<u>23,065</u>	<u>64,096</u>
Noncurrent liabilities				
Compensated absences	430	178	-	608
Total liabilities	<u>4,850</u>	<u>36,789</u>	<u>23,065</u>	<u>64,704</u>
Net position				
Invested in capital assets, net of related debt	367,419	253,701	-	621,120
Unrestricted (deficit)	1,175,846	(31,773)	204,618	1,348,691
Total net position	<u>\$ 1,543,265</u>	<u>\$ 221,928</u>	<u>\$ 204,618</u>	<u>\$ 1,969,811</u>

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

TOWN OF GUADALUPE, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2013

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
Operating revenues				
Charges for services	\$ 84,251	\$ -	\$ 321,231	\$ 405,482
Rents	-	118,218	-	118,218
Total operating revenues	<u>84,251</u>	<u>118,218</u>	<u>321,231</u>	<u>523,700</u>
Operating expenses				
Professional services	250	820	279,932	281,002
Depreciation	48,054	47,740	-	95,794
Personnel	36,864	27,503	-	64,367
Utilities	323	63,301	-	63,624
Repairs and maintenance	1,325	35,982	-	37,307
Insurance	535	3,285	1,692	5,512
Materials and supplies	1,154	3,220	-	4,374
Miscellaneous	-	962	-	962
Total operating expenses	<u>88,505</u>	<u>182,813</u>	<u>281,624</u>	<u>552,942</u>
Operating income (loss)	<u>(4,254)</u>	<u>(64,595)</u>	<u>39,607</u>	<u>(29,242)</u>
Nonoperating revenue				
Investment income	<u>2,198</u>	<u>-</u>	<u>-</u>	<u>2,198</u>
Increase (decrease) in net position	<u>(2,056)</u>	<u>(64,595)</u>	<u>39,607</u>	<u>(27,044)</u>
Total net position, beginning of year	<u>1,545,321</u>	<u>286,523</u>	<u>165,011</u>	<u>1,996,855</u>
Total net position, end of year	<u>\$ 1,543,265</u>	<u>\$ 221,928</u>	<u>\$ 204,618</u>	<u>\$ 1,969,811</u>

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

TOWN OF GUADALUPE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Business-type Activities—Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 58,060	\$ 119,093	\$ 216,088	\$ 393,241
Payments to suppliers and providers of goods and services	(17,702)	(108,439)	(282,351)	(408,492)
Payments to employees	(30,129)	(25,213)	-	(55,342)
Net cash provided (used) by operating activities	<u>10,229</u>	<u>(14,559)</u>	<u>(66,263)</u>	<u>(70,593)</u>
Cash flows from noncapital financing activities:				
Interfund loans	(1,602)	1,602	-	-
Cash flows from investing activities:				
Interest received on investments	2,198	-	-	2,198
Net increase (decrease) in cash and cash equivalents	10,825	(12,957)	(66,263)	(68,395)
Cash and cash equivalents, beginning of year	1,137,808	12,957	161,141	1,311,906
Cash and cash equivalents, end of year	<u>\$ 1,148,633</u>	<u>\$ -</u>	<u>\$ 94,878</u>	<u>\$ 1,243,511</u>

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

TOWN OF GUADALUPE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013
(Continued)

	Business-type Activities—Enterprise Funds			
	Sewer Fund	Tianguis Econ. Dev. Fund	Refuse Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (4,254)	\$ (64,595)	\$ 39,607	\$ (29,242)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	48,054	47,740	-	95,794
(Increase) decrease in:				
Accounts receivable	-	(2,344)	-	(2,344)
Due from other governments	(26,191)	-	(105,143)	(131,334)
Prepaid expenses	(165)	(131)	(317)	(613)
Increase (decrease) in:				
Accounts payable	(53)	3,614	(410)	3,151
Accrued expenses	(145)	(167)	-	(312)
Refundable deposits	-	3,219	-	3,219
Compensated absences payable	(7,017)	(1,895)	-	(8,912)
Net cash provided (used) by operating activities	<u><u>\$ 10,229</u></u>	<u><u>\$ (14,559)</u></u>	<u><u>\$ (66,263)</u></u>	<u><u>\$ (70,593)</u></u>

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

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, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

The Town reports the following major enterprise funds:

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

C. Basis of Accounting

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

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Cash and Investments

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

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

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable are estimated by the Town. The amount recorded as uncollectible at June 30, 2013 for the Tianguis Economic Development Fund was \$60,258. The amount recorded as uncollectible at June 30, 2013 for notes receivable in the Governmental Activities was \$1,574,904 (see Note 4).

F. Capital Assets

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

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

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

G. Investment Income

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

H. Compensated Absences

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

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

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

I. Fund Balance Reporting

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

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

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

J. Impact of Recently Issued Accounting Principles

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants'(AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 does not have any impact on the Town's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

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

Deposits – At June 30, 2013, the carrying amount of the Town's total nonpooled cash in bank was \$609,709, and the bank balance was \$992,213. Of the bank balance, \$250,000 was covered by federal depository insurance; the remainder was covered by collateral held by the pledging financial institution's trust department or agent in the Town's name.

Investments—At June 30, 2013, the investments consisted of the following.

Investment	Rating Organization	Credit Rating	Reported Amount	Fair Value
Arizona LGIP Pool 5	S&P	AAA	\$ 1,879,538	\$ 1,879,538

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

NOTE 3 – DUE FROM OTHER GOVERNMENTS

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

	General Fund	HURF/LTAF Fund	Community Development Grants Fund	Community Service Grants Fund
Federal Government	\$ -	\$ -	\$ 21,626	\$ -
State of Arizona	48,302	28,488	-	-
Maricopa County	-	-	402,769	1,918
Other governments	-	-	-	24,188
	<u>\$ 48,302</u>	<u>\$ 28,488</u>	<u>\$ 424,395</u>	<u>\$ 26,106</u>

Due from other governments for the Sewer and Refuse Funds consisted of amounts due from the City of Tempe totaling \$30,253 and \$132,208, respectively.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 4 – NOTES RECEIVABLE

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

Notes receivables at June 30, 2013 consisted of \$2,336,966 of which \$1,574,904 are expected to be forgiven. The notes receivable balance – net totaled \$762,062.

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,039,174	\$ -	\$ -	\$ 7,039,174
Total capital assets not being depreciated	<u>7,039,174</u>	<u>-</u>	<u>-</u>	<u>7,039,174</u>
Capital assets being depreciated:				
Building and building improvements	4,037,023	7,027	(2,954)	4,041,096
Land improvements	613,917	28,398	-	642,315
Equipment	1,921,928	132,462	(31,036)	2,023,354
Street lights	472,426	-	-	472,426
Streets	3,750,280	604,920	-	4,355,200
Curbs and gutters	4,052,377	541,897	-	4,594,274
Total	<u>14,847,951</u>	<u>1,314,704</u>	<u>(33,990)</u>	<u>16,128,665</u>
Less accumulated depreciation for:				
Building and building improvements	(2,077,234)	(72,847)	2,954	(2,147,127)
Land improvements	(415,901)	(48,481)	-	(464,382)
Equipment	(1,398,684)	(147,773)	20,902	(1,525,555)
Street lights	(43,539)	(25,938)	-	(69,477)
Streets	(1,111,392)	(91,762)	-	(1,203,154)
Curbs and gutters	(558,025)	(111,708)	-	(669,733)
Total	<u>(5,604,775)</u>	<u>(498,509)</u>	<u>23,856</u>	<u>(6,079,428)</u>
Total capital assets being depreciated, net	<u>9,243,176</u>	<u>816,195</u>	<u>(10,134)</u>	<u>10,049,237</u>
Governmental activities capital assets, net	<u>\$ 16,282,350</u>	<u>\$ 816,195</u>	<u>\$ (10,134)</u>	<u>\$ 17,088,411</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 5 – CAPITAL ASSETS – Continued

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 84,703	\$ -	\$ -	\$ 84,703
Total capital assets not being depreciated	<u>84,703</u>	<u>-</u>	<u>-</u>	<u>84,703</u>
Capital assets being depreciated:				
Utility systems	1,819,472	-	-	1,819,472
Equipment	27,401	-	-	27,401
Buildings	25,000	-	-	25,000
Building improvements	545,693	-	-	545,693
Total	<u>2,417,566</u>	<u>-</u>	<u>-</u>	<u>2,417,566</u>
Less accumulated depreciation for:				
Utility systems	(1,403,999)	(48,054)	-	(1,452,053)
Equipment	(27,401)	-	-	(27,401)
Buildings	(25,000)	-	-	(25,000)
Building improvements	(328,955)	(47,740)	-	(376,695)
Total	<u>(1,785,355)</u>	<u>(95,794)</u>	<u>-</u>	<u>(1,881,149)</u>
Total capital assets being depreciated, net	<u>632,211</u>	<u>(95,794)</u>	<u>-</u>	<u>536,417</u>
Business-type activities capital assets, net	<u>\$ 716,914</u>	<u>\$ (95,794)</u>	<u>\$ -</u>	<u>\$ 621,120</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 5 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
Highways and streets	\$ 252,268
Public safety	110,688
General government	68,263
Community development	44,270
Health and welfare	17,563
Culture and recreation	<u>5,457</u>
Total governmental activities depreciation expense	<u>\$ 498,509</u>
Business-type activities:	
Tianguis center	\$ 47,740
Sewer	<u>48,054</u>
Total business-type activities depreciation expense	<u>\$ 95,794</u>

NOTE 6 – DEFERRED REVENUE

The Town has received advanced contract payments for the lease of billboard space with a term of 20-years. The Town recognizes revenue annually at 1/20th of the contract price. The remaining amount is recorded as deferred revenue that will be recognized as revenue over the life of the contract. The amount deferred for the billboard contract at June 30, 2013 is \$522,500. The remaining balance of deferred revenue in the General Fund consists of grant advances in which the Town had not yet fulfilled contract requirements to recognize revenue; and taxes unavailable because they were not collected within 60 days after year end.

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 7 – LONG-TERM LIABILITIES

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

Bonds outstanding at June 30, 2013, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding June 30, 2013
Revenue bonds	\$ 3,445,000	2008-2022	2.25 - 4.75 %	<u>\$ 2,315,000</u>

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2013.

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due within 1 year
Governmental activities:					
Compensated absences	\$ 160,246	\$ -	\$ 43,389	\$ 116,857	\$ 105,171
Capital leases payable	6,629	-	4,611	2,018	2,018
Bonds payable	<u>2,520,000</u>	<u>-</u>	<u>205,000</u>	<u>2,315,000</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 2,686,875</u>	<u>\$ -</u>	<u>\$ 253,000</u>	<u>\$ 2,433,875</u>	<u>\$ 107,189</u>
Business-type activities:					
Compensated absences	\$ 14,997	\$ -	\$ 8,912	\$ 6,085	\$ 5,477
Business-type activities long-term liabilities	<u>\$ 14,997</u>	<u>\$ -</u>	<u>\$ 8,912</u>	<u>\$ 6,085</u>	<u>\$ 5,477</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 7 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the Town's bonds payable at June 30, 2013.

Year Ending June 30	Governmental Activities	
	Revenue Bonds Payable	
	Principal	Interest
2014	\$ -	\$ 107,431
2015	215,000	99,031
2016	225,000	90,063
2017	235,000	80,400
2018	245,000	70,047
2019-23	1,395,000	169,717
Total	<u>\$ 2,315,000</u>	<u>\$ 616,689</u>

In prior years, the Town defeased a revenue bond by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bond. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the Town's financial statements. At June 30, 2013, outstanding defeased revenue bonds totaled \$905,000.

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

The assets acquired through capital lease are as follows:

	Governmental Activities
Copier	\$ 20,745
Less: accumulated depreciation	<u>(19,362)</u>
Carrying value	<u>\$ 1,383</u>

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 7 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the Town's capital leases payable at June 30, 2013.

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2014	\$ 2,054
Less amount representing interest	<u>(36)</u>
Present value of net minimum lease payments	<u><u>\$ 2,018</u></u>

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

General government	\$ 837
Highways and streets	<u>111,531</u>
Total interest expense	<u><u>\$ 112,368</u></u>

NOTE 8 – RISK MANAGEMENT

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 9 – RETIREMENT PLANS

Plan Descriptions – The Town contributes to the two plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a flat dollar amount per month towards the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and dependents

The *Arizona State Retirement System* (ASRS) administers cost-sharing multiple-employer defined benefit pension, health insurance premium, and long-term disability plans that cover employees of the State of Arizona and participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The system issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Arizona State Retirement System, 3300 N. Central Ave., P.O. Box 33910, Phoenix, Arizona, 85067-3910 or by calling (602) 240-2000 or 1 (800) 621-3778.

The *Public Safety Personnel Retirement System* (PSPRS) administers agent multiple-employer defined benefit pension and health insurance premium plans that cover public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016-4416, or by calling (602) 255-5575.

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

Cost-sharing plans – For the year ended June 30, 2013, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2013, 2012, and 2011, were \$80,675, \$69,610, and \$65,772, respectively, which were equal to the required contributions for the year.

Agent plans – For the year ended June 30, 2013, active PSPRS members were required by statute to contribute 9.55 percent of the members' annual covered payroll, and the Town was required to

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 9 – RETIREMENT PLANS – Continued

contribute at the actuarially determined rate of 21.41 percent, of which 1.21 percent was the health insurance premium portion.

The contribution requirements for the year ended June 30, 2013, were established by the June 30, 2013 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on 1) the plans as understood by the Town of Guadalupe, Arizona and plan members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the Town and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used to establish the fiscal year 2013 contribution requirements are as follows:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	23 years for underfunded actuarial liability, 20 years for overfunded
Asset valuation method	7-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.50% - 8.50%
Payroll growth	4.50%

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

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 9 – RETIREMENT PLANS – Continued

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Pension	2013	\$ 57,704	100 %	\$ -
	2012	72,876	100	-
	2011	82,678	100	-
Health Insurance	2013	\$ 3,529	0 %	\$ -
	2012	4,593	0	-
	2011	4,159	0	-

Schedules of Funded Status – Following are the schedules of funded status of the plans as of the most recent valuation date, June 30, 2013, and the previous two fiscal years. The fiscal year 2013 actuarial methods and assumptions used for the schedules are not significantly different than the fiscal year 2012 actuarial methods and assumptions.

Pension

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
06/30/13	\$ 764,790	\$ 1,221,566	\$ 456,776	62.6 %	\$ 262,193	174.2 %
06/30/12	701,209	1,136,760	435,551	61.7	252,982	172.2
06/30/11	626,129	1,078,529	452,400	58.1	264,524	171.0

Health Insurance

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
06/30/13	\$ -	\$ 48,005	\$ 48,005	0.0 %	\$ 262,193	18.3 %
06/30/12	-	44,185	44,185	0.0	252,982	17.5
06/30/11	-	42,599	42,599	0.0	264,524	16.1

TOWN OF GUADALUPE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 10 – INTERFUND BALANCES AND ACTIVITY

Interfund transfers – Interfund transfers for the year ended June 30, 2013, were as follows:

Transfer To	Transfer From General Fund
Community Service Grants Fund	\$ 53,626
Debt Service Fund	316,531
Total	<u>\$ 370,157</u>

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

NOTE 11 – COMMITMENTS

Refuse Collection Contract – The Town has contracted with a waste management firm to provide trash, and rubbish collection services to certain designated areas. The contract period is March 1, 2010 through February 28, 2015. Payments under the current contract for the year ended June 30, 2013, were \$261,317. Payments are based on the number of residences in the Town times a fixed monthly rate of \$16.07. The total obligation under the contract for each fiscal year based on the current number of residences in the Town is as follows:

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

Public Safety – The Town of Guadalupe entered into a contract with the Maricopa County Sheriff's Department for public safety services for the next fiscal year. Based on this agreement, the rendition of police services, the standards of performance, the discipline of officers, and other matters incidental to the performance of such services, and the control of personnel so employed shall remain in the County Sheriff's Department. For the year ending June 30, 2013, the Town paid the County Sheriff \$1,168,098 and has agreed to monthly installments of \$102,595 for the 2014 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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 2,259,187	\$ 2,259,187	\$ 1,413,937	\$ (845,250)
Taxes	1,754,333	1,754,333	1,868,521	114,188
Fines and forfeitures	211,000	211,000	173,409	(37,591)
Charges for services	138,089	138,089	141,790	3,701
Other revenue	11,950	11,950	32,680	20,730
Licenses and permits	35,000	35,000	73,847	38,847
Interest	1,000	1,000	15,288	14,288
Total revenue	<u>4,410,559</u>	<u>4,410,559</u>	<u>3,719,472</u>	<u>(691,087)</u>
Expenditures				
Current				
Public safety	2,405,239	2,405,239	2,229,404	175,835
General government	1,261,290	1,261,290	860,423	400,867
Community development	32,433	32,433	29,017	3,416
Public works and streets	14,362	14,362	12,346	2,016
Culture and recreation	91,405	91,405	85,791	5,614
Debt Service				
Principal	31,000	31,000	4,611	26,389
Interest	-	-	837	(837)
Capital outlay	566,915	566,915	53,916	512,999
Total expenditures	<u>4,402,644</u>	<u>4,402,644</u>	<u>3,276,345</u>	<u>1,126,299</u>
Excess (deficiency) of revenue over expenditures	7,915	7,915	443,127	435,212
Other financing sources (uses)				
Transfers	(239,265)	(239,265)	(370,157)	(130,892)
Net changes in fund balances	(231,350)	(231,350)	72,970	304,320
Fund balances, beginning of year	178,103	178,103	178,103	-
Fund balances, end of year	<u>\$ (53,247)</u>	<u>\$ (53,247)</u>	<u>\$ 251,073</u>	<u>\$ 304,320</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 1,383,559	\$ 1,383,559	\$ 318,429	\$ (1,065,130)
Interest	500	500	591	91
Total revenue	<u>1,384,059</u>	<u>1,384,059</u>	<u>319,020</u>	<u>(1,065,039)</u>
Expenditures				
Current				
Public works and streets	1,461,850	1,461,850	355,735	1,106,115
Capital outlay	-	-	64,120	(64,120)
Total expenditures	<u>1,461,850</u>	<u>1,461,850</u>	<u>419,855</u>	<u>1,041,995</u>
Net changes in fund balances	(77,791)	(77,791)	(100,835)	(23,044)
Fund balances, beginning of year	<u>210,820</u>	<u>210,820</u>	<u>210,820</u>	<u>-</u>
Fund balances, end of year	<u>\$ 133,029</u>	<u>\$ 133,029</u>	<u>\$ 109,985</u>	<u>\$ (23,044)</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 2,616,549	\$ 2,616,549	\$ 1,497,105	\$ (1,119,444)
Other revenue	611,791	611,791	61,996	(549,795)
Total revenue	<u>3,228,340</u>	<u>3,228,340</u>	<u>1,559,101</u>	<u>(1,669,239)</u>
Expenditures				
Current				
Community development	1,766,815	1,766,815	552,201	1,214,614
Capital outlay	1,462,396	1,462,396	963,814	498,582
Total expenditures	<u>3,229,211</u>	<u>3,229,211</u>	<u>1,516,015</u>	<u>1,713,196</u>
Net changes in fund balances	(871)	(871)	43,086	43,957
Fund balances, beginning of year	<u>(4,223)</u>	<u>(4,223)</u>	<u>(4,223)</u>	<u>-</u>
Fund balances, end of year	<u>\$ (5,094)</u>	<u>\$ (5,094)</u>	<u>\$ 38,863</u>	<u>\$ 43,957</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 678,284	\$ 678,284	\$ 418,944	\$ (259,340)
Other revenue	57,495	57,495	5,766	(51,729)
Total revenue	<u>735,779</u>	<u>735,779</u>	<u>424,710</u>	<u>(311,069)</u>
Expenditures				
Current				
Community development	597,871	597,871	198,197	399,674
Health and welfare	300,525	300,525	269,424	31,101
Total expenditures	<u>898,396</u>	<u>898,396</u>	<u>467,621</u>	<u>430,775</u>
Excess (deficiency) of revenue over expenditures	(162,617)	(162,617)	(42,911)	119,706
Other financing sources (uses)				
Transfers	119,386	119,386	53,626	(65,760)
Net changes in fund balances	(43,231)	(43,231)	10,715	53,946
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ (43,231)</u>	<u>\$ (43,231)</u>	<u>\$ 10,715</u>	<u>\$ 53,946</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GUADALUPE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2013

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

SINGLE AUDIT ACT REPORTS SECTION



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

To the Town Council
Town of Guadalupe, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Guadalupe, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Guadalupe, Arizona's basic financial statements and have issued our report thereon dated February 4, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

February 4, 2014



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

To the Town Council
Town of Guadalupe, Arizona

Report on Compliance for Each Major Federal Program

We have audited the Town of Guadalupe, Arizona's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Guadalupe, Arizona's major federal programs for the year ended June 30, 2013. The Town of Guadalupe, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Guadalupe, Arizona's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Guadalupe, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Guadalupe, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Guadalupe, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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



February 4, 2014

TOWN OF GUADALUPE, ARIZONA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through Area Agency on Aging:			
Aging Cluster:			
Title III - Part B	93.044	2013-23-GUA	\$ 47,232
Title III - Part C	93.045	2013-23-GUA	50,422
Nutrition Services Incentive Program	93.053	2013-23-GUA	<u>13,335</u>
Total Aging Cluster			110,989
Social Services Block Grant	93.667	2013-23-GUA	<u>2,412</u>
Total U.S. Department Health and Human Services			<u>113,401</u>
<u>U.S. Department of Labor</u>			
Youthbuild	17.274	YB-19062-09-60-A-4	<u>55,431</u>
<u>U.S. Department of Agriculture</u>			
Rural Self-Help Housing Technical Assistance	10.420		<u>106,278</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Maricopa County Community Development:			
Home Investment Partnerships Program	14.239	UC1107A	190,076
Home Investment Partnerships Program	14.239	UC1107	86,815
Passed through Arizona Department of Housing:			
Home Investment Partnerships Program	14.239	309-11	82,395
Passed through Maricopa County Community Development:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants	14.218	DG1204	182,031
Community Development Block Grants	14.218	DG1210	263,231
Community Development Block Grants	14.218	DG1203	339,208
Community Development Block Grants	14.218	DG1105	<u>180,074</u>
Total CDBG - Entitlement Grants Cluster			<u>964,544</u>
Total U.S. Department of Housing and Urban Development			<u>1,323,830</u>
Total Federal Assistance			<u><u>\$ 1,598,940</u></u>

The accompanying notes are an integral part of this schedule.

TOWN OF GUADALUPE, ARIZONA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2013

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, 2013

Section 1

**Summary Of
Auditors' Results**

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|--|--------------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditor's report issued on compliance for major program: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510 (a)? | No |
| 4. Identification of major program: | |
| <u>Name of Federal Program</u> | <u>CFDA Number</u> |
| CDBG – Entitlement Grants Cluster: | |
| Community Development Block Grants | 14.218 |
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$ 300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None

TOWN OF GUADALUPE, ARIZONA
Summary Schedule of Prior Audit Findings
June 30, 2013

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

Item: 12-01

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

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

Status: The Town has updated its policies and procedures to ensure that documentation supporting eligibility is retained and reviewed.

Item: 12-02

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

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

Status: The Department of Labor has reviewed the prior year's finding and has granted the Town a waiver from the original matching obligation of \$4,541,000.



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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, and each major fund of the Town of Guadalupe, Arizona as of and for the year ended June 30, 2013, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 4, 2014.

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 & Powell'.

February 4, 2014