



Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021

TOWN OF PAYSON, ARIZONA

PAYSON, ARIZONA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Issued by:
Finance Department

TOWN OF PAYSON, ARIZONA

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INTRODUCTORY SECTION

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TOWN OF



Town Hall (928) 474-5242
Police Dept. (928) 474-5177
Water Dept. (928) 472-5100
Fax (928) 474-4610

Town of Payson
303 N. Beeline Highway
Payson, Arizona 85541-4306

March 24, 2022

To the Honorable Mayor, Members of the Town Council, and the Citizens of the Town of Payson, Arizona:

The Annual Comprehensive Financial Report (ACFR) of the Town of Payson, Arizona (the Town), for the fiscal year ended June 30, 2021, is submitted herewith.

This report is published to provide the Town Council, Town staff, our citizens, our bondholders, and other interested parties, with detailed information concerning the financial condition and activities of the town government. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

HeinfeldMeech, a Certified Public Accounting firm, has issued an unmodified ("clean") opinion on the Town of Payson's financial statements for the fiscal year ended June 30, 2021. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with this letter.

PROFILE OF THE GOVERNMENT

The Town of Payson, Arizona (the Town) incorporated in 1973, is located at the intersection of State Routes 87 and 260, 90 miles north of Phoenix, Arizona. The Town's boundaries enclose 20.5 square miles in northern Gila County and serve a population of 16,351. Surrounded by the Tonto National Forest and the world's largest stand of virgin Ponderosa Pines, Payson is nestled just below Arizona's Mogollon Rim at an elevation of 4,982 feet and enjoys a moderate four-season climate.

State statutes empower the Town to levy a primary real property tax on property within its boundaries and to levy secondary taxes for debt retirement and local improvement districts. Payson has the power by State statute to extend its corporate limits by annexation when deemed appropriate by the Town Council and a majority of the property owners in the potential annexation area.

The Town operates under the council-manager form of government. The Town Council, which has policy-making and legislative authority, consists of a mayor and a six-member council. The Town Council is responsible for, among other things, passing ordinances and resolutions and adopting the Town's annual budget. They also appoint committees and hire the Town Manager and Town Attorney. The Town Manager is responsible for carrying out the policies, ordinances and resolutions of the Town Council, and for overseeing the day-to-day operations of the Town. The Council is elected on a nonpartisan "at large" basis. Council members are elected to four-year staggered terms with three council members elected every two years. The qualified electors of the town directly elect the Mayor for a two-year term.

The Town provides a full range of services, including police, fire, and emergency medical services; planning, zoning, and building code enforcement; the construction and maintenance of streets and other infrastructure; recreational activities and cultural events; an airport, and a library. In addition, the Town operates a municipal water utility that presently serves 8,642 customers.

The Council is required to adopt a tentative budget on or before the third Monday in July. Public hearings are held on the proposed budget, with adoption of the final budget at least seven days before the tax levy is adopted, which must be completed by the third Monday in August. This annual budget serves as the foundation for the Town's financial planning and control. The budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Department heads may transfer resources within a department with approval from the Town Manager. Transfers between funds, however, need approval from the Town Council.

LOCAL ECONOMY

In its early years, Payson's economy was based on logging, ranching, and tourism. Over the years, the economy has been shifting to provide housing and services for a growing retirement population relocating to the area for clean air, good climate, and a rural, small-town quality of life. Tourism activity presently dominates the local economy. The Town's elected leadership desires to encourage economic development that will create good jobs but not harm the environment.

LONG-TERM PLANNING

The Town is dedicated to enhancing the quality of life for its citizens, and providing a superior level of service in the most effective and efficient manner while exercising fiscal responsibility.

Payson has been and will continue to be very proactive in encouraging quality community and organizational development. Every three years, the Town Council and the management staff participate in a strategic planning process to update the Corporate Strategic Plan (CSP) to accommodate changes in the needs of the Town's constituency. The CSP operationalizes the Town's mission statement and its General Plan by specifying objectives and strategies for achieving them. Funding is allocated during the subsequent budgeting process.

RELEVANT FINANCIAL POLICIES

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town operates.

The Town's financial policies set forth the basic framework for the fiscal management of the Town. These include policies for accounting, budgeting, capital improvements, asset management, revenue management, risk management, and fund balance/reserve levels. These policies were developed with the parameters established by applicable provisions of Arizona Revised Statutes, Title 9 Cities and Towns, and the Town of Payson Code of Ordinances. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

The Town's accounting records for general governmental activities are maintained on a modified accrual basis, with revenues being recorded when available and measureable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the Town's water utility and other proprietary activities are maintained on an accrual basis.

Budgetary control is maintained at the fund level. Unused appropriations lapse at year-end, and must be re-appropriated or absorbed in the next year's operating budget. Appropriations for Capital Improvement Projects do not lapse at year-end, but are valid for the life of the project. Under the Town's budgetary process, outstanding encumbrances are reported as non-spendable fund balances and do not constitute expenditures or liabilities since the commitments will be re-appropriated and honored the subsequent fiscal year.

All agencies of the Town are required to submit requests for appropriation to the Finance Department in the month of March each year. These requests are used to develop a proposed budget. By early June, the Tentative Budget is adopted and a public hearing is held on the Final Budget, which is then adopted by the Council. At least seven days after adoption of the Final Budget, a public hearing is held on the proposed Primary tax rate, where it is then adopted by ordinance. Upon adoption it is certified to the County Treasurer.

MAJOR INITIATIVES

Despite going through uncertain times during the pandemic, the Town continues to see significant growth in business and tourism. During fiscal year 2020-21, the Town focused on the following initiatives:

- Focus on wildfire prevention and emergency health measures
- Advance public safety with body cameras, fire trucks, and communication
- Upgrades to the water system infrastructure and information technology
- Continued improvements to parks, roads, and sidewalks

AWARDS AND ACKNOWLEDGEMENTS

Awards. The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Town for the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020. This was the 23rd consecutive year that the Town achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government has to publish an easily readable and efficiently organized ACFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Town began producing a Popular annual Financial Report (PAFR) for the fiscal year ended June 30, 2006, and has produced one every year since. The PAFR is a report based on the ACFR, but is specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance. The Town has received the GFOA Popular Annual Financial Report Award each year since 2006.

In addition, the Town also received GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2019-20. In order to qualify for this award, the government's budget document must be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. This also was the 22nd consecutive year that the Town achieved this prestigious award.

Acknowledgements. The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance and Administration Departments of the Town. We wish to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and members of the Town Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Payson's finances.

Respectfully submitted,



Troy Smith
Town Manager



Heidi Gregory
Finance Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Payson
Arizona**

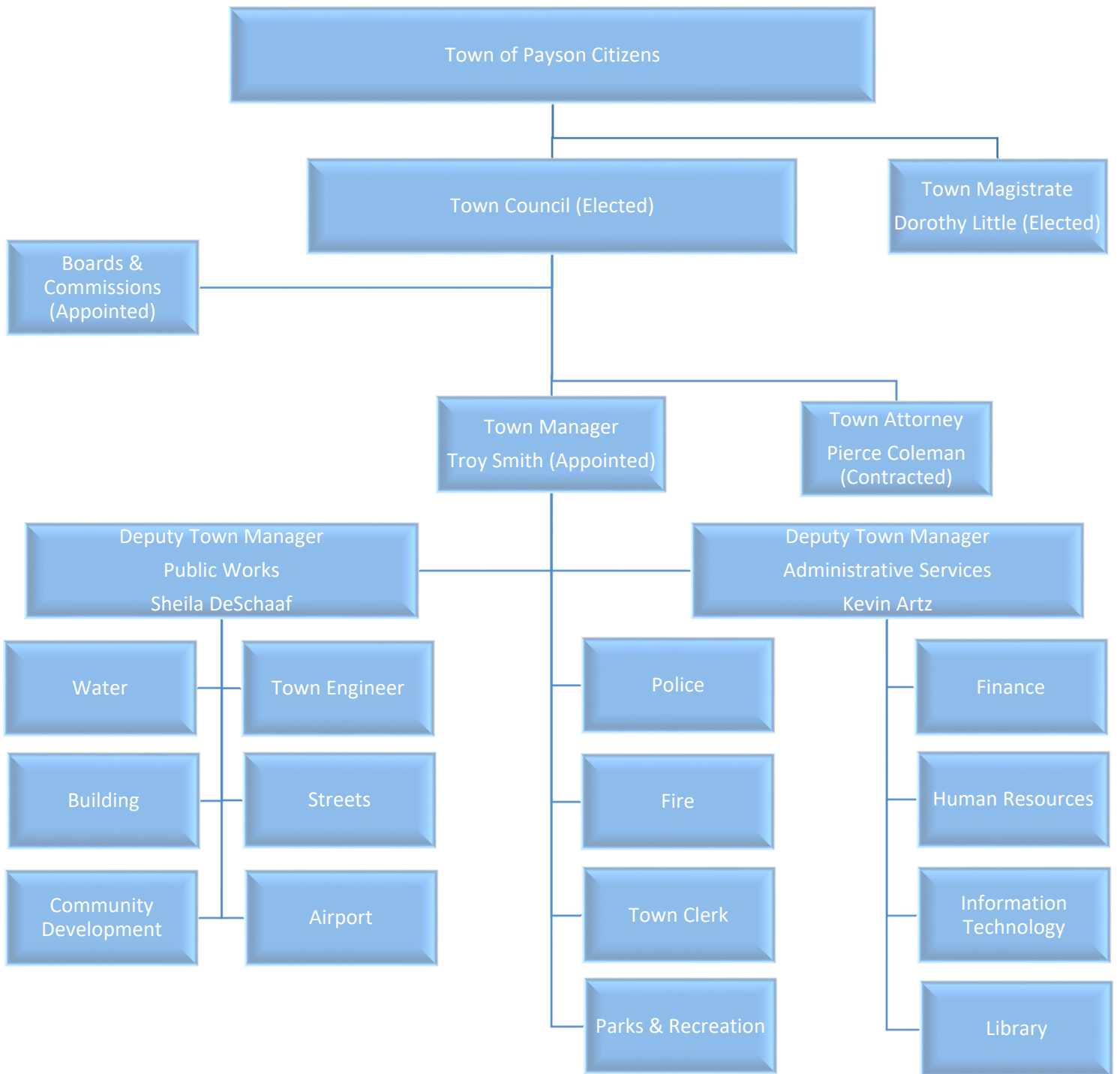
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

**TOWN OF PAYSON, ARIZONA
MANAGEMENT ORGANIZATIONAL CHART
JUNE 30, 2021**



Department Management

Henry Tanner, Water Superintendent
 Larry Halberstadt, Town Engineer
 Ray LaHaye, Chief Building Official
 Sky Hill, Streets Operations Manager
 Doni Wilbanks, Community Development Director
 Dennis Dweker, Airport Coordinator

Ronald Tischer, Police Chief
 David Staub, Fire Chief
 Tracie Bailey, Town Clerk
 Christine Smith, Parks & Rec Director

Heidi Gregory, Finance Manager
 Lynne O'Donnell, Human Resources Manager
 Steve DeHaan, Information Technology Manager
 Emily Linkey, Library Director

**TOWN OF PAYSON, ARIZONA LIST
OF PRINCIPAL OFFICIALS**

TOWN COUNCIL

Tom Morrissey, Mayor

Chris Higgins, Vice-Mayor

Scott Nossek, Councilmember

Jolynn Schinstock, Councilmember

Jim Ferris, Councilmember

Suzy Tubbs-Avakian, Councilmember

Barbara Underwood, Councilmember

ADMINISTRATIVE STAFF

Troy Smith, Town Manager

Kevin Artz, Deputy Town Manager

DEPARTMENT DIRECTORS

Tracie Bailey, Town Clerk

Dorothy Little, Magistrate Court

Heidi Gregory, Finance Manager

Ronald Tischer, Police Chief

David Staub, Fire Chief

Emily Linkey, Library Director

Christine Smith, Parks, Recreation and Tourism Director

Sheila DeSchaaf, Public Works Director and Deputy Town Manager

FINANCIAL SECTION

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Independent Auditor's Report

Honorable Mayor and Members of the Town Council
Town of Payson, Arizona

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the respective budgetary comparison for the General Fund and HURF Fund, and the aggregate remaining fund information of Town of Payson, Arizona, (Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the respective budgetary comparison for the General Fund and HURF Fund, and the aggregate remaining fund information of the Town of Payson, Arizona, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, net pension liability information, and other postemployment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining and Individual Fund Financial Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Combining and Individual Fund Financial Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2022, on our consideration of Town of Payson, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Payson, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Payson, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Flagstaff, Arizona
March 24, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

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**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

As management of the Town of Payson, Arizona (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letters of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The Town's total net position of governmental activities increased \$3.8 million to \$74.4 million, and the business-type activities increased \$1.0 million to \$44.5 million, representing a five percent increase and two percent increase, respectively, of the total net position of \$118.8 million.
- General revenues from governmental activities accounted for \$22.8 million in revenue, or 76 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7.1 million or 24 percent of total governmental activities revenues. The Town had \$8.6 million of program specific revenues and \$8,669 in general revenues related to business-type activities.
- The Town had \$26.2 million in expenses related to governmental activities, an increase of nine percent from the prior fiscal year. The Town had \$7.5 million in expenses related to business-type activities, an increase of 63 percent from the prior fiscal year.
- Among major governmental funds, the General Fund had \$26.5 million in current fiscal year revenues, which primarily consisted of taxes, charges for services and intergovernmental revenues. The total expenditures of the General Fund were \$22.2 million. The General Fund's fund balance increased \$6.3 million to \$13.8 million at the end of the current fiscal year.
- The Enterprise Funds' net position at the end of the year amounted to \$44.5 million. The increase in net position of \$1.0 million was due to operating revenues exceeding operating expenses.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The accrual basis of accounting is used for the government-wide financial statements.

The statement of net position presents information on all of the Town's assets, liabilities, and deferred inflows/outflows of resources with the difference 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 is improving or deteriorating.

The statement of activities presents information showing how the Town'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 compensated absences).

The government-wide financial statements distinguish functions of the Town 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 include general government, public safety, highways and streets, culture and recreation, public works, community development, and health and welfare. The business-type activities include the operations of the water system.

Fund financial statements. 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

OVERVIEW OF FINANCIAL STATEMENTS

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 use the modified accrual basis of accounting and focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and HURF Funds, both of which are considered to be major funds.

Proprietary funds. The Town maintains one type of proprietary fund: enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its operations of the water system.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water Fund which is considered to be a major fund of the Town.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

OVERVIEW OF FINANCIAL STATEMENTS

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budget process and pension plans. The Town adopts an annual budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances - budget and actual has been provided for the General Fund and the major Special Revenue Fund as required supplementary information. Schedules for the pension and other postemployment benefit plans have been provided as required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, governmental activities assets and deferred outflows exceeded liabilities and deferred inflows by \$74.4 million at the current fiscal year end. The business-type activities assets and deferred outflows exceeded liabilities and deferred inflows by \$44.5 million at the end of the current fiscal year.

The largest portion of the Town's governmental activities net position reflects its investment in capital assets (e.g., land, infrastructure, buildings and improvements, vehicles, machinery and equipment and construction in progress), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In addition, a portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted and may be used to meet the Town's ongoing obligations to its citizens and creditors.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables present a summary of the Town's net position for the fiscal years ended June 30, 2021 and June 30, 2020.

	Governmental Activities		Business-Type Activities		Total	
	As of June 30, 2021	As of June 30, 2020	As of June 30, 2021	As of June 30, 2020	As of June 30, 2021	As of June 30, 2020
Current and other assets	\$ 18,136,427	\$ 11,038,353	\$ 23,652,761	\$ 21,317,354	\$ 41,789,188	\$ 32,355,707
Capital assets, net	108,010,357	106,258,452	59,193,497	61,719,993	167,203,854	167,978,445
Total assets	<u>126,146,784</u>	<u>117,296,805</u>	<u>82,846,258</u>	<u>83,037,347</u>	<u>208,993,042</u>	<u>200,334,152</u>
Deferred outflows	11,119,174	8,947,792	639,260	501,054	11,758,434	9,448,846
Current and other liabilities	1,608,675	1,278,205	1,332,492	1,198,444	2,941,167	2,476,649
Long-term liabilities	60,502,855	53,416,060	37,620,841	38,686,256	98,123,696	92,102,316
Total liabilities	<u>62,111,530</u>	<u>54,694,265</u>	<u>38,953,333</u>	<u>39,884,700</u>	<u>101,064,863</u>	<u>94,578,965</u>
Deferred inflows	709,207	1,816,699	54,978	220,507	764,185	2,037,206
Net position						
Net investment in capital assets	104,652,894	105,017,568	26,172,042	27,338,921	130,824,936	132,356,489
Restricted	2,765,894	2,292,293	2,359,960	2,170,152	5,125,854	4,462,445
Unrestricted	(32,973,567)	(37,576,228)	15,945,205	13,924,121	(17,028,362)	(23,652,107)
Total net position	<u>\$ 74,445,221</u>	<u>\$ 69,733,633</u>	<u>\$ 44,477,207</u>	<u>\$ 43,433,194</u>	<u>\$ 118,922,428</u>	<u>\$ 113,166,827</u>

At the end of the current fiscal year, the Town reported deficit unrestricted net position for governmental activities. The deficit is due to the recognition of other postemployment benefits and pension obligations. Positive net position was reported in all other categories. The same situation held true for the prior fiscal year.

The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant current year transactions that had an impact on the Statement of Net Position.

- The principal retirement of \$75,000 of bonds payable and \$1.3 million of notes payable.
- The issuance of \$2.3 million in capital lease obligations.
- The addition of \$3.9 million of governmental activities and business-type capital assets through construction projects, infrastructure improvements and purchases of vehicles, machinery, and equipment.
- The net increase of \$3.5 million in net pension liabilities due to current year changes in estimates and payments.
- The net increase of \$2.6 million in total OPEB liabilities due to current year changes in estimates and payments.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in net position. The Town's total revenues for the current fiscal year were \$38.5 million. The total cost of all programs and services was \$33.8 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

	Governmental Activities		Business-Type Activities		Total	
	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020
Revenues						
Program revenues:						
Charges for services	\$ 2,217,161	\$ 1,976,930	\$ 8,234,852	\$ 8,103,705	\$ 10,452,013	\$ 10,080,635
Operating grants and contributions	3,763,997	1,353,220	343,972	215,318	4,107,969	1,568,538
Capital grants and Contributions	1,165,044	484,568			1,165,044	484,568
General revenues						
Sales taxes	14,200,923	12,353,226			14,200,923	12,353,226
Property taxes	684,699	680,714			684,699	680,714
Auto lieu taxes	1,311,677	1,087,532			1,311,677	1,087,532
Franchise taxes	405,155	402,915			405,155	402,915
Unrestricted state shared revenue	6,142,422	5,646,915			6,142,422	5,646,915
Special assessments						
Investment earnings	5,272	101,775	8,669	247,273	13,941	349,048
Total revenues	29,896,350	24,087,795	8,587,493	8,566,296	38,483,843	32,654,091
Expenses						
General government	5,830,685	4,771,564			5,830,685	4,771,564
Public safety	12,717,158	12,031,611			12,717,158	12,031,611
Public works	1,066,578	930,024			1,066,578	930,024
Highways and streets	3,374,049	3,018,881			3,374,049	3,018,881
Culture and recreation	2,050,331	2,102,813			2,050,331	2,102,813
Community development	859,257	824,344			859,257	824,344
Health and welfare	226,078	195,917			226,078	195,917
Interest on long-term debt	38,102	55,715	783,489	781,215	821,591	836,930
Water			6,678,035	3,793,164	6,678,035	3,793,164
Total expenses	26,162,238	23,930,869	7,461,524	4,574,379	33,623,762	28,505,248
Excess/(deficiency) of revenues over expenses	3,734,112	156,926	1,125,969	3,991,917	4,860,081	4,148,843
Transfers	81,956	380,300	(81,956)	(380,300)		
Changes in net position	3,816,068	537,226	1,044,013	3,611,617	4,860,081	4,148,843
Net position, beginning, as restated	70,629,153	69,196,407	43,433,194	39,821,577	114,062,347	109,017,984
Net position, ending	\$ 74,445,221	\$ 69,733,633	\$ 44,477,207	\$ 43,433,194	\$ 118,922,428	\$ 113,166,827

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following are significant current year transactions that have had an impact on the change of net position.

- The increase of \$2.4 million in operating grants and contributions due to CARES Act funding utilized by the Town to respond to the COVID-19 pandemic.
- The increase of \$1.8 million in sales taxes as a result of increased tourism activity.
- Depreciation expense of \$1.9 million from governmental activities and \$2.8 million from business-type activities.

The following table presents the cost of the Town's major functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and Town's taxpayers by each of these functions.

	<u>Year Ended June 30, 2021</u>		<u>Year Ended June 30, 2020</u>	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 5,830,685	\$ (4,305,625)	\$ 4,771,564	\$ (3,219,427)
Public safety	12,717,158	(9,542,591)	12,031,611	(11,195,890)
Public works	1,066,578	23,145	930,024	(735,456)
Highways and streets	3,374,049	(2,210,532)	3,018,881	(1,974,274)
Culture and recreation	2,050,331	(1,861,477)	2,102,813	(1,922,373)
Community development	859,257	(859,257)	824,344	(824,344)
Health and welfare	226,078	(226,078)	195,917	(195,917)
Interest on long-term debt	38,102	(33,621)	55,715	(48,470)
Total expenses	<u>26,162,238</u>	<u>(19,016,036)</u>	<u>23,930,869</u>	<u>(20,116,151)</u>
Business-Type Activities				
Water	6,678,035	1,900,789	3,793,164	4,525,859
Interest on long-term debt	783,489	(783,489)	781,215	(781,215)
Total expenses	<u>\$ 7,461,524</u>	<u>\$ 1,117,300</u>	<u>\$4,574,379</u>	<u>\$ 3,744,644</u>

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

- The cost of all governmental activities this year was \$26.2 million. The cost of all business-type activities this year was \$7.5 million.
- Federal, State, and county governments and charges for services subsidized certain governmental programs with grants and contributions and other local revenues of \$7.1 million.
- Net cost of governmental activities of \$19.2 million was financed by general revenues, which are made up of primarily sales taxes of \$14.2 million and state shared revenues of \$6.1 million.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

The financial performance of the Town as a whole is reflected in its governmental funds. As the Town completed the year, its governmental funds reported a combined fund balance of \$16.2 million, an increase of \$6.8 million due an increase in taxes and intergovernmental revenues.

The General Fund comprises 85 percent of the total fund balance. Approximately \$13.1 million or 95 percent of the General Fund's fund balance is unassigned.

The General Fund is the principal operating fund of the Town. The fund balance increased \$6.3 million to \$13.8 million as of fiscal year end. General Fund revenues increased \$6.0 million primarily due to an increase in taxes and intergovernmental revenues. General Fund expenditures increased \$4.0 million primarily due an increase in capital outlay expenditures to fund capital projects.

The HURF Fund comprises 12 percent of total fund balance. The fund balance increased \$595,848 from the prior year due to an increase in intergovernmental revenues.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Proprietary funds. Net position of the Enterprise Funds at the end of the fiscal year amounted to \$44.5 million. The increase in net position in the Enterprise Funds of \$1.0 million from the prior fiscal year was primarily due to operating revenues exceeding operating expenses.

BUDGETARY HIGHLIGHTS

A statement showing the budget amounts compared to the Town's actual financial activity for the General Fund and major special revenue fund is provided in this report as part of the basic financial statements. The significant variances are summarized as follows:

- The favorable variance of \$912,862 in public safety expenditures was a result of lower than anticipated personnel costs due to various unfilled positions, including dispatch personnel. This is also due to a 2-year grant pushed in the next fiscal year.
- The unfavorable variance of \$1.8 million in capital outlay expenditures was a result of new obligations of capital leases for two fire engine trucks.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of the end of the current fiscal year, the Town had invested \$152.2 million in governmental capital assets and \$85.8 million in business-type capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. These amounts represent a net increase prior to depreciation of \$3.3 million and \$129,242 from the prior fiscal year for governmental and business-type activities, respectively. The increases were primarily due to purchases of building improvements and vehicles, machinery and equipment. Total depreciation expense for the current fiscal year was \$1.9 million for governmental activities and \$2.8 million for business-type activities.

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2021 and June 30, 2020.

<u>Governmental Activities</u>	<u>As of June 30, 2021</u>	<u>As of June 30, 2020</u>
Land	\$ 84,821,270	\$ 84,814,270
Construction in progress	331,351	337,297
Buildings	10,573,529	10,573,529
Infrastructure	31,045,158	31,045,158
Improvements other than buildings	12,479,071	10,878,915
Vehicles, machinery and equipment	12,925,147	11,201,081
Less: accumulated depreciation	(44,165,169)	(42,591,798)
Total	<u>\$ 108,010,357</u>	<u>\$ 106,258,452</u>

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

CAPITAL ASSETS AND DEBT ADMINISTRATION

<u>Business-type Activities</u>	As of June 30, 2021	As of June 30, 2020
Land	\$ 1,685,494	\$ 1,685,494
Pipeline right to use	3,718,009	3,718,009
Construction in progress	30,104	
Buildings	758,988	758,988
Improvements other than buildings	77,018,458	76,916,351
Vehicles, machinery and equipment	2,637,506	2,640,477
Less: accumulated depreciation	<u>(26,655,062)</u>	<u>(23,999,326)</u>
Total	<u>\$ 59,193,497</u>	<u>\$ 61,719,993</u>

The estimated cost to complete current construction projects is \$1.4 million for governmental activities and \$13,008 for business-type activities.

Additional information on the Town's capital assets can be found in Note 6.

Debt Administration. At year-end, the Town had \$3.4 million in governmental long-term debt outstanding with \$588,293 due within one year. The Town had \$33.0 million in business-type long-term debt outstanding, with \$1.4 million due within one year. Long-term debt increased by \$2.1 million for governmental and decreased \$1.4 million for business-type activities. The following schedule presents a summary of long-term debt outstanding for the fiscal years ended June 30, 2021 and June 30, 2020.

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Special assessment bonds	\$ 80,000	\$ 155,000
Capital leases	3,277,463	1,085,884
Total	<u>\$ 3,357,463</u>	<u>\$ 1,240,884</u>

	<u>Business-type Activities</u>	
	<u>2021</u>	<u>2020</u>
Notes payable	\$ 32,880,510	\$ 34,146,163
Capital leases	140,945	234,909
Total	<u>\$ 33,021,455</u>	<u>\$ 34,381,072</u>

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

CAPITAL ASSETS AND DEBT ADMINISTRATION

State statutes currently limit the amount of general obligation debt a Town may issue to 20 percent of its total assessed valuation for water, sewer, lights, open space preserves parks, playgrounds and recreational facilities. The current 20 percent debt limitation for the Town is \$50.0 million. State statutes also currently limit the amount of general obligation debt a Town may issue to six percent of its total assessed valuation for all other purposes. The current six percent debt limitation for the Town is \$15.0 million. The Town's outstanding bonds are not considered general obligation bonds subject to statutory limits because the bonds are secured by sales taxes and special assessment.

Additional information on the Town's long-term debt can be found in Notes 7 through 10 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Many factors were considered by the Town's officials during the process of developing the fiscal year 2021-22 budget for governmental funds. Among them:

- Fiscal year 2020-21 budget balance carry forward (estimated \$3.6 million).
- Employee salaries and benefits (estimated \$16.5 million).
- Unknown impacts on the Town's future sales tax revenues as a result of the COVID-19 pandemic.

Also considered in the development of the budget is the local economy and inflation of the surrounding area.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Finance Department, Town of Payson, 303 North Beeline Highway, Payson, Arizona 85541.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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TOWN OF PAYSON, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 16,221,143	\$ 20,389,424	\$ 36,610,567
Intergovernmental receivable	1,036,417		1,036,417
Restricted cash and investments		2,359,960	2,359,960
Accounts receivable	564,060	903,377	1,467,437
Special assessments receivable	309,295		309,295
Prepaid expenses	5,512		5,512
Total current assets	<u>18,136,427</u>	<u>23,652,761</u>	<u>41,789,188</u>
Noncurrent assets:			
Capital assets not being depreciated	85,152,621	5,433,607	90,586,228
Capital assets, net of accumulated depreciation	22,857,736	53,759,890	76,617,626
Total noncurrent assets	<u>108,010,357</u>	<u>59,193,497</u>	<u>167,203,854</u>
Total assets	<u>126,146,784</u>	<u>82,846,258</u>	<u>208,993,042</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension and other postemployment benefit plan items	<u>11,119,174</u>	<u>639,260</u>	<u>11,758,434</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	697,049	606,565	1,303,614
Accrued payroll and employee benefits	889,641	25,943	915,584
Deposits held for others	21,985	699,984	721,969
Compensated absences payable	676,033	84,713	760,746
Obligations under capital leases	508,293	93,964	602,257
Loans payable		1,297,366	1,297,366
Bonds payable	80,000		80,000
Total current liabilities	<u>2,873,001</u>	<u>2,808,535</u>	<u>5,681,536</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	<u>59,238,529</u>	<u>36,144,798</u>	<u>95,383,327</u>
Total noncurrent liabilities	<u>59,238,529</u>	<u>36,144,798</u>	<u>95,383,327</u>
Total liabilities	<u>62,111,530</u>	<u>38,953,333</u>	<u>101,064,863</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension and other postemployment benefit plan items	<u>709,207</u>	<u>54,978</u>	<u>764,185</u>
<u>NET POSITION</u>			
Net investment in capital assets	104,652,894	26,172,042	130,824,936
Restricted for:			
Debt service	309,295	2,088,446	2,397,741
Capital outlay	429,820	271,514	701,334
Highways and streets	1,938,529		1,938,529
Court enhancement	88,250		88,250
Unrestricted	(32,973,567)	15,945,205	(17,028,362)
Total net position	<u>\$ 74,445,221</u>	<u>\$ 44,477,207</u>	<u>\$ 118,922,428</u>

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental activities:					
General government	\$ 5,830,685	\$ 1,366,959	\$ 4,510	\$ 153,591	\$ (4,305,625)
Public safety	12,717,158	533,275	2,594,970	46,322	(9,542,591)
Highways and streets	3,374,049		1,163,517		(2,210,532)
Culture and recreation	2,050,331	187,854	1,000		(1,861,477)
Public works	1,066,578	124,592		965,131	23,145
Community development	859,257				(859,257)
Health and welfare	226,078				(226,078)
Interest on long-term debt	38,102	4,481			(33,621)
Total governmental activities	<u>26,162,238</u>	<u>2,217,161</u>	<u>3,763,997</u>	<u>1,165,044</u>	<u>(19,016,036)</u>
Business-type activities:					
Water	6,678,035	8,234,852	343,972		
Interest on long-term debt	783,489				
Total business-type activities	<u>7,461,524</u>	<u>8,234,852</u>	<u>343,972</u>		
Total primary government	<u>\$ 33,623,762</u>	<u>\$ 10,452,013</u>	<u>\$ 4,107,969</u>	<u>\$ 1,165,044</u>	<u>(19,016,036)</u>

General revenues:

Taxes:

Sales taxes	14,200,923
Property taxes	684,699
Auto lieu taxes	1,311,677
Franchise taxes	405,155
Unrestricted state shared revenue	6,142,422
Investment income	5,272

Transfers

Total general revenues and transfers	<u>22,832,104</u>
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Changes in net position

3,816,068

Net position, beginning of year, as restated

70,629,153

Net position, end of year

\$ 74,445,221

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Business-type Activities	Totals
\$	\$ (4,305,625)
	(9,542,591)
	(2,210,532)
	(1,861,477)
	23,145
	(859,257)
	(226,078)
	(33,621)
	(19,016,036)
1,900,789	1,900,789
(783,489)	(783,489)
1,117,300	1,117,300
1,117,300	(17,898,736)
	14,200,923
	684,699
	1,311,677
	405,155
	6,142,422
8,669	13,941
(81,956)	
(73,287)	22,758,817
1,044,013	4,860,081
43,433,194	114,062,347
\$ 44,477,207	\$ 118,922,428

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FUND FINANCIAL STATEMENTS

**TOWN OF PAYSON, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General	HURF Fund	Non-Major Governmental Funds
<u>ASSETS</u>			
Cash and investments	\$ 13,971,446	\$ 1,686,645	\$ 563,052
Intergovernmental receivable	731,407	304,573	437
Accounts receivable	564,060		
Special assessments receivable			309,295
Prepaid expenses	5,512		
Total assets	\$ 15,272,425	\$ 1,991,218	\$ 872,784
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 610,887	\$ 40,743	\$ 45,419
Accrued payroll and employee benefits	877,695	11,946	
Deposits held for others	21,985		
Total liabilities	1,510,567	52,689	45,419
Deferred inflows of resources:			
Unavailable revenues - intergovernmental			309,295
Fund balances:			
Nonspendable	5,512		
Restricted		1,938,529	518,070
Assigned	654,930		
Unassigned	13,101,416		
Total fund balances	13,761,858	1,938,529	518,070
 Total liabilities, deferred inflows of resources and fund balances	 \$ 15,272,425	 \$ 1,991,218	 \$ 872,784

The notes to the basic financial statements are an integral part of this statement.

Total
Governmental
Funds

\$ 16,221,143
1,036,417
564,060
309,295
5,512

\$ 18,136,427

\$ 697,049
889,641
21,985

1,608,675

309,295

5,512
2,456,599
654,930
13,101,416

16,218,457

\$ 18,136,427

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TOWN OF PAYSON, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total governmental fund balances		\$ 16,218,457
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 152,175,526	
Less accumulated depreciation	<u>(44,165,169)</u>	108,010,357
<p>Some special assessment receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.</p>		
		309,295
<p>Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions/OPEB	11,119,174	
Deferred inflows of resources related to pensions/OPEB	<u>(709,207)</u>	10,409,967
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Other postemployment benefits payable	(27,131,338)	
Compensated absences payable	(1,502,298)	
Obligations under capital leases	(3,277,463)	
Net pension liability	(28,511,756)	
Bonds payable	<u>(80,000)</u>	<u>(60,502,855)</u>
Net position of governmental activities		<u><u>\$ 74,445,221</u></u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF PAYSON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General	HURF Fund	Non-Major Governmental Funds
Revenues:			
Taxes	\$ 15,290,777	\$	\$
Licenses and permits	465,158		
Intergovernmental	9,020,323	3,166,015	199,913
Special assessments			56,483
Charges for services	1,170,444		
Fines and forfeits	184,392		
Contributions	3,201		4,510
Miscellaneous	377,785	4,079	
Investment income	5,272		
Total revenues	26,517,352	3,170,094	260,906
Expenditures:			
Current -			
General government	4,280,038		
Public safety	11,415,538		
Highways and streets		2,364,605	
Culture and recreation	1,410,997		
Public works	1,008,725		
Community development	714,791		
Health and welfare	215,869		
Capital outlay	3,120,600	534,552	223,464
Debt service -			
Principal retirement	51,013	56,218	123,613
Interest and fiscal charges	12,825	15,473	9,804
Total expenditures	22,230,396	2,970,848	356,881
Excess (deficiency) of revenues over expenditures	4,286,956	199,246	(95,975)
Other financing sources (uses):			
Transfers in	321,956		25,730
Transfers out	(265,730)		
Capital lease agreements	1,950,821	396,602	
Total other financing sources (uses)	2,007,047	396,602	25,730
Changes in fund balances	6,294,003	595,848	(70,245)
Fund balances, beginning of year	7,467,855	1,342,681	588,315
Fund balances, end of year	\$ 13,761,858	\$ 1,938,529	\$ 518,070

The notes to the basic financial statements are an integral part of this statement.

Total
Governmental
Funds

\$ 15,290,777
465,158
12,386,251
56,483
1,170,444
184,392
7,711
381,864
5,272
29,948,352

4,280,038
11,415,538
2,364,605
1,410,997
1,008,725
714,791
215,869
3,878,616

230,844

38,102

25,558,125

4,390,227

347,686

(265,730)

2,347,423

2,429,379

6,819,606

9,398,851

\$ 16,218,457

TOWN OF PAYSON, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Changes in fund balances - total governmental funds **\$ 6,819,606**

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$ 3,639,432	
Less current year depreciation	<u>(1,855,513)</u>	1,783,919

Issuance of obligations under capital leases provides current financial resources to governmental funds, but the issuance increases long term liabilities in the Statement of Net Position.		(2,347,423)
---	--	-------------

Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(52,002)
---	--	----------

Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Capital lease principal retirement	155,844	
Bond principal retirement	<u>75,000</u>	230,844

Governmental funds report pension/OPEB contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension/OPEB liability, adjusted for deferred items, is reported as pension/OPEB expense in the Statement of Activities.

Current year pension/OPEB contributions	3,459,884	
Pension/OPEB expense	<u>(6,008,054)</u>	(2,548,170)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Loss on disposal of assets	(32,014)	
Compensated absences	<u>(38,692)</u>	<u>(70,706)</u>

Changes in net position in governmental activities **\$ 3,816,068**

The notes to the basic financial statements are an integral part of this statement.

TOWN OF PAYSON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Taxes	12,361,300	\$ 15,290,777	\$ 2,929,477
Licenses and permits	420,600	465,158	44,558
Intergovernmental	8,692,000	9,020,323	328,323
Charges for services	1,090,000	1,170,444	80,444
Fines and forfeits	137,000	184,392	47,392
Contributions	3,700	3,201	(499)
Miscellaneous	437,900	377,785	(60,115)
Investment income	50,000	5,272	(44,728)
Total revenues	23,192,500	26,517,352	3,324,852
Expenditures:			
Current -			
General government			
Town Council	102,600	345,113	(242,513)
Town Clerk	205,200	187,251	17,949
Administration	1,618,662	1,365,859	252,803
Financial Services	599,800	514,799	85,001
Human Resources	235,900	243,849	(7,949)
Computer Information Systems	921,900	572,793	349,107
Elections	42,500	37,476	5,024
Attorney	487,600	463,527	24,073
Courts	216,300	232,721	(16,421)
Town Manager	305,200	316,650	(11,450)
Public safety			
Police Department	6,848,200	6,558,170	290,030
Fire Department	5,360,200	4,857,368	502,832
Culture and recreation			
Library	469,000	417,729	51,271
Recreation	342,400	446,518	(104,118)
Aquatics	98,700	18,424	80,276
Tourism	233,400	192,540	40,860
Trails	6,000	2,020	3,980
Event Center	383,100	333,766	49,334
Public works			
Airport	275,500	242,186	33,314
Park Operations	939,700	766,539	173,161
Community development			
Planning and Zoning	360,550	329,714	30,836
Building Inspections	307,050	87,770	219,280
Economic Development	363,700	297,307	66,393
Health and welfare			
Health and Welfare	87,900	87,400	500
Animal Control	143,500	128,469	15,031
Capital outlay	1,279,500	3,120,600	(1,841,100)
Debt service -			
Principal retirement	51,013	51,013	
Interest and fiscal charges	12,825	12,825	
Total expenditures	22,297,900	22,230,396	67,504
Excess (deficiency) of revenues over expenditures	894,600	4,286,956	3,392,356
Other financing sources (uses):			
Transfers in	1,081,800	321,956	(759,844)
Transfers out	(1,171,900)	(265,730)	906,170
Capital lease agreements		1,950,821	(1,950,821)
Total other financing sources (uses):	(90,100)	2,007,047	(1,804,495)
Changes in fund balances	804,500	6,294,003	1,587,861
Fund balances, beginning of year	7,467,855	7,467,855	
Fund balances, end of year	\$ 8,272,355	\$ 13,761,858	\$ 1,587,861

TOWN OF PAYSON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HURF FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 4,368,000	\$ 3,166,015	\$ (1,201,985)
Miscellaneous	14,000	4,079	(9,921)
Total revenues	<u>4,382,000</u>	<u>3,170,094</u>	<u>(1,211,906)</u>
Expenditures:			
Current -			
Highways and streets	2,990,709	2,364,605	626,104
Capital outlay	2,144,900	534,552	1,610,348
Debt service -			
Principal retirement	56,218	56,218	
Interest and fiscal charges	15,473	15,473	
Total expenditures	<u>5,207,300</u>	<u>2,970,848</u>	<u>2,236,452</u>
Excess (deficiency) of revenues over expenditures	<u>(825,300)</u>	<u>199,246</u>	<u>1,024,546</u>
Other financing sources (uses):			
Transfers in	62,000		(62,000)
Capital lease agreements		396,602	396,602
Total other financing sources (uses)	<u>62,000</u>	<u>396,602</u>	<u>334,602</u>
Changes in fund balances	<u>(763,300)</u>	<u>595,848</u>	<u>1,359,148</u>
Fund balances, beginning of year	1,342,681	1,342,681	
Fund balances, end of year	<u>\$ 579,381</u>	<u>\$ 1,938,529</u>	<u>\$ 1,359,148</u>

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021**

	<u>Enterprise Funds</u>
	<u>Water</u>
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 20,389,424
Restricted cash and investments	2,359,960
Accounts receivable	903,377
Total current assets	<u>23,652,761</u>
Noncurrent assets:	
Capital assets not being depreciated	5,433,607
Capital assets, net of accumulated depreciation	53,759,890
Total noncurrent assets	<u>59,193,497</u>
Total assets	<u>82,846,258</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension and other postemployment benefit plan items	<u>639,260</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	606,565
Accrued payroll and employee benefits	25,943
Deposits held for others	699,984
Compensated absences payable	84,713
Obligations under capital leases	93,964
Loans payable	1,297,366
Total current liabilities	<u>2,808,535</u>
Noncurrent liabilities:	
Non-current portion of long-term obligations	<u>36,144,798</u>
Total noncurrent liabilities	<u>36,144,798</u>
Total liabilities	<u>38,953,333</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension and other postemployment benefit plan items	<u>54,978</u>
<u>NET POSITION</u>	
Net investment in capital assets	26,172,042
Restricted for:	
Debt service	2,088,446
Capital outlay	271,514
Unrestricted	15,945,205
Total net position	<u>\$ 44,477,207</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF PAYSON, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Enterprise Funds</u>
	<u>Water</u>
Operating revenues:	
Charges for services	\$ 8,234,852
Total operating revenues	<u>8,234,852</u>
Operating expenses:	
Costs of sales and services	3,921,072
Depreciation and amortization	2,756,963
Total operating expenses	<u>6,678,035</u>
Operating income (loss)	<u>1,556,817</u>
Nonoperating revenues (expenses):	
Impact fees	152,468
Intergovernmental	865
Miscellaneous	190,639
Investment income	8,669
Interest expense	(783,489)
Total nonoperating revenues (expenses)	<u>(430,848)</u>
Income (loss) before transfers	<u>1,125,969</u>
Transfers in	240,000
Transfers out	<u>(321,956)</u>
Changes in net position	<u>1,044,013</u>
Total net position, beginning of year	43,433,194
Total net position, end of year	<u>\$ 44,477,207</u>

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

	Enterprise Fund
	Water
<u>Increase/Decrease in Cash and Cash Equivalents</u>	
Cash flows from operating activities:	
Cash received from customers	\$ 9,884,917
Cash payments to employees for services	(1,656,688)
Cash payments to suppliers for goods and services	(2,174,993)
Net cash provided by/used for operating activities	6,053,236
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(230,467)
Principal paid on debt	(1,359,617)
Interest paid on debt	(783,489)
Net cash provided by/used for investing activities	(2,373,573)
Cash flows from noncapital financing activities:	
Intergovernmental	865
Development impact fees	152,468
Miscellaneous	190,639
Transfers in	240,000
Transfers out	(321,956)
Net cash provided by/used for noncapital financing activities	262,016
Cash flows from investing activities:	
Investment income	8,669
Net cash provided by/used for investing activities	8,669
Net increase/decrease in cash and cash equivalents	3,950,348
Cash and cash equivalents, beginning of year	18,799,036
Cash and cash equivalents, end of year	\$ 22,749,384
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</u>	
Cash and investments	\$ 20,389,424
Restricted cash and investments	2,359,960
Total cash and cash equivalents	\$ 22,749,384
<u>Reconciliation of Operating Income/Loss to Net Cash Provided by/Used for Operating Activities</u>	
Operating income/loss	\$ 1,556,817
Adjustments to reconcile operating income/loss to net cash provided by/used for operating activities:	
Depreciation and amortization	2,756,963
Changes in assets and liabilities:	
Increase/decrease in accounts receivable	1,614,941
Increase/decrease in accounts payable	83,746
Increase/decrease in accrued payroll and related liabilities	15,178
Increase/decrease in deposits held for others	35,124
Increase/decrease in compensated absences payable	22,241
Increase/decrease in pension items	207,111
Increase/decrease in OPEB items	64,850
Increase/decrease in deferred outflows	(138,206)
Increase/decrease in deferred inflows	(165,529)
Total adjustments	4,496,419
Net cash provided by/used for operating activities	\$ 6,053,236

The notes to the basic financial statements are an integral part of this statement.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Payson, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Town's accounting policies are described below.

A. Reporting Entity

The Town's major operations include police and fire protection, parks and recreation, transit services, certain social services and general administrative services. In addition, the Town owns and operates an enterprise fund which includes water services.

The Town is a municipal entity governed by a separately elected governing body. The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The Town is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the Town for financial statement presentation purposes and the Town is not included in any other governmental reporting entity. Consequently, the Town's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the Town as a whole. The reported information includes all of the nonfiduciary activities of the Town. For the most part, the effect of internal activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. These statements are to distinguish between the governmental and business-type activities of the Town. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town does not have any fiduciary activities.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, unrestricted state shared revenues, investment income and other items not included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property taxes, sales taxes, franchise taxes, state shared revenues, licenses and permits, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Unearned revenues arise when resources are received by the Town before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The Town reports the following major governmental funds.

General Fund – The General Fund is the Town’s primary operating fund. This fund accounts for all financial resources of the Town, except those required to be accounted for in other funds.

HURF Fund – The Highway User Revenue Fund (HURF) accounts for the Town’s share of state taxes on gasoline, diesel fuels and other transportation related fees to be used solely for street and highway purposes. Eligible expenditures include the cost of personnel, right-of-way acquisitions, construction, reconstruction, maintenance, repair, roadside development of town roads, streets and bridges and the payment of the principal and interest on highway and street bonds.

The Town reports the following major proprietary funds.

Water Fund – This fund accounts for the Town’s drinking water treatment and distribution system.

The Proprietary Fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Town’s enterprise funds are charges to customers for water services. Operating expenses for these funds include the cost of sales and services, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Cash and Investments

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted investments) with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at year end were cash on hand, cash in bank, cash held by fiscal agent, and cash and investments held by the State Treasurer.

Cash and investments are pooled, except for investments that are restricted under provisions of bond indentures or other restrictions that are required to be reported in the individual funds.

State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities or duly organized school districts, improvement districts in this state, and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable federal depository insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is a component of revenue in the governmental fund financial statements and of nonoperating revenues in the proprietary fund financial statements.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Interfund balances between governmental funds are eliminated on the Statement of Net Position.

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Property Tax Calendar

Gila County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide and proprietary fund financial statements and as expenditures when purchased in the fund financial statements.

I. Restricted Assets

Certain proceeds of the Town's bonds and loans, as well as certain resources set aside for their repayment, are classified as restricted cash and investments because their use is limited by applicable loan covenants. In addition, customer deposits for utility services are classified as restricted assets because their use is limited to the repayment to those customers.

J. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, vehicles, machinery, and equipment, construction in progress, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the Town as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Buildings	30 years
Improvements other than buildings	10 - 35 years
Infrastructure	35 - 50 years
Vehicles, furniture, machinery and equipment	5 - 15 years

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

L. Compensated Absences

The Town's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay in varying amounts. Only benefits considered vested are recognized in the financial statements. The liability for vacation and sick leave is reported in the government-wide financial statements and in the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to liquidate the governmental funds liabilities for compensated absences.

M. Pensions and Other Postemployment Benefits

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

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

P. Net Position Flow Assumption

In the government-wide and proprietary fund financial statements the Town applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

Q. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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

Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Town Council, the Town's highest level of decision making authority, by resolution or ordinance. Those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned. Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Town Council or a management official delegated that authority by formal Town Council action.

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – FUND BALANCE CLASSIFICATIONS

The Town applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

It is the policy of the Town to maintain a fund reserve, if possible, for the General Fund to pay expenditures caused by unforeseen emergencies, for shortfalls caused by revenue declines and to eliminate any short-term borrowing for cash flow purposes. This reserve shall be maintained at an amount that represents five percent of total General Fund operating budgeted revenues. Annual contributions will be budgeted from General Fund resources as available to maintain the target reserve level. This is in addition to the carryover balance discussed below.

The Town's General Fund will maintain a year-to-year "carryover balance", if possible, in an amount necessary to maintain adequate cash flow and to reduce the demand for short-term borrowing. The carryover balance will equal 90 days operating expenditures from the prior year.

All other funds would report a negative unassigned fund balance if the fund fell into a deficit.

Reserve funds in the Water Fund should equal five percent of prior year total operating expenses and have a carry-over balance equal to 90 days of prior year operating expenses.

The Town has established an equipment reserve fund and when fiscal resources permit, appropriates funds to it annually to provide for the timely replacement of equipment.

All expenditures drawn from reserve accounts shall require prior Town Council approval unless previously specifically authorized by the Town Council for expenditures in the annual budget.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – FUND BALANCE CLASSIFICATIONS

The table below provides detail of the major components of the Town’s fund balance classifications at year end.

	<u>General Fund</u>	<u>HURF Fund</u>	<u>Non-Major Governmental Funds</u>
Fund Balances:			
Nonspendable	\$ 5,512		
Restricted:			
Highways and streets		\$ 1,938,529	
Court enhancement			\$ 88,250
Capital projects			429,820
Assigned:			
General government	46,287		
Public safety	211,980		
Culture and recreation	396,663		
Unassigned	13,101,416		
Total fund balances	<u>\$ 13,761,858</u>	<u>\$ 1,938,529</u>	<u>\$ 518,070</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - By Arizona Constitution, expenditures may not legally exceed the expenditure limitation described below of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between departments. The adopted budget cannot be amended in any way without Town Council approval.

Legal budgets are adopted in accordance with generally accepted accounting principles for the General, Special Revenue, Debt Service, and Capital Projects Funds (except for the JCEF/FTG Fund, in which the Town does not adopt a budget) on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

No supplementary budgetary appropriations were necessary during the year.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the Town’s deposits may not be returned to the Town. The Town does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the Town’s deposits was \$2,166,968 and the bank balance was \$3,018,107. At year end, \$2,768,107 of the Town’s deposits were covered by collateral held by the pledging financial institution in the Town’s name.

Fair Value Measurements. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

The State Treasurer’s pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools as an investment company are not registered with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant’s position in the State Treasurer investment pools approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments. The cash with trustee is on deposit and invested in money market accounts and mutual funds. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

All investments in which the fair value hierarchy is applicable are measured at fair value on a recurring basis. At year end, cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$ 36,800,462
Carrying amount of cash deposits	2,166,968
Less: restricted cash and investments	(2,359,960)
Petty cash	3,097
Total pooled cash and investments	\$ 36,610,567

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 – CASH AND INVESTMENTS

At year end, the Town’s investments consisted of the following:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Category</u>
State Treasurer’s investment pool 7	62 days	\$ 36,800,462	Not applicable

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will affect the fair value of an investment. In accordance with its investment policy, the Town manages its exposure to declines in fair values by limiting the average maturity of investments to less than one year.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. The Town does not have a formal policy with respect to credit risk. The State Treasurer’s Local Government Investment Pool 7 was rated AAA by Moody’s at year end.

Custodial Credit Risk. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investment policy requires the Town to invest in obligations secured by the federal government; and, therefore, is not subject to custodial credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a formal policy in regards to concentration of credit risk.

NOTE 5 – RECEIVABLES

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of intergovernmental receivables. Intergovernmental receivables, net of allowance for uncollectibles, as of year end for the Town’s individual major funds and non-major governmental funds in the aggregate consisted of the following:

	<u>General Fund</u>	<u>HURF Fund</u>	<u>Non-Major Governmental Funds</u>
Due from other governmental entities:			
Due from state government	\$ 731,407	\$ 304,573	\$ 437
Net due from governmental entities	<u>\$ 731,407</u>	<u>\$ 304,573</u>	<u>\$ 437</u>

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – CAPITAL ASSETS

A summary of capital asset activity at year end is as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 84,814,270	\$ 7,000	\$	\$ 84,821,270
Construction in progress	337,297	76,838	82,784	331,351
Total capital assets, not being depreciated	<u>85,151,567</u>	<u>83,838</u>	<u>82,784</u>	<u>85,152,621</u>
Capital assets, being depreciated:				
Buildings	10,573,529			10,573,529
Infrastructure	31,045,158			31,045,158
Improvements and other buildings	10,878,915	1,600,156		12,479,071
Vehicles, machinery and equipment	11,201,081	2,038,222	314,156	12,925,147
Total capital assets being depreciated	<u>63,698,683</u>	<u>3,638,378</u>	<u>314,156</u>	<u>67,022,905</u>
Less accumulated depreciation for:				
Buildings	(5,639,823)	(296,654)		(5,936,477)
Infrastructure	(21,588,626)	(635,468)		(22,224,094)
Improvements and other buildings	(6,733,641)	(366,369)		(7,100,010)
Vehicles, machinery and equipment	(8,629,708)	(557,022)	(282,142)	(8,904,588)
Total accumulated depreciation	<u>(42,591,798)</u>	<u>(1,855,513)</u>	<u>(282,142)</u>	<u>(44,165,169)</u>
Total capital assets, being depreciated, net	<u>21,106,885</u>	<u>1,782,865</u>	<u>(32,014)</u>	<u>22,857,736</u>
Governmental activities capital assets, net	<u>\$ 106,258,452</u>	<u>\$ 1,866,703</u>	<u>\$ (114,798)</u>	<u>\$ 108,010,357</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 52,681
Public safety	434,642
Highways and streets	783,305
Culture and recreation	556,745
Community development	28,140
Total depreciation expense	<u>\$ 1,855,513</u>

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – CAPITAL ASSETS

Business-type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,685,494	\$	\$	\$ 1,685,494
Pipeline right to use	3,718,009			3,718,009
Construction in progress		30,104		30,104
Total capital assets, not being depreciated	<u>5,403,503</u>	<u>30,104</u>		<u>5,433,607</u>
Capital assets, being depreciated:				
Buildings	758,988			758,988
Improvements other than buildings	76,916,351	102,109		77,018,460
Vehicles, machinery and equipment	2,640,477	98,254	101,224	2,637,507
Total capital assets being depreciated	<u>80,315,816</u>	<u>200,363</u>		<u>80,414,955</u>
Less accumulated depreciation for:				
Buildings	(568,386)	(15,370)		(583,756)
Improvements other than buildings	(21,708,049)	(2,562,261)		(24,270,310)
Vehicles, machinery and equipment	(1,722,891)	(179,332)	(101,224)	(1,800,999)
Total accumulated depreciation	<u>(23,999,326)</u>	<u>(2,756,963)</u>		<u>(26,655,065)</u>
Total capital assets, being depreciated, net	<u>56,316,490</u>	<u>(2,556,600)</u>		<u>53,759,890</u>
Business-type activities capital assets, net	<u>\$ 61,719,993</u>	<u>\$ (2,526,495)</u>	<u>\$</u>	<u>\$ 59,193,498</u>

Depreciation expense was charged to functions/programs as follows:

Business-type activities	
Water	<u>\$ 2,756,963</u>

Construction Commitments – At year end, the Town had contractual commitments related to various capital projects. At year end the Town had spent \$361,456 on the projects, which includes \$331,351 from governmental activities and \$30,104 from business-type activities, and had estimated remaining contractual commitments of \$1.4 million, which includes \$1.4 million from governmental activities and \$13,008 from business-type activities.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 – OBLIGATIONS UNDER CAPITAL LEASES

The Town has acquired land improvements, vehicles and equipment, and energy retrofits under the provisions of long-term lease agreements classified as capital leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. Revenues from the General Fund, HURF Fund, Capital Projects Fund, non-major governmental Fund and the Water Fund are used to pay for the governmental activities lease obligations. Amortization of assets recorded under capital leases is included with depreciation expense.

The assets acquired through capital leases that meet the Town’s capitalization threshold are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Asset:		
Improvements other than buildings	\$ 1,287,814	\$
Machinery, vehicles and equipment	1,844,010	468,637
Less: Accumulated depreciation	<u>246,269</u>	<u>167,928</u>
Total	<u>\$ 2,885,555</u>	<u>\$ 300,709</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of year end were as follows:

Year Ending June 30:	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2022	\$ 568,253	\$ 93,964
2023	518,583	46,981
2024	520,153	
2025	521,765	
2026	420,779	
2027-31	970,696	
2032-33	<u>161,689</u>	
Total minimum lease payments	3,681,918	140,945
Less: amount representing interest	<u>404,455</u>	
Present value of minimum lease payments	<u>3,277,463</u>	<u>140,945</u>
Due within one year	<u>\$ 508,293</u>	<u>\$ 93,964</u>

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – NOTES PAYABLE

The Town has entered into five Water Infrastructure Finance Authority of Arizona (WIFA) loans for improvements to the Town's water system. The Water Fund de-obligated \$2,407,192 of the original WIFA loan of \$6,585,000, leaving a balance of \$3,412,726. Additionally, the Town entered into a \$6,250,000 loan agreement and three additional \$10,000,000 loan agreements with WIFA. The loans will be used to fund Phase II of the CC Cragin Reservoir Project. The loan will be drawn upon as funds are expended with semi-annual interest and annual principal payments due at 2.2 percent to 2.891 percent through fiscal year 2047.

	<u>Interest Rates</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2021</u>	<u>Due Within One Year</u>
Business-type activities::				
Water Infrastructure Authority	2.2-2.891%	7/1/21-46	\$ 32,880,510	\$ 1,297,367

Annual debt service requirements to maturity on the loans payable at year end are summarized as follows:

Year ending June 30,	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,297,367	\$ 641,030
2023	1,329,883	611,945
2024	1,363,224	582,119
2025	1,397,410	551,534
2026	1,432,464	520,169
2027-31	7,461,965	2,032,568
2032-36	6,070,328	1,298,507
2037-41	5,912,446	801,059
2042-46	6,155,749	281,657
2047	459,674	2,175
Total	<u><u>\$ 32,880,510</u></u>	<u><u>\$ 7,322,763</u></u>

Pledged Revenues

The Town has pledged certain future revenues to repay the loans as follows.

The Town has pledged net revenues from the operation of the Water System to repay \$36.6 million in business-type loans through the Water Infrastructure Finance Authority of Arizona. Proceeds of the loan provide financing to pay the costs of making improvements, extensions, renewals, replacements, and repairs to the water system. The loans are payable solely from net revenues from the operation of the Water System and are payable through 2047; however, as of June 30, 2021, the Town has drawn down 100 percent of the loan. Annual principal and interest payments on the loans are expected to require less than 50 percent of net revenues. The total principal and interest remaining to be paid on the loan is \$40,203,273. Principal and interest paid for the current year and total net revenues from the operation of the Water System were \$2,044,570 and \$8,587,493, respectively.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – BONDS PAYABLE

Bonds payable at year end consisted of the following general obligation, special assessment, and revenue bonds. The bonds are both callable and noncallable with interest payable semiannually. State shared and excise tax revenues are used to pay the governmental portion of the bonds.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2021	Due Within One Year
Governmental activities:					
Westerly Drive Improvement District, Series 2005	\$ 875,000	5.50%	1/1/21-22	\$ 80,000	\$ 80,000

Annual debt service requirements to maturity on the loans payable at year end are summarized as follows:

Year ending June 30,	Governmental Activities	
	Principal	Interest
2022	\$ 80,000	\$ 2,200
Total	\$ 80,000	\$ 2,200

The Town has pledged assessed taxes for each of the homeowners within the improvement district to repay \$0.9 million in governmental special assessments obligations issued in 1996. Proceeds of the bonds provided financing for improvements in the Westerly Drive Improvement District. The bonds are payable solely from special assessments levied against all privately owned lots, pieces and parcels of land lying within the boundaries of the District, all of which have been determined to be benefited by the Project. If there is no purchaser for any assessed parcel offered for sale, it will be struck off to the Town as the purchaser and the bonds will be payable by the General Fund or Debt Service Fund. If there is a deficiency in the funds collected from assessments to pay the principal and interest on the bonds, the Town may make good on such a deficiency by making a temporary loan from other available funds of the Town. The bonds are payable through 2022. Annual principal and interest payments on the bonds are expected to require more than 100 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$82,200. Principal and interest paid for the current year and total excise taxes were \$81,213 and \$56,483, respectively.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the current fiscal year was as follows:

	<u>Beginning Balance, as restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Special assessment bonds	\$ 155,000	\$	\$ 75,000	\$ 80,000	\$ 80,000
Total bonds payable	<u>155,000</u>		<u>75,000</u>	<u>80,000</u>	<u>80,000</u>
Obligations under capital leases	1,085,884	2,347,423	155,844	3,277,463	508,293
Total OPEB liability	24,749,574	2,381,764		27,131,338	
Net pension liability	25,066,476	3,445,280		28,511,756	
Compensated absences payable	<u>1,463,606</u>	<u>932,639</u>	<u>893,947</u>	<u>1,502,298</u>	<u>676,033</u>
Governmental activity long-term Liabilities	<u>\$ 52,520,540</u>	<u>\$ 9,107,106</u>	<u>\$ 1,124,791</u>	<u>\$ 60,502,855</u>	<u>\$ 1,264,326</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Obligations under capital leases	\$ 234,909	\$	\$ 93,964	\$ 140,945	\$ 93,964
Total OPEB liability	2,192,229	207,111		2,399,340	
Net pension liability	1,946,944	64,850		2,011,794	
Notes payable	34,146,163		1,265,653	32,880,510	1,297,366
Compensated absences payable	<u>166,011</u>	<u>178,159</u>	<u>155,918</u>	<u>188,252</u>	<u>84,713</u>
Governmental activity long-term Liabilities	<u>\$ 38,686,256</u>	<u>\$ 450,120</u>	<u>\$ 1,515,535</u>	<u>\$ 37,620,841</u>	<u>\$ 1,476,044</u>

**TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 – INTERFUND RECEIVABLES AND PAYABLES

At year end, interfund balances were as follows:

Interfund transfers:

	Transfers in			Total
	General Fund	Water Fund	Non-Major Governmental Funds	
Transfers out				
General Fund	\$	\$ 240,000	\$ 25,730	\$ 265,730
Water Fund	321,956			321,956
Total	\$ 321,956	\$ 240,000	\$ 25,730	\$ 587,686

The transfer from the General Fund to the Non-Major Governmental Funds was to fund annual debt service requirements on outstanding excise tax revenue bonds and to pay special assessments on Town owned property within the special assessment district. The transfer from the General Fund to the Water Fund was to pay principal and interest on prior borrowing between the funds. The transfer from the Water Fund to the General Fund was to reimburse the General Fund for overhead expenses attributed to the Water Fund.

NOTE 12 – CONTINGENT LIABILITIES

Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Lawsuits – The Town is a party to a number of various types of lawsuits, many of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable, however, Town management believes that the outcome of these proceedings, either individually or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

NOTE 13 – 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; and natural disasters. The Town was unable to obtain general property and liability insurance at a cost it considered to be economically justifiable. Therefore, the Town joined the Arizona Municipal Risk Pool (Pool) as an alternative to escalating general liability insurance costs. The Pool is made up of various towns and cities within Arizona that operate a common risk management and insurance program. The Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligations. The Pool has the authority to assess its' members additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 – RISK MANAGEMENT

The Town joined Kairos Health Arizona, Inc. for risks of loss related to employee health and accident claims. Kairos Health Arizona, Inc. is a public entity risk pool currently operating as a common risk management and insurance program for towns and cities in the State. The Town pays monthly premiums to Kairos Health Arizona, Inc. for its employee health and accident insurance coverage. The agreement provides that Kairos Health Arizona, Inc. will be self-sustaining through members’ premiums and will reinsure through commercial companies for claims in excess of specified amounts for each insured event.

The Town joined the Arizona Municipal Workers’ Compensation Pool (Pool) together with other governments in the state for risks of loss related to workers’ compensation claims. The Pool is a public entity risk pool currently operating as a common risk management and insurance program for towns and cities in the State. The Town is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among members.

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Town contributes to the plans described below. The Arizona State Retirement System and Public Safety Personnel Retirement System plans are component units of the State of Arizona.

Aggregate Amounts. At June 30, 2021, the Town reported the following aggregate amounts related to pensions and OPEB for all plans to which it contributes:

	Governmental Activities	Business-type Activities	Total
Net pension liabilities	\$ 28,511,756	\$ 2,011,794	\$ 30,523,550
Total OPEB liability	27,131,338	2,399,340	29,530,678
Deferred outflows of resources	11,119,174	639,260	11,758,434
Deferred inflows of resources	709,207	54,978	764,185
Pension expense	3,736,992	(87,269)	3,649,723
OPEB expense	2,271,062	197,484	2,468,546

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The ASRS and PSPRS OPEB plans are not further disclosed because of their relative insignificance to the Town’s financial statements.

The Town reported \$3,459,884 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

A. Arizona State Retirement System

Plan Description. Town employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at www.azasrs.gov.

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

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

*With actuarially reduced benefits

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.22 percent (12.04 percent for retirement and 0.18 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 12.22 percent (11.65 percent for retirement, 0.39 percent for health insurance premium benefit, and 0.18 percent for long-term disability) of the active members' annual covered payroll. The Town's contributions to the pension plan for the year ended June 30, 2021 were \$627,935.

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. The Town was required by statute to contribute at the actuarially determined rate of 10.21 percent (10.14 for retirement and 0.07 percent for long-term disability). ACR contributions are included in employer contributions presented above.

The Town's pension plan contributions are paid by the same funds as the employee's salary, with the largest component coming from the General Fund.

Pension Liability. The net pension liability was measured as of June 30, 2020. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2019, to the measurement date of June 30, 2020. The Town's proportion of the net liability was based on the Town's actual contributions to the applicable plan relative to the total of all participating employers' contributions to the plan for the year ended June 30, 2020.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

At June 30, 2021, the Town reported the following amounts for its proportionate share of the pension plan net liability. In addition, at June 30, 2020, the Town’s percentage proportion for the plan and the related change from its proportion measured as of June 30, 2019 was:

Net Liability	Town % Proportion	Increase (Decrease)
\$ 9,008,058	0.052	(0.001)

Pension Expense and Deferred Outflows/Inflows of Resources. The Town has deferred outflows and inflows of resources related to the net pension liability. Certain changes in the net pension liability are recognized as pension expense over a period of time rather than the year of occurrence. The Town’s pension expense for the year ended June 30, 2021 was \$655,556.

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,493	\$
Net difference between projected and actual earnings on pension investments	868,838	
Changes in proportion and differences between contributions and proportionate share of contributions		110,107
Contributions subsequent to the measurement date	627,935	
Total	\$ 1,578,266	\$ 110,107

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:		
2022	\$	25,591
2023		231,638
2024		314,268
2025		268,727

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Inflation	2.3%
Projected salary increases	2.7-7.2%
Permanent base increases	Included
Mortality rates	2017 SRA Scale U-MP

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2017, actuarial valuation.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, excluding any expected inflation.

On June 29, 2018, the ASRS Board approved updated strategic asset allocation targets, to be effective July 2018. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Equity	50%	6.39%
Credit	20	5.44
Interest rate sensitive bonds	10	0.22
Real estate	20	5.85
Total	<u>100%</u>	

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Rate	6.5%	7.5%	8.5%
Net liability	\$ 12,318,397	\$ 9,008,058	\$ 6,240,784

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

B. Public Safety Personnel Retirement System

Plan Descriptions. Town public safety employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans, and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and employees who became PSPRS members on or after July 1, 2017, participate in either agent plans or cost-sharing plans (PSPRS Tier 3 Risk Pool). The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

The PSPRS Tier 3 Risk Pool plan and the PSPRS OPEB plan are not further disclosed because of their relative insignificance to the Town’s financial statements.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Benefits Provided. The PSPRS provides retirement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows.

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

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

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Employees Covered by Benefit Terms. At June 30, 2021, the following employees were covered by the agent pension plan’s benefit terms:

	<u>PSPRS - Police</u>	<u>PSPRS - Fire</u>
Retirees and beneficiaries	24	14
Inactive, non-retired members	10	1
Active members	18	24
Total	<u>52</u>	<u>39</u>

Contributions. State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2021, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	<u>PSPRS - Police</u>	<u>PSPRS - Fire</u>
Active members – pension	7.65% to 11.65%	7.65% to 11.65%
Town:		
Pension	70.31%	37.30%
Health insurance	1.16%	0.95%

The Town’s contributions to the pension plans for the year ended June 30, 2021 were:

	<u>PSPRS - Police</u>	<u>PSPRS - Fire</u>
Pension contributions	\$ 1,775,732	\$ 1,198,206

The Town’s pension contributions are paid by the same funds as the employee’s salary, with the largest component coming from the General Fund.

Pension Assets/Liabilities. At June 30, 2021, the Town reported the following pension assets and liabilities.

	<u>PSPRS - Police</u>	<u>PSPRS - Fire</u>
Net Pension (Assets) Liabilities	\$ 13,500,693	\$ 8,014,799

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The net pension liabilities were measured as of June 30, 2020. The total pension liability used to calculate the net pension asset or liability was determined by an actuarial valuation as of that date.

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

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5%
Price inflation	2.5%
Cost-of-living adjustment	1.75%
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. public equity	23%	4.93%
International public equity	15	6.09
Global private equity	18	8.42
Other assets (capital appreciation)	7	5.61
Core bonds	2	0.22
Private credit	22	5.31
Diversifying strategies	12	3.22
Cash – Mellon	1	-0.60
Total	<u>100%</u>	

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Discount Rate. At June 30, 2020, the discount rate used to measure the total pension liability was 7.3 percent.

The projection of cash flows used to determine the discount rate assumed that pension plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current pension plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension (Assets)/Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
PSPRS - Police			
Balances at June 30, 2020	\$ 20,809,083	\$ 7,382,842	\$ 13,426,241
Changes for the year:			
Service cost	312,239		312,239
Interest on the total pension liability	1,477,830		1,477,830
Changes of benefit terms			
Differences between expected and actual experience in the measurement of the pension liability	263,848		263,848
Contributions – employer		1,861,806	(1,861,806)
Contributions – employee		152,112	(152,112)
Net investment income		93,708	(93,708)
Benefit payments, including refunds of employee contributions	(1,754,159)	(1,754,159)	
Administrative expense		(7,642)	7,642
Other changes		(120,519)	120,519
Net changes	299,758	225,306	74,452
Balances at June 30, 2021	<u>\$ 21,108,841</u>	<u>\$ 7,608,148</u>	<u>\$ 13,500,693</u>

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
PSPRS - Fire			
Balances at June 30, 2020	\$ 14,944,986	\$ 8,133,660	\$ 6,811,326
Changes for the year:			
Service cost	436,438		436,438
Interest on the total pension liability	1,099,213		1,099,213
Changes of benefit terms			
Differences between expected and actual experience in the measurement of the pension liability	1,060,950		1,060,950
Changes of assumptions or other inputs			
Contributions – employer		1,158,617	(1,158,617)
Contributions – employee		184,431	(184,431)
Net investment income		108,988	(108,988)
Benefit payments, including refunds of employee contributions	(647,428)	(647,428)	
Administrative expense		(8,886)	8,886
Other changes		(50,022)	50,022
Net changes	1,949,173	745,700	1,203,473
Balances at June 30, 2021	<u>\$ 16,894,159</u>	<u>\$ 8,879,360</u>	<u>\$ 8,014,799</u>

Sensitivity of the Net Pension (Assets) Liabilities to Changes in the Discount Rate. The following presents the Town’s net pension (assets) liabilities calculated using the discount rate noted above, as well as what the Town’s net pension (assets) liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
PSPRS - Police:			
Rate	6.30%	7.30%	8.30%
Net pension (assets) liability	\$ 16,251,710	\$ 13,500,693	\$ 11,254,636
PSPRS - Fire			
Rate	6.30%	7.30%	8.30%
Net pension (assets) liability	\$ 10,394,773	\$ 8,014,799	\$ 6,070,466

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued PSPRS financial report. The report is available on the PSPRS website at www.psprs.com.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Pension Expense. For the year ended June 30, 2021, the Town recognized the following as pension expense:

	PSPRS - Police	PSPRS - Fire
Pension expense	\$ 1,616,072	\$ 1,378,095

Pension Deferred Outflows/Inflows of Resources. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS - Police:		
Differences between expected and actual experience	\$ 280,371	\$ 46,824
Changes of assumptions or other inputs	380,508	
Net difference between projected and actual earnings on pension plan investments	409,704	
Contributions subsequent to the measurement date	1,775,732	
Total	\$ 2,846,315	\$
PSPRS - Fire		
Differences between expected and actual experience	\$ 1,201,848	\$ 227,402
Changes of assumptions or other inputs	907,105	
Net difference between projected and actual earnings on pension plan investments	463,810	
Contributions subsequent to the measurement date	1,198,206	
Total	\$ 3,770,969	\$ 227,402

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The amounts reported as deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an increase in the net pension assets or a reduction of the net pension liabilities in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expenses as follows:

Year Ending June 30:	PSPRS - Police	PSPRS - Fire
2022	\$ 253,057	\$ 498,123
2023	345,153	548,462
2024	336,420	507,368
2025	89,129	393,956
2026		230,278
Thereafter		167,174

C. Single-Employer OPEB Plan

Plan Description. The Town provides postretirement healthcare benefits in accordance with the Town Personnel Rules and Procedures manual. A Council Member who was elected prior to 1998 and has served eight (8) consecutive years will be eligible for retirement Medical, Dental, Vision and Life Insurance benefits upon reaching sixty (60) years of age. No Council Member who was elected or appointed to the office in the year 1998 or later shall be eligible under any circumstances, for retirement Medical, Dental, Vision and Life Insurance benefits. The Town ended the retirement program and the postretirement health care benefit plan for employees hired after January 2010.

The plan is a single-employer defined benefit OPEB plan administered by the Town. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. Generally, resources from the General Fund are used to pay for postemployment benefits.

In 2010, the Town implemented a one-time Early Retirement Incentive Program (ERIP). One of the incentives for employees meeting the criteria was 100% medical insurance paid by the Town per the current postretirement health care benefit program. Eight employees accepted the ERIP.

**TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Benefits Provided. The plan provides postretirement insurance (health, dental, vision, and life) benefits for eligible retirees either up to age 65 (if hired on or after May 10, 1997) or through the individual's lifetime (if hired before May 10, 1997). To be eligible for Town-paid benefits, an employee must have acquired 70 points (years of age plus years of service) under the Arizona Statement Retirement System (ASRS) and be a benefited employee with 10 consecutive years of full-time satisfactory service.

Contributions. The Town makes average monthly contributions of \$266 for employee only health care benefits plans and \$657 for employee and family health care benefit plans. The Town makes average monthly contributions of \$557 for retiree only postretirement health care benefits plans and \$1,204 for retiree and family postretirement health care benefit plans. The Town's regular insurance providers underwrite the retiree policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. A separate financial report is not issued for the plan.

Employees covered by benefit terms. The following employees were covered as of the effective date of the OPEB valuation:

Inactive employees or beneficiaries	52
currently receiving benefit payments	
Active employees	<u>52</u>
Total	<u><u>104</u></u>

Total OPEB Liability. The Town's total OPEB liability of \$29,530,678 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2019.

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Actuarial Assumptions and Other Inputs. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2021
Actuarial valuation date	July 1, 2019
Interest rate	4.00%
Inflation rate	3.00%
Projected salary increases	3% per annum
Health care cost trend rate:	
Medical and Prescription Drug	5.8% for 2021; 5.7% for 2022 and after, decreasing by .1% per year to ultimately 5% by 2029
Retiree contribution increase	Consistent with medical/drug trends
ASRS subsidy increases	None
Cost of living adjustments	N/A

The discount rate is based on the estimate of expected long-term plan experience. At June 30, 2021, the discount rate used to measure the total OPEB liability was 1.92 percent, which was not the same as the discount rate used as of July 1, 2019.

Mortality rates were based on the RP-2000 Employee Mortality Table, Projected to 2019 using Scale AA for active employees and RP-2000 Health Annuitant Mortality Table, Projected to 2019 using Scale AA for retirees, adjusted by 105% for both males and females.

Changes in the Total OPEB Liability

Total OPEB Liability – beginning of year	\$ 26,941,803
Changes for the year:	
Service cost	282,933
Interest	657,366
Differences between expected and actual experience	
Changes in assumptions or other inputs	2,440,284
Benefit payments	(791,708)
Total OPEB Liability – end of year	<u>\$ 29,530,678</u>

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (0.92 percent) or 1-percentage-point higher (2.92 percent) than the current discount rate:

	1% Decrease (0.92%)	Discount Rate (1.92%)	1% Increase (2.92%)
Net OPEB liability (asset)	\$ 35,072,541	\$ 29,530,678	\$ 25,163,418

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.8 percent decreasing to 4.00 percent) or 1-percentage-point higher (6.8 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (4.80% decreasing to 4.00%)	Trend Rate (5.80% decreasing to 5.00%)	1% Increase (6.80% decreasing to 6.00%)
Net OPEB liability (asset)	\$ 22,772,453	\$ 29,530,678	\$ 35,505,431

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2021 the Town recognized OPEB expense of \$2,468,547. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 379,852
Changes of assumptions or other inputs	3,562,884	
Total	\$ 3,562,884	\$ 379,852

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2022	\$ 2,359,210
2023	823,822

TOWN OF PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 – PRIOR PERIOD ADJUSTMENT

The July 1, 2020, government-wide net position does not agree to the prior year financial statements due to a correction of an error.

	<u>Governmental Activities Statement of Activities</u>
Net position, June 30, 2020, as previously reported	\$ 69,733,633
PSPRS contributions not previously recognized in net pension liability	<u>895,520</u>
Net position, July 1, 2020, as restated	<u>\$ 70,629,153</u>

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PAYSON, ARIZONA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
LAST SEVEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Town's proportion of the net pension liability (asset)	0.05%	0.05%	0.05%	0.06%	0.05%	0.05%	0.05%
Town's proportionate share of the net pension liability (asset)	\$ 9,008,058	\$ 7,671,373	\$ 7,462,762	\$ 8,564,812	\$ 8,433,674	\$ 8,037,320	\$7,219,220
Town's covered payroll	\$ 5,192,245	\$ 5,198,936	\$ 5,067,541	\$ 4,058,451	\$ 4,786,138	\$ 4,377,856	\$4,073,930
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	173.49%	147.56%	147.27%	211.04%	176.21%	183.59%	177.21%
Plan fiduciary net position as a percentage of the total pension liability	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

**TOWN OF PAYSON, ARIZONA
SCHEDULE OF CONTRIBUTIONS
ALL PENSION PLANS
LAST SEVEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Arizona State Retirement System:							
Actuarially determined contribution	\$ 627,935	\$ 594,512	\$ 581,241	\$ 552,362	\$ 437,501	\$ 519,296	\$ 511,927
Contributions in relation to the actuarially determined contribution	<u>627,935</u>	<u>594,512</u>	<u>581,241</u>	<u>552,362</u>	<u>437,501</u>	<u>519,296</u>	<u>511,927</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 5,390,000	\$ 5,192,245	\$ 5,198,936	\$ 5,067,541	\$ 4,058,451	\$ 4,786,138	\$ 4,377,856
Contributions as a percentage of covered payroll	11.65%	11.45%	11.18%	10.90%	10.78%	10.85%	11.69%
Public Safety Personnel Retirement System - Police:							
Actuarially determined contribution	\$ 1,333,036	\$ 1,194,583	\$ 1,146,321	\$ 1,071,096	\$ 1,063,079	\$ 879,197	\$ 633,668
Contributions in relation to the actuarially determined contribution	<u>1,775,732</u>	<u>1,194,583</u>	<u>1,596,321</u>	<u>1,439,702</u>	<u>1,063,079</u>	<u>879,197</u>	<u>633,668</u>
Contribution deficiency (excess)	<u>\$ (442,696)</u>	<u>\$</u>	<u>\$ (450,000)</u>	<u>\$ (368,606)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 1,895,941	\$ 1,656,612	\$ 1,600,783	\$ 1,376,199	\$ 1,695,771	\$ 1,554,175	\$ 1,449,122
Contributions as a percentage of covered payroll	70.31%	72.11%	71.61%	77.83%	62.69%	56.57%	43.73%
Public Safety Personnel Retirement System - Fire:							
Actuarially determined contribution	\$ 1,051,931	\$ 872,921	\$ 800,803	\$ 524,719	\$ 454,109	\$ 460,510	\$ 353,376
Contributions in relation to the actuarially determined contribution	<u>1,198,206</u>	<u>930,320</u>	<u>1,002,622</u>	<u>647,588</u>	<u>454,109</u>	<u>460,510</u>	<u>353,376</u>
Contribution deficiency (excess)	<u>\$ (146,275)</u>	<u>\$ (57,399)</u>	<u>\$ (201,819)</u>	<u>\$ (122,869)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 2,820,190	\$ 2,475,572	\$ 2,120,771	\$ 1,509,280	\$ 1,743,890	\$ 1,927,627	\$ 1,829,211
Contributions as a percentage of covered payroll	37.30%	35.26%	37.76%	34.77%	26.04%	23.89%	19.32%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

TOWN OF PAYSON, ARIZONA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - POLICE
LAST SEVEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability							
Service cost	\$ 312,239	\$ 338,963	\$ 316,482	\$ 374,449	\$ 254,743	\$ 301,372	\$ 308,406
Interest	1,477,830	1,430,914	1,406,854	1,296,061	1,284,285	1,242,661	1,002,703
Changes of benefit terms				232,566	101,288		433,204
Differences between expected and actual experience	263,848	137,473	(328,554)	285,778	(495,099)	(95,248)	86,689
Changes of assumptions		634,180		552,116	638,612		2,089,513
Benefit payments, including refunds of employee contributions	(1,754,159)	(1,460,306)	(1,040,455)	(922,060)	(924,315)	(866,131)	(854,285)
Net change in total pension liability	299,758	1,081,224	354,327	1,818,910	859,514	582,654	3,066,230
Total pension liability—beginning	20,809,083	19,727,859	19,373,532	17,554,622	16,695,108	16,112,454	13,046,224
Total pension liability—ending	<u>\$ 21,108,841</u>	<u>\$ 20,809,083</u>	<u>\$ 19,727,859</u>	<u>\$ 19,373,532</u>	<u>\$ 17,554,622</u>	<u>\$ 16,695,108</u>	<u>\$ 16,112,454</u>
Plan fiduciary net position							
Contributions—employer	\$ 1,861,806	\$ 1,773,134	\$ 1,275,688	\$ 987,639	\$ 802,434	\$ 633,668	\$ 664,804
Contributions—employee	152,112	147,529	154,232	181,989	174,830	195,231	178,839
Net investment income	93,708	368,590	406,880	621,085	30,541	189,110	625,751
Benefit payments, including refunds of employee contributions	(1,754,159)	(1,460,306)	(1,040,455)	(922,060)	(924,315)	(866,131)	(854,285)
Administrative expense	(7,642)	(7,403)	(6,893)	(5,896)	(4,795)	(4,995)	(5,040)
Other	(120,519)	(17,373)	(215,981)	902	(222,673)	(38,050)	46,119
Net change in plan fiduciary net position	225,306	804,171	573,471	863,659	(143,978)	108,833	656,188
Plan fiduciary net position—beginning	7,382,842	6,578,671	6,005,200	5,141,541	5,285,519	5,176,686	4,520,498
Plan fiduciary net position—ending	<u>\$ 7,608,148</u>	<u>\$ 7,382,842</u>	<u>\$ 6,578,671</u>	<u>\$ 6,005,200</u>	<u>\$ 5,141,541</u>	<u>\$ 5,285,519</u>	<u>\$ 5,176,686</u>
Net pension liability—ending	<u>\$ 13,500,693</u>	<u>\$ 13,426,241</u>	<u>\$ 13,149,188</u>	<u>\$ 13,368,332</u>	<u>\$ 12,413,081</u>	<u>\$ 11,409,589</u>	<u>\$ 10,935,768</u>
Plan fiduciary net position as a percentage of the total pension liability	36.04%	35.48%	33.35%	31.00%	29.29%	31.66%	32.13%
Covered payroll	\$ 1,656,612	\$ 1,600,783	\$ 1,849,803	\$ 1,695,771	\$ 1,554,175	\$ 1,449,122	\$ 1,566,845
Net pension liability as a percentage of covered payroll	814.96%	838.73%	710.84%	788.33%	798.69%	787.34%	697.95%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

TOWN OF PAYSON, ARIZONA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - FIRE
LAST SEVEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability							
Service cost	\$ 436,438	\$ 440,572	\$ 405,387	\$ 413,527	\$ 337,547	\$ 341,750	\$ 319,683
Interest	1,099,213	1,053,464	973,964	884,493	790,075	712,513	619,559
Changes of benefit terms				123,146	699,413		131,611
Differences between expected and actual experience	1,060,950	(294,114)	144,065	55,791	40,079	446,557	(65,090)
Changes of assumptions		260,962		593,077	435,046		732,281
Benefit payments, including refunds of employee contributions	(647,428)	(622,659)	(751,282)	(643,770)	(579,355)	(441,967)	(687,926)
Net change in total pension liability	1,949,173	838,225	772,134	1,426,264	1,722,805	1,058,853	1,050,118
Total pension liability—beginning	14,944,986	14,106,761	13,334,627	11,908,363	10,185,558	9,126,705	8,076,587
Total pension liability—ending	<u>\$ 16,894,159</u>	<u>\$ 14,944,986</u>	<u>\$ 14,106,761</u>	<u>\$ 13,334,627</u>	<u>\$ 11,908,363</u>	<u>\$ 10,185,558</u>	<u>\$ 9,126,705</u>
Plan fiduciary net position							
Contributions—employer	\$ 1,158,617	\$ 821,363	\$ 763,548	\$ 512,294	\$ 460,449	\$ 353,376	\$ 382,165
Contributions—employee	184,431	176,173	178,210	452,138	232,627	214,441	183,753
Net investment income	108,988	406,436	469,030	707,125	34,274	201,717	655,627
Benefit payments, including refunds of employee contributions	(647,428)	(622,659)	(751,282)	(643,770)	(579,355)	(441,967)	(687,926)
Administrative expense	(8,886)	(9,301)	(7,839)	(6,657)	(5,332)	(5,309)	(5,281)
Other	(50,022)	(11,254)	(239,994)	49,762	(99,566)	142,513	
Net change in plan fiduciary net position	745,700	760,758	411,673	1,070,892	43,097	464,771	528,338
Plan fiduciary net position—beginning	8,133,660	7,372,902	6,961,229	5,890,337	5,847,240	5,382,469	4,854,131
Plan fiduciary net position—ending	<u>\$ 8,879,360</u>	<u>\$ 8,133,660</u>	<u>\$ 7,372,902</u>	<u>\$ 6,961,229</u>	<u>\$ 5,890,337</u>	<u>\$ 5,847,240</u>	<u>\$ 5,382,469</u>
Net pension liability—ending	<u>\$ 8,014,799</u>	<u>\$ 6,811,326</u>	<u>\$ 6,733,859</u>	<u>\$ 6,373,398</u>	<u>\$ 6,018,026</u>	<u>\$ 4,338,318</u>	<u>\$ 3,744,236</u>
Plan fiduciary net position as a percentage of the total pension liability	52.56%	54.42%	52.27%	52.20%	49.46%	57.41%	58.97%
Covered payroll	\$ 2,475,572	\$ 2,261,746	\$ 1,857,682	\$ 1,743,890	\$ 1,927,627	\$ 1,829,211	\$ 1,866,892
Net pension liability as a percentage of covered payroll	323.76%	301.15%	362.49%	365.47%	312.20%	237.17%	200.56%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

TOWN OF PAYSON, ARIZONA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS PLAN
LAST FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB liability				
Service cost	\$ 282,933	\$ 225,260	\$ 270,668	\$ 299,220
Interest	657,366	744,467	741,396	678,416
Differences between expected and actual experience		(1,070,490)		
Changes of assumptions or other inputs	2,440,284	4,995,031	1,551,890	(1,565,719)
Benefit payments	(791,707)	(703,844)	(581,113)	(631,130)
Net change in total OPEB liability	<u>2,588,876</u>	<u>4,190,424</u>	<u>1,982,841</u>	<u>(1,219,213)</u>
Total OPEB liability—beginning	<u>26,941,803</u>	<u>22,751,379</u>	<u>20,768,538</u>	<u>21,987,751</u>
Total OPEB liability—ending	<u>\$ 29,530,679</u>	<u>\$ 26,941,803</u>	<u>\$ 22,751,379</u>	<u>\$ 20,768,538</u>
Covered payroll	\$ 10,767,760	\$ 10,126,797	\$ 3,824,353	\$ 8,251,469
Total OPEB liability as a percentage of covered payroll	274.25%	266.04%	594.91%	251.70%

NOTE: The pension and OPEB schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

TOWN OF PAYSON, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 1 – PENSION AND OPEB PLAN SCHEDULES

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2019, valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2017, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The actuarial assumptions used in the June 30, 2020 valuation for PSPRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The PSPRS Board adopted the experience study recommended changes which were applied to the June 30, 2017 actuarial valuation. The total liabilities as of June 30, 2019 reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

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

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, to pay the benefits for the single-employer defined benefit OPEB plan.

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Judicial Collection Enhancement Fund (JCEF)/Municipal Fill the Gap (FTG) – accounts for a \$12 penalty fee established by the State of Arizona to be imposed by the local courts in addition to other fines. The distribution of the fee was split two ways: \$9.00 was remitted to the State Superior Court and \$3.00 was retained by the local court. The use of the \$3.00 fee is for the enhancement of the collection process. The State of Arizona established a 7% increase in surcharges on September 1, 1999 with senate bill 1013. A portion of the increase is distributed to Municipal Courts on a quarterly basis. The program is titled “Municipal Court Fill the Gap” or FTG. The monies collected by this program may be used for the same purposes for which local JCEF monies may be used.

Debt Service Funds

Debt Service Fund – accounts for the interest, principal and fees incurred due to general obligation and special assessment debt of the Town except those accounted for in the proprietary funds.

Capital Projects Funds

Capital Projects Fund – accounts for the financial resources to be used for the acquisition or construction of capital facilities.

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INDIVIDUAL FUND SCHEDULES

TOWN OF PAYSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
	<u>JCEF/FTG</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>ASSETS</u>			
Cash and investments	\$ 87,813	\$	\$ 475,239
Intergovernmental receivable	437		
Special assessments receivable		309,295	
Total assets	\$ 88,250	\$ 309,295	\$ 475,239
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u>			
<u>AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$	\$	\$ 45,419
Total liabilities	\$	\$	45,419
Deferred inflows of resources:			
Unavailable revenues - intergovernmental		309,295	
Fund balances:			
Restricted	88,250		429,820
Total fund balances	88,250	\$	429,820
 Total liabilities, deferred inflows of resources and fund balances	\$ 88,250	\$ 309,295	\$ 475,239

Total Non-Major
Governmental
Funds

\$ 563,052
437
309,295
\$ 872,784

\$ 45,419
45,419

309,295

518,070
518,070

\$ 872,784

TOWN OF PAYSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
	<u>JCEF/FTG</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:			
Intergovernmental	\$	\$	\$ 199,913
Special assessments		56,483	
Contributions	4,510		
Total revenues	4,510	56,483	199,913
Expenditures:			
Capital outlay			223,464
Debt service -			
Principal retirement		75,000	48,613
Interest and fiscal charges		7,213	2,591
Total expenditures		82,213	274,668
Excess (deficiency) of revenues over expenditures	4,510	(25,730)	(74,755)
Other financing sources (uses):			
Transfers in		25,730	
Total other financing sources (uses)		25,730	
Changes in fund balances	4,510		(74,755)
Fund balances, beginning of year	83,740		504,575
Fund balances, end of year	\$ 88,250	\$	\$ 429,820

Total Non-Major
Governmental
Funds

\$ 199,913
56,483
4,510
260,906

223,464

123,613
9,804
356,881

(95,975)

25,730
25,730

(70,245)

588,315

\$ 518,070

TOWN OF PAYSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2021

	JCEF/FTG		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Contributions	\$ 4,000	\$ 4,510	\$ 510
Total revenues	4,000	4,510	510
Changes in fund balances	4,000	4,510	510
Fund balances, beginning of year	83,740	83,740	
Fund balances, end of year	\$ 87,740	\$ 88,250	\$ 510

TOWN OF PAYSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2021

	Debt Service		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Special assessments	\$ 56,500	\$ 56,483	\$ (17)
Total revenues	<u>56,500</u>	<u>56,483</u>	<u>(17)</u>
Expenditures:			
Debt service -			
Principal retirement	75,000	75,000	
Interest and fiscal charges	7,300	7,213	87
Total expenditures	<u>82,300</u>	<u>82,213</u>	<u>87</u>
Excess (deficiency) of revenues over expenditures	<u>(25,800)</u>	<u>(25,730)</u>	<u>70</u>
Other financing sources (uses):			
Transfers in	25,800	25,730	(70)
Total other financing sources (uses)	<u>25,800</u>	<u>25,730</u>	<u>(70)</u>
Changes in fund balances			
Fund balances, beginning of year			
Fund balances, end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>

TOWN OF PAYSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2021

	Capital Projects		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Intergovernmental	\$ 1,167,300	\$ 199,913	\$ (967,387)
Total revenues	<u>1,167,300</u>	<u>199,913</u>	<u>(967,387)</u>
Expenditures:			
Capital outlay	1,571,096	223,464	1,347,632
Debt service -			
Principal retirement	48,613	48,613	
Interest and fiscal charges	2,591	2,591	
Total expenditures	<u>1,622,300</u>	<u>274,668</u>	<u>1,347,632</u>
Excess (deficiency) of revenues over expenditures	<u>(455,000)</u>	<u>(74,755)</u>	<u>380,245</u>
Other financing sources (uses):			
Transfers in	2,300		(2,300)
Total other financing sources (uses)	<u>2,300</u>		<u>(2,300)</u>
Changes in fund balances	<u>(452,700)</u>	<u>(74,755)</u>	<u>377,945</u>
Fund balances, beginning of year	504,575	504,575	
Fund balances, end of year	<u>\$ 51,875</u>	<u>\$ 429,820</u>	<u>\$ 377,945</u>

STATISTICAL SECTION

The statistical section presents financial statement trends as well as detailed financial and operational information not available elsewhere in the report. The statistical section is intended to enhance the reader's understanding of the information presented in the financial statements, notes to the financial statements, and other supplementary information presented in this report. The statistical section is comprised of the five categories of statistical information presented below.

Financial Trends

These schedules contain information on financial trends to help the reader understand how the Town's financial position and financial activities have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the Town's ability to generate revenue.

Debt Capacity

These schedules present information to help the reader evaluate the Town's current levels of outstanding debt as well as assess the Town's ability to make debt payments and/or issue additional debt in the future.

Demographic and Economic Information

These schedules present various demographic and economic indicators to help the reader understand the environment in which the Town's financial activities take place and to help make comparisons with other cities.

Operating Information

These schedules contain information about the Town's operations and various resources to help the reader draw conclusions as to how the Town's financial information relates to the services provided by the Town.

Note: For locally assessed property (i.e., excluding mines, utilities, etc.) Proposition 117, approved by voters in 2012, amended the Arizona Constitution to require that all property taxes after fiscal year 2014-15 be based upon property values limited to 5 percent in annual growth. The aggregate assessed value of all taxable properties within a taxing jurisdiction (i.e., after applying assessment ratios based on the use of a property), including property values with a growth limit, is currently referred to as net limited assessed value and formerly as primary assessed value. In accordance with Proposition 117, this value is used for all taxing purposes beginning fiscal year 2015-16. Aggregate assessed value without a growth limit is currently referred to as net full cash assessed value and formerly as secondary assessed value. This remains the value utilized for determining debt capacity limits.

**TOWN OF PAYSON, ARIZONA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual basis of accounting)**

	Fiscal Year Ended June 30				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Governmental activities:					
Net investment in capital assets	\$ 104,652,894	\$ 105,017,568	\$ 105,189,097	\$ 105,433,973	\$ 104,878,853
Restricted	2,765,894	2,292,293	1,822,557	1,577,183	1,464,390
Unrestricted	<u>(32,973,567)</u>	<u>(37,576,228)</u>	<u>(37,815,247)</u>	<u>(37,735,957)</u>	<u>(27,648,896)</u>
Total governmental activities net position	<u><u>\$ 74,445,221</u></u>	<u><u>\$ 69,733,633</u></u>	<u><u>\$ 69,196,407</u></u>	<u><u>\$ 69,275,199</u></u>	<u><u>\$ 78,694,347</u></u>
Business-type activities:					
Net investment in capital assets	\$ 26,172,042	\$ 27,338,921	\$ 26,536,052	\$ 24,554,572	\$ 24,261,745
Restricted	2,359,960	2,170,152	1,923,932	1,640,104	1,356,276
Unrestricted	<u>15,945,205</u>	<u>13,924,121</u>	<u>11,361,593</u>	<u>9,191,750</u>	<u>5,903,591</u>
Total business-type activities net position	<u><u>\$ 44,477,207</u></u>	<u><u>\$ 43,433,194</u></u>	<u><u>\$ 39,821,577</u></u>	<u><u>\$ 35,386,426</u></u>	<u><u>\$ 31,521,612</u></u>
Primary government					
Net investment in capital assets	\$ 130,824,936	\$ 132,356,489	\$ 131,725,149	\$ 129,988,545	\$ 129,140,598
Restricted	5,125,854	4,462,445	3,746,489	3,217,287	2,820,666
Unrestricted	<u>(17,028,362)</u>	<u>(23,652,107)</u>	<u>(26,453,654)</u>	<u>(28,544,207)</u>	<u>(21,745,305)</u>
Total net position	<u><u>\$ 118,922,428</u></u>	<u><u>\$ 113,166,827</u></u>	<u><u>\$ 109,017,984</u></u>	<u><u>\$ 104,661,625</u></u>	<u><u>\$ 110,215,959</u></u>

(Continued)

**TOWN OF PAYSON, ARIZONA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual basis of accounting)**

	Fiscal Year Ended June 30				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental activities:					
Net investment in capital assets	\$ 105,017,442	\$ 105,190,507	\$ 104,424,687	\$ 104,037,027	\$ 104,528,536
Restricted	1,659,351	1,519,013	1,338,294	2,088,595	2,471,981
Unrestricted	<u>(25,664,068)</u>	<u>(24,698,230)</u>	<u>(6,262,822)</u>	<u>(6,121,753)</u>	<u>(4,492,672)</u>
Total net position	<u><u>\$ 81,012,725</u></u>	<u><u>\$ 82,011,290</u></u>	<u><u>\$ 99,500,159</u></u>	<u><u>\$ 100,003,869</u></u>	<u><u>\$ 102,507,845</u></u>
Business-type activities:					
Net investment in capital assets	\$ 20,771,062	\$ 18,707,310	\$ 18,784,149	\$ 18,225,098	\$ 19,448,774
Restricted	977,431	762,942	548,453	451,859	451,859
Unrestricted	<u>6,136,104</u>	<u>6,184,932</u>	<u>7,327,867</u>	<u>6,768,944</u>	<u>5,480,569</u>
Total net position	<u><u>\$ 27,884,597</u></u>	<u><u>\$ 25,655,184</u></u>	<u><u>\$ 26,660,469</u></u>	<u><u>\$ 25,445,901</u></u>	<u><u>\$ 25,381,202</u></u>
Primary government					
Net investment in capital assets	\$ 125,788,504	\$ 123,897,817	\$ 123,208,836	\$ 122,262,125	\$ 123,977,310
Restricted	2,636,782	2,281,955	1,886,747	2,540,454	2,923,840
Unrestricted	<u>(19,527,964)</u>	<u>(18,513,298)</u>	<u>1,065,045</u>	<u>647,191</u>	<u>987,897</u>
Total net position	<u><u>\$ 108,897,322</u></u>	<u><u>\$ 107,666,474</u></u>	<u><u>\$ 126,160,628</u></u>	<u><u>\$ 125,449,770</u></u>	<u><u>\$ 127,889,047</u></u>

Source: The source of this information is the Town's financial records.

(Concluded)

TOWN OF PAYSON, ARIZONA
EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST TEN FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Expenses					
Governmental activities:					
General government	\$ 5,830,685	\$ 4,771,564	\$ 4,660,538	\$ 3,544,946	\$ 3,347,609
Public safety	12,717,158	12,031,611	12,376,917	10,611,302	11,681,331
Highways and streets	3,374,049	3,018,881	2,641,170	2,332,547	2,276,694
Culture and recreation	2,050,331	2,102,813	2,051,059	1,754,116	1,670,876
Public works	1,066,578	930,024	922,350	842,171	678,175
Community development	859,257	824,344	879,012	891,579	860,471
Health and welfare	226,078	195,917	239,173	224,744	256,726
Interest on long-term debt	38,102	55,715	46,277	112,966	146,614
Total governmental activities	<u>26,162,238</u>	<u>23,930,869</u>	<u>23,816,496</u>	<u>20,314,371</u>	<u>20,918,496</u>
Business-type activities:					
Water	6,678,035	3,793,164	4,506,675	4,002,804	4,143,509
Interest on long-term debt	783,489	781,215		247,567	
Total business-type activities	<u>7,461,524</u>	<u>4,574,379</u>	<u>4,506,675</u>	<u>4,250,371</u>	<u>4,143,509</u>
Total expenses	<u>33,623,762</u>	<u>28,505,248</u>	<u>28,323,171</u>	<u>24,564,742</u>	<u>25,062,005</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	1,366,959	1,156,919	809,992	941,162	1,017,922
Public safety	533,275	519,474	526,160	500,689	462,516
Highways and streets				5,075	
Culture and recreation	187,854	177,440	295,601	302,099	261,263
Public works	124,592	115,852	129,041	110,246	115,880
Community development					
Health and welfare					
Interest on long-term debt	4,481	7,245	9,914		
Operating grants and contributions	3,763,997	1,353,220	1,848,782	1,447,046	1,528,706
Capital grants and contributions	1,165,044	484,568	1,152,182	978,567	514,358
Total governmental activities	<u>7,146,202</u>	<u>3,814,718</u>	<u>4,771,672</u>	<u>4,284,884</u>	<u>3,900,645</u>
Business-type activities:					
Charges for services:					
Water	8,234,852	8,103,705	7,563,336	7,338,335	6,160,157
Operating grants and contributions	343,972	215,318	251,109	478,361	342,629
Capital grants and contributions			791,175	1,000,000	1,000,000
Total business-type activities	<u>8,578,824</u>	<u>8,319,023</u>	<u>8,605,620</u>	<u>8,816,696</u>	<u>7,502,786</u>
Total program revenues	<u>15,725,026</u>	<u>12,133,741</u>	<u>13,377,292</u>	<u>13,101,580</u>	<u>11,403,431</u>
Net (Expense)/Revenue	<u>\$ (17,898,736)</u>	<u>\$ (16,371,507)</u>	<u>\$ (14,945,879)</u>	<u>\$ (11,463,162)</u>	<u>\$ (13,658,574)</u>

(Continued)

TOWN OF PAYSON, ARIZONA
EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST TEN FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Expenses					
Governmental activities:					
General government	\$ 3,774,712	\$ 3,091,983	\$ 3,453,652	\$ 4,075,873	\$ 3,574,186
Public safety	8,831,717	9,445,724	8,632,829	8,977,125	8,845,884
Highways and streets	2,509,734	2,173,743	2,725,747	2,479,031	2,632,098
Culture and recreation	1,588,679	1,281,108	1,229,920	1,252,833	1,453,416
Public works	669,206	1,553,820	115,453	195,693	212,155
Community development	929,499	950,372	853,007	982,040	880,320
Health and welfare	241,307	232,944	223,846	264,900	267,331
Interest on long-term debt	87,709	104,058	123,197	147,677	224,074
Total governmental activities	<u>18,632,563</u>	<u>18,833,752</u>	<u>17,357,651</u>	<u>18,375,172</u>	<u>18,089,464</u>
Business-type activities:					
Water	4,691,712	4,337,892	4,487,156	4,531,525	4,373,128
Total business-type activities	<u>4,691,712</u>	<u>4,337,892</u>	<u>4,487,156</u>	<u>4,531,525</u>	<u>4,373,128</u>
Total expenses	<u>23,324,275</u>	<u>23,171,644</u>	<u>21,844,807</u>	<u>22,906,697</u>	<u>22,462,592</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	826,574	1,073,001	1,041,851	1,046,540	741,260
Public safety	350,901	316,033	310,052	318,429	361,472
Highways and streets		6,832	50,646		4,831
Culture and recreation	95,528	88,968	60,943	63,198	164,088
Public works	205,146	189,654	168,781	107,266	81,098
Community development	284,393	251,695	227,567	158,449	150,149
Health and welfare	23,565	15,008	15,259	18,192	18,276
Operating grants and contributions	2,517,832	2,055,678	1,973,302	2,946,035	2,661,413
Capital grants and contributions	771,135	1,520,135	1,432,182	296,246	675,204
Total governmental activities	<u>5,075,074</u>	<u>5,517,004</u>	<u>5,280,583</u>	<u>4,954,355</u>	<u>4,857,791</u>
Business-type activities:					
Charges for services					
Water	5,744,974	5,069,019	4,905,372	4,569,601	4,268,103
Operating grants and contributions	22,654	39,386	554,516		75,000
Capital grants and contributions	1,000,000	49,454	216,465		826,370
Total business-type activities	<u>6,767,628</u>	<u>5,157,859</u>	<u>5,676,353</u>	<u>4,569,601</u>	<u>5,169,473</u>
Total program revenues	<u>11,842,702</u>	<u>10,674,863</u>	<u>10,956,936</u>	<u>9,523,956</u>	<u>10,027,264</u>
Net (Expense)/Revenue	<u>\$ (11,481,573)</u>	<u>\$ (12,496,781)</u>	<u>\$ (10,887,871)</u>	<u>\$ (13,382,741)</u>	<u>\$ (12,435,328)</u>

Source: The source of this information is the Town's financial records.

(Concluded)

TOWN OF PAYSON, ARIZONA
GENERAL REVENUES AND TOTAL CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Revenue/(Expense)	\$ (17,898,736)	\$ (16,371,507)	\$ (14,945,879)	\$ (11,463,162)	\$ (13,658,574)
General Revenues:					
Governmental activities:					
Taxes:					
Sales taxes	14,200,923	12,353,226	11,260,010	10,502,097	7,623,686
Property taxes	684,699	680,714	911,742	891,162	858,759
Auto lieu taxes	1,311,677	1,087,532	1,065,940	1,040,567	967,213
Franchise taxes	405,155	402,915	402,237	382,228	383,495
Unrestricted state shared revenue	6,142,422	5,646,915	5,166,060	5,044,821	4,908,761
Special assessments				12,490	14,872
Investment income	5,272	101,775	138,043	40,501	9,987
Transfers	81,956	380,300	22,000	88,700	(67,300)
Total governmental activities	22,832,104	20,653,377	18,966,032	18,002,566	14,699,473
General Revenues:					
Business-type activities:					
Investment income	8,669	247,273	358,206	166,248	56,443
Transfers	(81,956)	(380,300)	(22,000)	(88,700)	67,300
Total business-type activities	(73,287)	(133,027)	336,206	77,548	123,743
Changes in Net Position	\$ 4,860,081	\$ 4,148,843	\$ 4,356,359	\$ 4,655,628	\$ 3,360,054

(Continued)

TOWN OF PAYSON, ARIZONA
GENERAL REVENUES AND TOTAL CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net Revenue/(Expense)	\$ (11,481,573)	\$ (12,496,781)	\$ (10,887,871)	\$ (13,382,741)	\$ (12,435,328)
General Revenues:					
Governmental activities:					
Taxes:					
Sales taxes	7,269,401	6,870,982	6,435,777	6,047,114	6,047,629
Property taxes	830,980	925,329	901,723	882,079	960,360
Franchise taxes	380,413	364,064	357,950	356,550	351,227
Unrestricted state shared revenue	4,203,566	4,124,936	3,894,550	3,648,010	3,320,055
Investment income	5,325	1,481	658	388	2,610
Transfers	<u>(130,761)</u>	<u>(17,300)</u>	<u>(17,300)</u>	<u>(17,300)</u>	<u>(17,300)</u>
Total governmental activities	<u>12,558,924</u>	<u>12,269,492</u>	<u>11,573,358</u>	<u>10,916,841</u>	<u>10,664,581</u>
General Revenues:					
Business-type activities:					
Investment income	22,736	3,145	8,071	9,324	1,475
Transfers	<u>130,761</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>
Total business-type activities	<u>153,497</u>	<u>20,445</u>	<u>25,371</u>	<u>26,624</u>	<u>18,775</u>
Changes in Net Position	<u>\$ 1,230,848</u>	<u>\$ (206,844)</u>	<u>\$ 710,858</u>	<u>\$ (2,439,276)</u>	<u>\$ (2,699,385)</u>

Source: The source of this information is the Town's financial records.

(Concluded)

TOWN OF PAYSON, ARIZONA
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General Fund:					
Nonspendable	\$ 5,512	\$	\$	\$ 7,500	\$
Restricted					
Assigned	654,930	385,946	422,821	369,839	468,569
Unassigned	13,101,416	7,081,909	4,899,516	3,931,700	2,196,178
Total General Fund	<u>\$ 13,761,858</u>	<u>\$ 7,467,855</u>	<u>\$ 5,322,337</u>	<u>\$ 4,309,039</u>	<u>\$ 2,664,747</u>
All Other Governmental Funds:					
Nonspendable	\$	\$	\$	\$	\$
Restricted	2,456,599	1,930,996	1,412,725	1,118,816	960,955
Assigned					
Total all other governmental funds	<u>\$ 2,456,599</u>	<u>\$ 1,930,996</u>	<u>\$ 1,412,725</u>	<u>\$ 1,118,816</u>	<u>\$ 960,955</u>
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Fund:					
Nonspendable			\$ 7,692	\$ 7,692	\$ 7,629
Restricted	75,362	3,080		317,820	390,725
Assigned	353,015	322,234	318,435	158,688	176,048
Unassigned	1,615,870	1,663,943	1,306,224	480,761	326,348
Reserved					
Unreserved					
Total General Fund	<u>\$ 2,044,247</u>	<u>\$ 1,989,257</u>	<u>\$ 1,632,351</u>	<u>\$ 964,961</u>	<u>\$ 900,750</u>
All Other Governmental Funds:					
Restricted	\$ 1,038,954	\$ 929,297	\$ 713,523	\$ 1,111,336	\$ 1,387,149
Assigned	154,549	190,193	327,105	296,588	474,275
Total all other governmental funds	<u>\$ 1,193,503</u>	<u>\$ 1,119,490</u>	<u>\$ 1,040,628</u>	<u>\$ 1,407,924</u>	<u>\$ 1,861,424</u>

Source: The source of this information is the Town's financial records.

Note: The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54 were adopted in fiscal year 2011. The standard replaces the previous reserved and unreserved fund balance categories with the following five fund balance classifications: nonspendable, restricted, committed, assigned, and unassigned fund balance.

**TOWN OF PAYSON, ARIZONA
GOVERNMENTAL FUNDS REVENUES
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)**

	Fiscal Year Ended June 30				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Taxes	\$ 15,290,777	\$ 13,436,853	\$ 12,573,989	\$ 11,775,487	\$ 8,874,039
Licenses and permits	465,158	421,011	402,179	459,508	386,332
Intergovernmental	12,386,251	8,556,660	8,941,178	8,507,289	7,855,689
Special assessments	56,483	55,780	58,449	57,558	56,472
Charges for services	1,170,444	1,050,828	1,200,133	1,181,346	1,074,452
Fines and forfeits	184,392	163,871	154,065	142,392	121,684
Contributions	7,711	12,294	5,876	3,712	8,991
Miscellaneous	381,864	337,258	290,327	76,025	329,471
Other					
Investment income	5,272	101,775	138,043	40,501	9,987
Total revenues	<u>\$ 29,948,352</u>	<u>\$ 24,136,330</u>	<u>\$ 23,764,239</u>	<u>\$ 22,243,818</u>	<u>\$ 18,717,117</u>
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Taxes	\$ 8,509,235	\$ 8,110,825	\$ 7,663,172	\$ 7,249,900	\$ 7,330,207
Licenses and permits	379,990	339,348	314,391	247,821	240,600
Intergovernmental	6,904,183	7,053,289	6,260,877	6,851,042	6,403,423
Charges for services	926,170	860,630	812,560	704,572	859,788
Fines and forfeits	171,665	194,077	179,603	165,210	159,629
Other	459,140	612,897	730,939	692,038	492,365
Total revenues	<u>\$ 17,350,383</u>	<u>\$ 17,171,066</u>	<u>\$ 15,961,542</u>	<u>\$ 15,910,583</u>	<u>\$ 15,486,012</u>

Source: The source of this information is the Town's financial records.

TOWN OF PAYSON, ARIZONA
GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Expenditures:					
Current -					
General government and community development	\$ 4,994,829	\$ 4,611,240	\$ 4,648,971	\$ 4,218,407	\$ 3,922,369
Public safety	11,415,538	10,715,771	10,257,862	9,320,464	8,313,730
Highways and streets and public works	3,373,330	2,975,678	2,516,241	2,355,801	2,298,450
Culture and recreation and health and welfare	1,626,866	1,599,477	1,581,460	1,478,215	1,365,200
Capital outlay	3,878,616	1,636,590	3,605,100	2,367,754	1,546,504
Debt service -					
Principal retirement	230,844	255,287	544,654	669,258	691,795
Interest on long-term debt	38,102	58,798	53,777	120,466	154,114
Bond issuance costs					
Total expenditures	<u>\$ 25,558,125</u>	<u>\$ 21,852,841</u>	<u>\$ 23,208,065</u>	<u>\$ 20,530,365</u>	<u>\$ 18,292,162</u>
Expenditures for capitalized assets	\$ 3,639,432	\$ 1,455,278	\$ 1,788,056	\$ 1,676,336	\$ 1,045,812
Debt service as a percentage of noncapital expenditures	1%	2%	3%	4%	5%

(Continued)

TOWN OF PAYSON, ARIZONA
GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Expenditures:					
Current -					
General government and community development	\$ 4,366,414	\$ 4,197,642	\$ 4,158,235	\$ 4,118,149	\$ 4,261,562
Public safety	7,667,705	7,362,613	7,084,652	7,973,221	7,763,007
Highways and streets and public works	3,115,287	3,181,325	2,109,648	1,865,303	2,074,324
Culture and recreation and health and welfare	1,346,421	1,054,613	970,857	1,018,437	1,114,932
Capital outlay	1,005,626	220,365	383,137	261,410	1,052,702
Debt service -					
Principal retirement	686,839	642,683	805,053	889,002	1,036,559
Interest on long-term debt	95,209	111,558	132,566	157,050	197,473
Bond issuance costs					
Total expenditures	<u>\$ 18,283,501</u>	<u>\$ 16,770,799</u>	<u>\$ 15,644,148</u>	<u>\$ 16,282,572</u>	<u>\$ 17,500,559</u>
Expenditures for capitalized assets	\$ 2,022,702	N/A	N/A	N/A	N/A
Debt service as a percentage of noncapital expenditures	5%	4%	6%	6%	7%

Source: The source of this information is the Town's financial records.

Note: N/A indicates that the information is not available.

(Concluded)

TOWN OF PAYSON, ARIZONA
OTHER FINANCING SOURCES AND USES AND NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Excess (deficiency) of revenues over expenditures	\$ 4,390,227	\$ 2,283,489	\$ 556,174	\$ 1,713,453	\$ 424,955
Other financing sources (uses):					
Capital lease agreements	2,347,423		729,033		
Transfers in	347,686	1,231,676	653,260	638,184	289,398
Transfers out	(265,730)	(851,376)	(631,260)	(549,484)	(356,698)
Total other financing sources (uses)	2,429,379	380,300	751,033	88,700	(67,300)
Changes in fund balances	\$ 6,819,606	\$ 2,663,789	\$ 1,307,207	\$ 1,802,153	\$ 357,655
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Excess (deficiency) of revenues over expenditures	\$ (933,118)	\$ 400,267	\$ 317,394	\$ (371,989)	\$ (2,014,547)
Other financing sources (uses):					
Issuance of long-term debt					
Premium on issuance of long-term debt					
Capital lease agreements	1,079,421	52,801			611,845
Transfers in	253,497	286,512	351,518	562,228	450,893
Transfers out	(270,797)	(303,812)	(368,818)	(579,528)	(468,193)
Total other financing sources (uses)	1,062,121	35,501	(17,300)	(17,300)	594,545
Changes in fund balances	\$ 129,003	\$ 435,768	\$ 300,094	\$ (389,289)	\$ (1,420,002)

Source: The source of this information is the Town's financial records.

TOWN OF PAYSON, ARIZONA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Accrual basis of accounting)

<u>Year</u>	<u>Property</u>	<u>Sales & Use</u>	<u>Bed Tax</u>	<u>Franchise</u>	<u>Library District</u>	<u>Total</u>
2021	\$ 684,699	\$ 13,408,152	\$ 557,771	\$ 405,155	\$ 235,000	\$ 15,290,777
2020	681,714	11,637,823	358,630	402,915	235,000	13,316,082
2019	681,342	10,504,229	318,105	396,961	230,400	12,131,037
2018	660,762	10,159,686	342,411	382,228	230,400	11,775,487
2017	636,458	7,287,050	336,636	383,495	230,400	8,874,039
2016	629,021	6,950,587	318,814	380,413	230,400	8,509,235
2015	656,899	6,580,994	289,988	364,064	218,880	8,110,825
2014	639,045	6,170,051	265,726	357,950	230,400	7,663,172
2013	616,931	5,787,208	259,906	356,550	229,305	7,249,900
2012	702,121	5,827,059	220,570	351,227	229,230	7,330,207

Source: The Town of Payson, Arizona's Finance Department.

Note: Tax revenues are subject to accrual; therefore, the taxes reported above on the accrual basis of accounting are the same as the tax revenues reported on the modified accrual basis of accounting.

**TOWN OF PAYSON, ARIZONA
TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS
(In thousands)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Retail trade	\$ 8,590,456	\$ 7,429,269	\$ 6,621,908	\$ 6,156,233	\$ 4,315,161
Construction	601,653	495,342	629,740	645,996	425,025
Communications and utilities	1,356,061	1,337,123	1,398,248	1,223,324	849,829
Transportation and warehousing	26,862	24,339	20,936	20,486	13,812
Services	496,584	329,512	254,234	233,584	169,473
Manufacturing	137,365	142,942	126,644	127,352	93,927
Real estate, rental and leasing	391,602	377,901	348,992	344,614	294,786
Finance and insurance	11,292	20,066	10,083	8,921	7,996
Accommodations	2,085,261	1,749,468	1,659,483	1,580,013	1,191,243
Wholesale trade	104,968	99,196	85,214	64,977	41,123
Arts and entertainment	123,943	84,858	94,436	85,120	58,919
Other	39,877	28,207	10,092	11,477	164,657
Total	\$ 13,965,924	\$ 12,118,223	\$ 11,260,010	\$ 10,502,097	\$ 7,625,951

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Retail trade	\$ 4,148,337	\$ 3,894,612	\$ 3,620,256	\$ 3,323,438	\$ 3,299,193
Construction	375,179	410,803	372,355	335,958	411,290
Restaurants and bars	714,826	677,165	592,086	567,341	551,843
Communications and utilities	750,932	770,122	791,127	805,044	894,790
Transportation and warehousing				8,740	9,682
Services	187,661	162,380	144,166	120,009	108,859
Manufacturing	130,623	121,401	120,359	122,048	70,963
Real estate, rental and leasing	365,046	288,687	303,055	288,228	266,915
Finance and insurance	9,537	8,162	7,314	6,221	6,288
Accommodations	419,972	383,681	348,656	333,205	309,848
Wholesale trade	46,621	41,326	48,541	45,678	61,747
Arts and entertainment	56,827	56,382	50,295	52,012	50,796
Other	63,840	56,261	37,567	39,192	5,415
Total	\$ 7,269,401	\$ 6,870,982	\$ 6,435,777	\$ 6,047,114	\$ 6,047,629

Source: The source of this information is the Arizona Department of Revenue.

Note: Taxable sales were only available on a calendar year basis.

**TOWN OF PAYSON, ARIZONA
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS**

Overlapping Rates			
Fiscal Year Ended June 30	Town of Payson	Gila County	State of Arizona
2021	2.88	1.00	5.60
2020	2.88	1.00	5.60
2019	3.00	1.00	5.60
2018	3.00	1.00	5.60
2017	2.12	1.00	5.60
2016	2.12	1.00	5.60
2015	2.12	1.00	5.60
2014	2.12	1.00	5.60
2013	2.12	1.00	5.60
2012	2.12	1.00	6.60

Source: The source of this information is the Property Tax Rates and Assessed Values, Arizona Tax Research Foundation.

**TOWN OF PAYSON, ARIZONA
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

Fiscal Year	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2021	249,994,035	0.3594	2,366,059,565	10.566%
2020	202,319,188	0.3442	1,895,144,144	10.676%
2019	192,004,890	0.3731	1,795,709,881	10.692%
2018	175,925,301	0.3807	1,621,275,698	10.851%
2017	197,624,914	0.3839	1,824,468,250	10.832%
2016	167,943,002	0.3877	1,501,899,998	11.182%
2015	163,633,443	0.3963	1,458,706,561	11.218%
2014	165,958,361	0.3828	1,473,839,350	11.260%
2013	178,737,829	0.3502	1,575,224,664	11.347%
2012	203,431,006	0.3394	1,789,969,238	11.365%

Source: Gila County Assessor's Office.

TOWN OF PAYSON, ARIZONA
NET SECONDARY ASSESSED VALUATION BY PROPERTY CLASSIFICATION
JUNE 30, 2021

Description	Total Taxable Assessed Value	Exempt Amount	Net Secondary Assessed Valuation	As a % of the Town's Total Net Secondary Assessed Valuation
Mining, Utilities, Telecommunications	514,329		514,329	0.21%
Commercial and Industry	38,390,289	(345,700)	38,044,589	15.22%
Vacant Land and Agriculture Real Property	21,901,046	(10,759,832)	11,141,214	4.46%
Agricultural and Personal Property	252,364	(252,082)	282	0.00%
Owner Occupied Residential Property	89,959,233	(825,290)	89,133,943	35.65%
Leased or Rented Residential Property	53,182,145	(16,325)	53,165,820	21.27%
Improvements on Government Property	4,713		4,713	0.00%

Source: Gila County Assessor's Office.

**TOWN OF PAYSON, ARIZONA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	Direct Rates			Overlapping Rates					
	Town of Payson Primary	Town of Payson Secondary	Total Direct Rate	N. Gila Co Sanitary District	Library District Secondary	Fire District Assistance Secondary	School Equalization Primary	Gila County Primary	Rate Total
2021	0.3594	0.0000	0.3594	1.0000	0.2425	0.1000	0.4426	4.1900	6.3345
2020	0.3442	0.0000	0.3442	1.0000	0.2425	0.1000	0.4426	4.1900	6.3193
2019	0.3731	0.0000	0.3731	0.8500	0.2425	0.1000	0.4741	4.1900	6.2297
2018	0.3807	0.0000	0.3807	0.6000	0.2425	0.1000	0.4875	4.1900	6.0007
2017	0.3839	0.0000	0.3839	0.6000	0.2425	0.1000	0.5010	4.1900	6.0174
2016	0.3877	0.0000	0.3877	0.8759	0.2425	0.1000	0.5054	4.1900	6.3015
2015	0.3963	0.0000	0.3963	0.6000	0.2000	0.1000	0.5089	4.1900	5.9952
2014	0.3828	0.0000	0.3828	0.6000	0.2000	0.1000	0.5123	4.1900	5.9851
2013	0.3502	0.0000	0.3502	0.6000	0.2000	0.1000	0.4717	4.1900	5.9119
2012	0.3065	0.0329	0.3394	0.6000	0.2000	0.1000	0.4259	4.1900	5.8553

Source: Gila County Treasurer's Office.

**TOWN OF PAYSON, ARIZONA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND FISCAL YEAR NINE YEARS PRIOR**

Taxpayer	2021			2012		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service	\$ 5,944,153	1	2.38%	\$ 10,140,506	1	4.98%
Payson Village SPE LLC	1,640,469	2	0.66%	1,121,621	6	0.55%
Retail Trust III--Wal-Mart	1,415,576	3	0.57%	1,884,589	2	0.93%
Home Depot USA Inc	1,136,228	4	0.45%	1,179,128	5	0.58%
Rim Club ARCIS LLC (formerly Black Buffalo)	1,005,777	5	0.40%	987,174	7	0.49%
Rim Country Mall SPE LLC	837,678	6	0.34%			
Sawmill Crossing LLC	828,977	7	0.33%	858,684	8	0.42%
ACI Real Estate SPE 160 LLC (Safeway)	599,681	8	0.24%			
Chapparal Pines ARCIS LLC	505,968	9	0.20%			
Payson Investment LLC	500,680	10	0.20%			
Payson Regional Hospital				1,690,508	3	0.83%
Centurylink / Qwest				1,416,495	4	
Buffalo Golf LLC				721,242	9	
Rim Golf Club LLC				696,518	10	0.34%
Total	<u>\$ 14,415,187</u>		<u>5.77%</u>	<u>\$ 20,696,465</u>		<u>9.12%</u>

Source: Gila County Assessor's Office

**TOWN OF PAYSON, ARIZONA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
		Amount	Percentage of Levy		Amount	Percentage of Levy		
2021	\$ 696,383	\$ 680,103	97.66%		\$ 680,103	97.66%	\$ 16,280	2.34
2020	696,383	680,714	97.75%	10,409	691,123	99.24%	5,260	0.76
2019	680,904	675,009	99.13%	5,895	680,904	100.00%	-	-
2018	669,748	660,762	98.66%	6,908	667,670	98.66%	2,078	1.34
2017	662,534	630,218	95.12%	3,970	634,188	95.12%	28,346	0.28
2016	643,281	632,844	98.38%	2,645	637,120	98.38%	6,161	0.96
2015	642,903	642,903	100.00%		642,903	100.00%		
2014	633,680	628,885	99.24%	4,795	633,680	100.00%		
2013	623,716	598,897	96.02%	18,034	616,931	98.91%	6,785	1.09
2012	680,975	674,978	99.12%	5,997	680,975	100.00%		

Source: Gila County Assessor's Office, Town of Payson.

Note: The Town of Payson's fiscal year does not correspond with the Gila County Assessor's Office tax collection period. This timing issue along with a lack of detailed payment information from the Assessor creates the appearance of over collection in some fiscal years and an inability to reflect which period collections in subsequent years pertains to.

**TOWN OF PAYSON, ARIZONA
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Governmental Activities						Business-type Activities			Total Outstanding Debt		
	General Obligation and Other Bonds	Certificates of Participation	Excise Tax Revenue Bonds	Special Assessment Bonds	Capital Leases	Total	Revenue Bonds	Notes Payable	Capital Leases	Total Debt	Percentage of Personal Income	Per Capita
2021				\$ 80,000	\$ 3,277,463	\$ 3,357,463		\$ 32,880,510	\$ 140,945	\$ 36,378,918	7.81 %	2,315
2020				155,000	1,085,884	1,240,884		34,146,163	234,909	35,621,956	7.65 %	2,267
2019	\$ 3,083			225,000	1,271,171	1,499,254		33,056,918	328,873	34,885,045	7.76	2,221
2018	335,583			295,000	691,792	1,322,375		29,911,638	422,838	31,656,851	7.68	2,040
2017	663,083		125,000	360,000	851,050	1,999,133		17,888,658		19,887,791	5.56	1,305
2016	975,583		245,000	420,000	1,057,845	2,698,428		13,379,355		16,077,783	4.41	1,048
2015	1,278,083		360,000	480,000	195,263	2,313,346		8,284,984		10,598,330	2.88	682
2014	1,565,583		470,000	535,000	340,145	2,910,728		8,143,268		11,053,996	2.94	725
2013	2,044,952		575,000	585,000	5,200,198	8,405,150		6,282,229		14,687,379	3.87	965
2012	2,415,000	45,000	675,000	635,000	794,200	4,564,200		2,827,053		7,391,253	1.88	483

Source: The source of this information is the Town's financial records.

**TOWN OF PAYSON, ARIZONA
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Bonds	Total Assessed Valuation	Percentage of Actual Taxable Value of Property	Population	Per Capita
2021		2,366,059,565		16,351	
2020		1,895,144,144		15,813	
2019	3,083	1,795,709,881	0.00%	15,710	
2018	335,583	1,621,275,698	0.02%	15,520	22
2017	335,583	1,824,468,250	0.05%	15,476	63
2016	975,583	1,601,676,229	0.06%	15,345	64
2015	1,278,083	1,458,706,561	0.09%	15,551	82
2014	1,565,583	1,473,839,350	0.11%	15,245	103
2013	1,995,000	1,575,224,664	0.13%	15,215	131
2012	2,415,000	1,565,594,980	0.15%	15,301	158

Notes: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

**TOWN OF PAYSON, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2021**

<u>Overlapping Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Proportion Applicable to the Town (a)</u>	
		<u>Approximate Percent</u>	<u>Net Debt Amount</u>
State of Arizona	Not Available	0.35%	
Gila County	14,052,419	36.83%	\$ 5,175,506
Gila Community College	None	36.83%	
Payson Unified School District #10	21,146,759	71.05%	\$ 15,024,772
Total Overlapping General Obligation Bonded Debt			<u>\$ 20,200,278</u>
 <u>Direct Debt</u>			
Town of Payson	3,357,463	100.00%	\$ 3,357,463
Net Direct and Overlapping General Obligation Bonded Debt			<u>\$ 23,557,741</u>

(a) Proportion applicable to the Town is computed on the ratio of secondary assessed valuation for the overlapping entity to the amount of such valuation, which is within the Town in 2020/21.

Source: The various jurisdictions.

**TOWN OF PAYSON, ARIZONA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Total Legal Debt Margin Calculation for Fiscal Year 2021:

Net full cash assessed valuation	\$ 249,994,035
Debt limit (6%)	14,999,642
Debt applicable to limit	
Legal debt margin	<u>\$ 14,999,642</u>

Total Legal Debt Margin Calculation for Fiscal Year 2021:

Net full cash assessed valuation	\$ 249,994,035
Debt limit (20%)	49,998,807
Debt applicable to limit	
Legal debt margin	<u>\$ 49,998,807</u>

	Fiscal Year Ended June 30									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total 20% debt limit	\$ 49,998,807	\$ 40,463,838	\$ 38,400,978	\$ 35,185,060	\$ 39,524,893	\$ 33,588,600	\$ 32,726,689	\$ 33,191,672	\$ 35,747,566	\$ 35,620,500
Total net debt applicable to 20% limit										200,000
Legal 20% debt margin	<u>\$ 49,998,807</u>	<u>\$ 40,463,838</u>	<u>\$ 38,400,978</u>	<u>\$ 35,185,060</u>	<u>\$ 39,524,893</u>	<u>\$ 33,588,600</u>	<u>\$ 32,726,689</u>	<u>\$ 33,191,672</u>	<u>\$ 35,747,566</u>	<u>\$ 35,420,500</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total 6% debt limit	\$ 14,999,642	\$ 12,139,151	\$ 11,520,293	\$ 10,555,318	\$ 11,857,495	\$ 10,076,580	\$ 9,818,007	\$ 9,957,502	\$ 10,724,270	\$ 10,686,150
Total net debt applicable to 6% limit				325,000	645,000	950,000	1,245,000	1,525,000	2,215,000	2,215,000
Legal 6% debt margin	<u>\$ 14,999,642</u>	<u>\$ 12,139,151</u>	<u>\$ 11,520,293</u>	<u>\$ 10,230,518</u>	<u>\$ 11,212,495</u>	<u>\$ 9,126,580</u>	<u>\$ 8,573,007</u>	<u>\$ 8,432,502</u>	<u>\$ 8,509,270</u>	<u>\$ 8,471,150</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	0%	0%	0%	3%	5%	9%	13%	15%	21%	21%

Source: The source of this information is the Town's financial records and the Gila County Assessor's Office.

Note: For statutory purposes, the Town's outstanding bonds are not considered general obligation bonds subject to the statutory limits listed above because the Town's bonds outstanding were secured by state shared revenues and sales taxes rather than property taxes.

**TOWN OF PAYSON, ARIZONA
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS**

Fiscal Year	Water Revenue Bonds and Notes Payable						Special Assessment Bonds			
	Utility Service Charges (1)	Less: Operating Expenses (2)	Net Available Revenue	Principal	Interest	Coverage	Special Assessment Collections	Principal	Interest	Coverage
2021	\$ 8,421,560	\$ 4,147,604	\$ 4,273,956	\$ 1,265,654	\$ 395,538	2.57	\$ 56,483	\$ 75,000	\$ 6,463	0.69
2020	8,350,848	3,961,115	4,389,733	1,234,725	391,885	2.70	55,780	70,000	10,450	0.69
2019	8,722,717	3,483,262	5,239,455	1,204,559	387,063	3.29	58,449	70,000	14,301	0.69
2018	7,525,359	3,641,489	3,883,870	1,175,142	327,596	2.58	57,558	65,000	18,013	0.69
2017	6,219,047	2,672,195	3,546,852	680,396	204,758	4.01	56,472	60,000	21,450	0.69
2016	5,462,166	3,597,231	1,864,935	421,705	272,287	2.69	58,762	60,000	24,750	0.69
2015	4,924,131	3,269,026	1,655,105	462,590	228,184	2.40	57,488	55,000	27,913	0.69
2014	4,727,550	3,427,494	1,300,056	396,372	209,210	2.15	56,023	50,000	30,801	0.69
2013	4,488,194	3,203,233	1,284,961	312,513	135,576	2.87	57,930	50,000	33,550	0.69
2012	4,206,296	3,300,658	905,638	303,177	47,715	2.58	146,616	265,000	49,143	0.47

Source: Town of Payson.

- (1) Utility service charges includes charges for services, intergovernmental, investment earnings and miscellaneous revenues.
- (2) Operating expenses do not include depreciation and interest expense.

**TOWN OF PAYSON, ARIZONA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Calendar Year	Population	Median Household Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2021	16,351	\$ 51,280	\$ 31,109	60.0	2,368	6.7%
2020	15,713	50,049	29,636	58.4	2,253	6.3%
2019	15,710	46,602	28,627	58.4	2,456	5.7%
2018	15,520	45,593	26,562	57.1	2,413	8.1%
2017	15,476	42,856	23,461	56.9	2,445	8.2%
2016	15,345	42,987	23,784	55.5	2,420	3.9%
2015	15,551	44,661	23,668	52.7	2,450	4.5%
2014	15,245	43,535	24,690	52.9	2,485	7.5%
2013	15,215	43,741	24,914	53.1	2,415	9.6%
2012	15,301	42,342	25,716	53.1	2,225	9.6%

Sources: Payson Unified School District, Sperling's Best Places, and
US Census Bureau 2011-2015 American Community Survey 5-Year Estimates.

Note : GASB Statement 44 requires that general purpose governments present, at a minimum, population, total and per capita personal income, and unemployment rate. Governments may add other demographic and economic statistics that are useful and relevant to the user of their financial reports, either in this or in additional schedules. **Median age, education level and school enrollment are optional statistics; however, they are among those most commonly presented by governments.**

**TOWN OF PAYSON, ARIZONA
PRINCIPAL EMPLOYERS
CURRENT FISCAL YEAR AND NINE YEARS PRIOR**

	2021	2012
Employer	Employees	Employees
Payson Unified School District	312	350
Walmart	286	311
Gila County	230	146
Banner Payson / PRMC	225	340
Matatzal Casino & Hotel	182	330
Town of Payson	178	173
Gila Community College (Payson Campus)	125	
Safeway Supermarket	121	105
Home Depot	113	100
Payson Care Center/Life Care Center	97	140
Rim Country Health	81	153
US Forest Service	77	70
Bashas Supermarket	70	64
Buffalo Golf LLC, Chaparral Pines	69	69
Black Buffalo LLC, The Rim Golf Club	53	44
Total	2,219	2,395

Source: Human Resource and Personnel Departments of the above-mentioned businesses.

**TOWN OF PAYSON, ARIZONA
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

<u>Function/Program</u>	<u>Full Time Equivalent Employees as of June 30</u>									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Government										
Town Manager	4	4	4	3	4	4	4	5	4	4
Town Clerks	2	2	3	2	3	3	3	3	3	4
Central Services	1	1	1	1	1	1.0	1.0	1.5	2	
Finance	5.0	5.0	7.0	4.5	6	7	7	7	7	6
Community Development	9.5	8	9	10	12	12	12	12	12	14
Legal	2.5	2.0	5.0	4.5	4.5	4.5	4.5	5	5	4
Human Resources	2.5	2	3	2	3	3	3	3	3	3
Police Department	51.0	51.0	52.0	39.5	58	57	52	51	50	48
Fire Department	35.0	35.0	35.0	32.5	32	32	32	32	32	33
Airport	2	2	2	3	2	2.0	2.0	2	2	1
Public Works	17	17	19	17	19	24	24	22	22	22.0
Library	7.0	7.0	7.0	5.5	8	8	8	8	8	8
Parks and Recreation	16	16	15	8	12	6.0	6.0	6.5	6.5	7
Water	21	21	20	20	19	19	20	20	20	20
Total	175.5	173.0	182.0	152.5	183.0	182.0	178.0	177.0	175.0	173.5

Source: Authorized Personnel per Town of Payson, Human Resources.

**TOWN OF PAYSON, ARIZONA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Fiscal Year Ending June 30

Function/Program	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Building Permits										
Permits Issued	784	102	95	114	95	77	73	61	38	49
Value of Buildings in \$	36,805,563	30,413,934	33,613,815	34,099,208	25,465,398	23,089,085	21,254,017	19,350,791	11,747,997	12,652,967
Police										
Average Response Time (Priority 1 Calls Only)	5:38	5:10	5:10	4:37	4:51	5:00	0:23	5:23	5:21	8:05
Number of Officers	31	28	28	27	27	27	30	30	30	30
Total Calls	29,080	19,976	14,537	19,917	21,224	25,000	22,844	20,799	20,030	20,956
Calls per Sworn Officer	938	713	519	738	786	926	761	693	668	699
Officers per 1000 of Population	1.896	1.771	1.782	1.740	1.745	1.760	1.968	1.968	1.972	1.961
Total of Index Crimes	566	573	639	813	555	699	680	735	674	655
Index Crimes per Capita	0.035	0.037	0.041	0.053	0.036	0.046	0.045	0.048	0.044	0.043
Number of Drug Arrests	468	292	289	214	236	255	238	39	39	137
Drug Arrests per Capita	0.029	0.019	0.019	0.014	0.015	0.017	0.016	0.003	0.003	0.009
Fire										
Average Response Time	5:02	5:48	5:19	5:42	5:29	6:11	4:24	4:36	0:19	0:20
Total Calls	3,892	3,158	3,566	3,290	3,175	3,530	2,863	2,884	2,680	2,625
Calls per Capita	0.238	0.227	0.227	0.213	0.205	0.230	0.188	0.189	0.176	0.172
Fire Personnel per 1000 of Pop	2.141	2.213	0.790	2.062	2.068	2.085	2.099	2.099	2.103	2.157
Fire Safety Inspections	347	304	297	324	147	159	153	154	453	398
Event Center										
Number of Events	20	16	21	10	35	42	36	51	49	42
Number of Days Used	100	106	120	50	137	148	145	190	185	134
Other public works										
Street slurry sealed (<i>miles</i>)		11.7	10	9.00	15.90	8.90	0	0	0	0
Parks and recreation										
Use of Facilities-# of Activities	82	497	100	60	56	121	102	101	93	122
Program Registrations	2,820	3,034	3,296	2,467	4,961	5,080	4,758	4,723	3,366	3,235
Facility Reservations	1,822	1,246	1,135	548	426	352	291	310	247	265
Swim Lessons	n/a	137	342	116	64	205	325	n/a	n/a	n/a
Pool Passes	n/a	8	78	13	13	16	32	n/a	n/a	n/a
Library										
Number of Patrons	14,289	13,705	13,177	12,335	11,334	15,870	15,288	15,485	15,708	14,784
Number of New Cards Issued	591	772	963	996	925	935	1,019	1,139	1,131	1,259
Circulation per Capita	4.25	5.60	7.90	8.42	8.42	8.82	8.88	9.46	8.85	10.68
Patrons as % of Population	87.4%	87.2%	83.9%	79.7%	73.2%	103.4%	100.3%	101.6%	103.2%	96.6%
Water										
Number of Water Taps	8,892	8,532	8,457	8,365	8,186	8,158	8,065	7,966	7,886	7,838
Average daily consumption (<i>thousands of gallons</i>)	1,824.5	1,754.2	1,541.6	1,661.2	1,552.0	1,544.0	1,406.0	1,438.0	1,473.0	1,448.2
Peak daily consumption (<i>thousands of gallons</i>)	4,561.2	4,385.5	3,854.2	4,153.2	3,881.0	2,310.0	2,258.0	2,362.0	2,522.0	2,057.0
Elections										
Number of Registered Voters	11,995	10,838	10,091	9,315	10,062	9,433	8,964	9,141	9,921	9,921
Number Voting in Last Electio	10,146	6,343	7,799	4,677	4,672	4,361	4,361	3,146	3,146	3,146
% of Participation of Voters	84.59%	58.53%	77.29%	50.21%	46.43%	46.23%	48.65%	34.42%	31.71%	31.71%
Based on a population of:	16,351	15,813	15,710	15,520	15,476	15,345	15,245	15,245	15,215	15,301

Source: Town of Payson.

**TOWN OF PAYSON, ARIZONA
CAPITAL ASSETS INFORMATION
LAST TEN FISCAL YEARS**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Area - Square Miles	20.46	20.46	20.46	20.46	20.46	20.46	20.46	19.5	19.5	19.5
Police										
Number of Employees (sworn)	31	28	28	27	27	27	30	30	30	30
Patrol Vehicles	26	25	25	18	27	20	20	20	21	20
Fire										
Number of Firefighters	35	35	36	31	31	31	31	31	31	32
Number of Fire Stations	3	3	3	3	3	3	3	3	3	3
Number of Municipal Employees (excludes sworn Police & Firefighters)	112.0	112.0	113.0	94.5	125	124	117	116	114	112
Public Works										
Streets (<i>miles</i>)	112	112	112	112	111	111	111	110	106	106
Number of Water Taps	8,892	8,532	8,457	8,365	8,186	8,158	8,065	7,966	7,886	7,838
Parks and recreation										
Acreage	169	169	169	169	169	169	169	169	169	169
Playgrounds	3	3	3	3	3	3	3	3	3	3
Swimming Pools	1	1	1	1	1	1	1	1	1	1

Source: Town of Payson.