

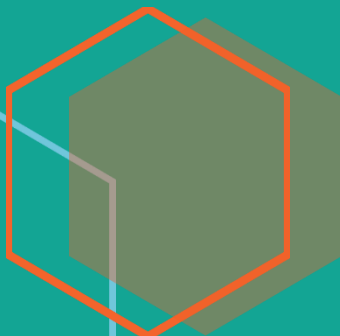


# Town of Payson, Arizona



## 2023 CITIZENS REPORT

POPULAR ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023



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## TOWN MANAGER MESSAGE



Members of the Financial Services Department are pleased to present the Town of Payson's Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2023. This report is intended to present an overview of the Town's financial position and emphasize its commitment to providing responsive services and programs in a fiscally responsible manner.

We share with you details of how the Town's revenue is generated, where the dollars are spent, and how the local economy impacts Payson's overall financial status. Above all, our goal is to provide you with an opportunity to better understand the many financial aspects that affect your local government.

The information provided here is drawn from detailed financial information found within the 2023 Annual Comprehensive Financial Report (ACFR). The financial statements were prepared in conformance with Generally Accepted Accounting Principles (GAAP) and audited by an independent accounting firm, receiving an unmodified (or clean) opinion. The numbers contained within the CAFR were obtained by employing the basis of accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

In short, the highest standards of accounting principles have been utilized to ensure full financial disclosure and accountability. Recognition of this commitment is evidenced by the Town attaining the Certificate of Achievement for Excellence in Financial Reporting for 24 consecutive years, the Award for Outstanding Achievement in Popular Annual Financial Reporting for 16 consecutive years, and the Distinguished Budget Presentation Award for 24 consecutive years. These awards are presented by the Government Finance Officers Association.

While the numbers in this Popular Report come from an audited source, they are presented in an abridged, unaudited non-GAAP format. Citizens who wish to review audited GAAP-basis financial statements can refer to the Town's 2023 ACFR, which is available from the Financial Services Department, the Payson Public Library, or online at [www.paysonaz.gov](http://www.paysonaz.gov).

Members of the Financial Services Department and Staff across the organization are proud to serve this fine community. We hope that the 2023 Popular Annual Financial Report serves its purpose and helps assure you that every effort is made to manage the community's resources wisely for the benefit of all.

Sincerely,

A handwritten signature in black ink that reads "Troy Smith". The signature is written in a cursive, flowing style.

Troy Smith  
Town Manager

# PAYSON PROFILE

Payson is called the  
**“Heart of Arizona”**  
 because it is located almost exactly in the geographic center of the state.



## ...PAYSON FACTS...

<b>Incorporated:</b> 1973	<b>Rainfall:</b> Avg. 22 in.	<b>Median Age:</b> 59.8
<b>Area:</b> 20.46 sq. mi.	<b>Snowfall:</b> Avg. 15 in.	<b>Average Household Size:</b> 2.3
<b>Elevation:</b> 4,921 ft.	<b>Precipitation Days:</b> 65	<b>Median Housing Value:</b> \$445,000
<b>Population:</b> 16,653	<b>Sunny Days:</b> Avg. 286	<b>Unemployment Rate:</b> 4.9%

## ABOUT PAYSON

State Routes 87 and 260 intersect within Payson, just 90 miles north of Phoenix, Arizona. The Town's boundaries encompass 20.46 square miles in Northern Gila County. Payson is nestled below Arizona's Mogollon Rim at an elevation of approximately 5,000 feet and enjoys a moderate four-season climate. The Town is surrounded by the Tonto National Forest and the world's largest stand of virgin Ponderosa Pines.

The Payson town site was established in 1882 with a population of 40. It was first known as Union Park, although residents referred to the Town as Green Valley. The first post office was opened in 1884 and the postmaster officially changed the name of the town to Payson, in honor of Senator Louis Edward Payson who was the congressional head of the Post Office and Post Roads at the time. Payson was incorporated in 1973.

In its early years, Payson's economy was based on logging, ranching and mining. This western heritage still lives on through its many festivals and events. The Payson Rodeo, now billed as the "World's Oldest Continuous Rodeo", started in 1884. The Hashknife Pony Express also makes its annual historic run through the Town, picking up letters for delivery. Other events include arts & crafts fairs, classic car shows, Mountain High Days Festival, farmer's markets, and the State Championship Fiddlers Contest.

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. In June 2023, home prices were up 39% and median housing value was \$445,000. Tourism activity presently dominates the local economy. Payson's major employers include Payson Unified School District, Mazatzal Hotel & Casino, Walmart, Gila County, and Banner Medical Center.

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, resolutions, and adopting the Town's annual budget. They also appoint committees and hire the Town Manager and Town Attorney. 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 voters of the Town directly elect the Mayor for a two-year term. The Town Manager is responsible for carrying out the policies, ordinances and resolutions of the Council, and for overseeing the day-to-day operations of the Town.



MISSION STATEMENT



**The Town of Payson is dedicated to enhancing the quality of life for our citizens by working hard to provide a superior level of service in the most effective and efficient manner while exercising fiscal responsibility.**

*Town of Payson Mission*

**To accomplish this, we...**

- ◆ **Value open communication**
- ◆ **Encourage citizen participation**
- ◆ **Operate honestly and fairly**
- ◆ **Conduct ourselves through unity and teamwork**
- ◆ **Respect our differences**

CORPORATE STRATEGIC PLAN

Payson has been, and will continue to be, very proactive in encouraging quality community and organizational development. Each year, the Town Council, citizens and the management staff participate in a strategic planning process to update the Corporate Strategic Plan (CSP) to accommodate changes in the community's needs. The CSP carries out the Town's Mission Statement and General Plan by establishing Key Result Areas (KRAs). The Corporate Strategic Plan is divided into ten KRAs. Each KRA is specifically defined and includes priorities and strategies that help guide the Town's operation. Funding is allocated during the subsequent budgeting process. The complete CSP document can be viewed on the Town of Payson website at <http://www.paysonaz.gov>

The following KRAs have been established:



## TOWN SERVICES

**Town Council** - provides clear policy direction with a focus on making the Town of Payson the premier community in which to live, work and raise a family.

**Town Manager** - provides management direction. Responsibilities include implementing policies, overseeing Town operations and evaluating Town programs.

**Town Clerk, Human Resources, Information Services, Financial Services and Town Attorney** - all play a vital role with providing a wide range of skills & expertise necessary for the successful day-to-day operations.

**Fire Department** - provides emergency services which include fire suppression, medical emergencies, technical rescues and first responder operations to hazardous material incidents.

**Parks & Recreation** - provides a variety of cultural events and recreational programs for citizens of all ages, hosting special events including the Old Time Fiddlers' Contest, Trunk-or-Treat, Turkey Trot 5k Run, Electric Light Parade, Rodeos and a fabulous 4th of July Fireworks Event.

**Community Development** - protects the public health and safety by ensuring that all structures are built in accordance with adopted building codes. They also provide comprehensive long-range planning and current land use services. The Economic Development Division assists businesses that are getting started, expanding, or relocating to Payson.

**Highways & Streets** - is responsible for providing safe and efficient infrastructure systems including the construction and maintenance of the Town's approximately 112 miles of roadway.

**Payson Airport** - is a public use airport designed to accommodate piston engine aircraft, turboprop aircraft and small business jet aircraft.

**Police Department** - enforces local, state and federal laws in addition to protecting the citizens and their property.

**Water Department** - is a public water utility that supplies high quality drinking water to approximately 8,600 accounts.

**Payson's Library** - provides information to educate, inform, enrich, entertain, and inspire the community.

Visit the Town of Payson Financial Services Department, Payson Library, or [www.paysonaz.gov](http://www.paysonaz.gov) to obtain additional planning and financial information.

- ✚ **Annual Comprehensive Financial Report (ACFR)** - This audited report provides detailed information on the financial condition and activities of the Town.
- ✚ **Annual Budget Document** - The Budget is a policy document, financial plan, operations guide, and communications medium.
- ✚ **Capital Improvement Plan (CIP)** - Outlines the Town's five-year Capital Improvement Plan, sources of funds and associated debt. The document includes descriptions of the capital projects and purchase plan for machinery & equipment.
- ✚ **Corporate Strategic Plan (CSP)** - Highlights the Town's overall direction and priorities using Key Result Areas that focus on strategic goals.



# STATEMENT OF NET POSITION

The Statement of Net Position provides a “snapshot” of where we stood financially as of June 30, 2023, the last day of the fiscal year. Net Position represents the Town’s ownership (equity) in the assets within its possession.

## Government-Wide Statement of Net Position

Total Town Government	June 30, 2023    June 30, 2022	
	(in thousands)	
<b>Assets</b>		
Current & Other Assets	\$ 60,028	\$ 51,493
Capital Assets	\$ 165,160	\$ 164,910
<b>Total Assets</b>	<b>\$ 225,188</b>	<b>\$ 216,403</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 7,396,212</b>	<b>\$ 8,496</b>
<b>Liabilities</b>		
Current Liabilities	\$ 2,388	\$ 2,422
Noncurrent Liabilities	\$ 83,075	\$ 82,840
<b>Total Liabilities</b>	<b>\$ 85,463</b>	<b>\$ 85,262</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 3,529</b>	<b>\$ 10,438</b>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 132,576	\$ 130,557
Restricted	\$ 14,339	\$ 6,980
Unrestricted	\$ (3,322)	\$ (8,338)
<b>Total Net Position</b>	<b>\$ 143,593</b>	<b>\$ 129,199</b>

**ASSETS** represent the economic resources owned by the Town. Current and Other Assets include cash, investments and receivables (money due to the Town). Capital Assets consist of land, buildings, infrastructure, water system, vehicles, machinery and equipment.

**LIABILITIES** represent what the Town owes that will be settled over time through the transfer of money, goods or services. Current Liabilities consist of payables (money due from the Town to pay within one year). Noncurrent Liabilities represent debt that the Town will pay back but is not due for settlement within one year.

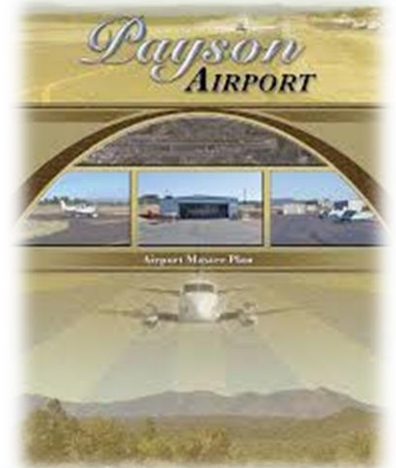
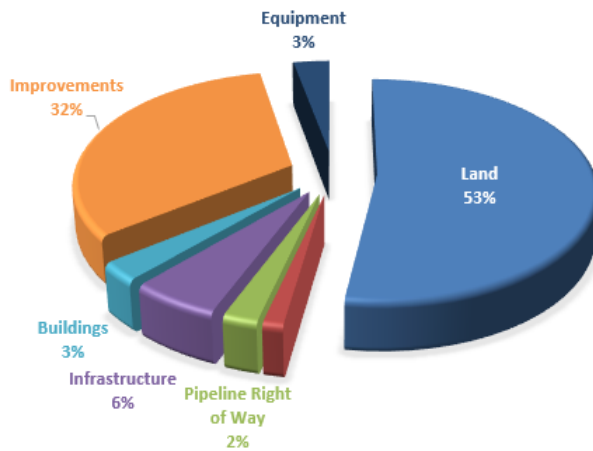
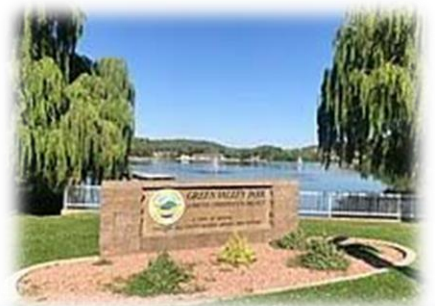
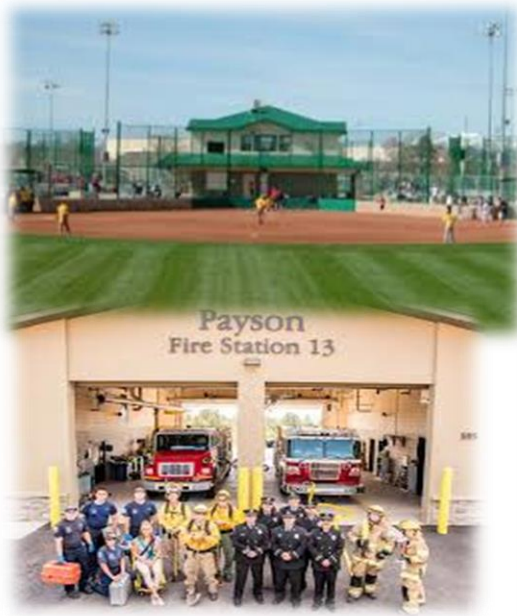
**DEFERRED INFLOWS / OUTFLOWS OF RESOURCES** are separated as they relate to future periods (revenue not earned or expenditures not chargeable in the current fiscal period in which they are collected or made). For example, a grant payment may be deferred in the current fiscal year if the Town has not yet met all of the requirements necessary to be eligible for the grant.

**NET POSITION** serves as a useful indicator of a government’s financial health and consists of three components. The largest portion of the Town’s net position reflects its Net Investment in Capital Assets less any outstanding related debt used to acquire those assets. An additional portion of net position represents resources that are subject to Federal and State restrictions. Unrestricted net position is reported as a deficit due to the Town’s benefit obligations. At the end of the current fiscal year, the Town of Payson was able to report positive balances and total assets exceeded total liabilities by over \$143 million.



# CAPITAL ASSETS

The Town of Payson invests in capital assets to provide services that will enhance the quality of life for our citizens, such as our Fire and Police Departments, Parks, Streets, Library, Airport, etc. The Town's total investment in capital assets (net of depreciation) as of June 30, 2023 was \$165.16 million.



## Capital Improvements for Fiscal Year 2022-2023

During the year, the Town of Payson spent capital funds on several projects to enhance the Town's parks, streets, airport, water treatment and public safety.

- Purchased patrol vehicles for the Police Department and staff vehicles for the Fire Department.
- Upgraded the lighting at Payson Event Center.
- Replaced service trucks for Streets Department and Water Department operations.
- Bought equipment for the mechanics to service Town vehicles more efficiently.
- Completed the engineering for East Granite Dells roadway improvement project.
- Partnered with FAA and ADOT to begin updating the Airport Master Plan.
- Completed the removal of barriers at Payson airport in accordance with the Americans with Disabilities Act guidelines.
- Began the design for Hillcrest Water Tank #2.
- Completed installation of new granular activated carbon (GAC) units at the Town's water treatment plant.
- Began the design of laboratory offices at the Water Treatment Facility.



### How Capital Investments Are Funded

The Town’s Debt Policy provides a set of criteria to help determine when it’s best to fund capital projects and which method of funding to use. The Town enjoys favorable bond ratings which allow for very competitive interest rates when issuing debt.

#### DEBT TYPE DEFINITIONS

**General Obligation Bonds** – long-term debt that is backed by the full faith and credit of the Town. These bonds require voter approval and are typically repaid by a property tax levy.

**Special Assessment Bonds** – long-term debt with repayment assessed to homeowners

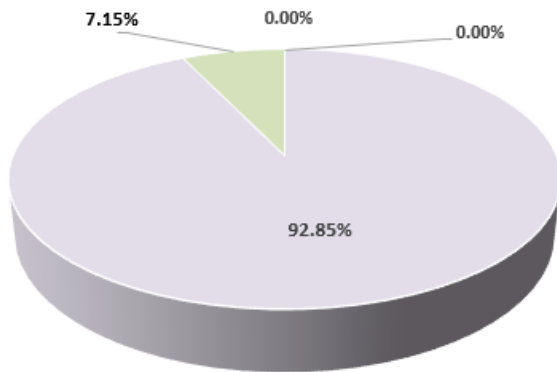
**Revenue Bonds** - long-term debt with repayment to come from a pledged Town revenue stream

**Notes Payable** - long-term debt that does not include bonds, but a contract for repayment

**Capital Leases** – long & short-term debt used for equipment

#### TWO YEAR DEBT SUMMARY (All Funds)

Debt Type	2023	2022
General Obligation Bonds	\$ -	\$ -
Special Assessment Bonds	\$ -	\$ -
Notes Payable	\$ 30,253,260	\$ 31,583,143
Capital Leases	\$ 2,330,811	\$ 2,769,170
<b>Total Debt</b>	<b>\$ 32,584,071</b>	<b>\$ 34,352,313</b>



■ General Obligation Bonds 
 ■ Special Assessment Bonds  
■ Notes Payable 
 ■ Capital Leases

- The Town typically issues General Obligation (G.O.) Bonds to fund capital projects of general government departments. The last bond was paid off in July 2020. The Town currently does not have any bonds outstanding.
- Special assessment bonds for the Westerly Drive Improvement District were paid off in FY2021.
- The Town has entered into lease agreements for the acquisition of public safety vehicles, various equipment, Vactor truck, field lighting and turf. General fund revenue is used to pay the capital lease obligations.
- The Town has obtained Water Infrastructure Finance Authority of Arizona (WIFA) loans for improvements to the water system and construction of the C.C. Cragin Pipeline Project.

**REVENUES FOR FY2022/2023**

The Town accounts for the basic functions such as police, fire, parks, community development and general administration using governmental funds. The following list describes the types of governmental revenues.

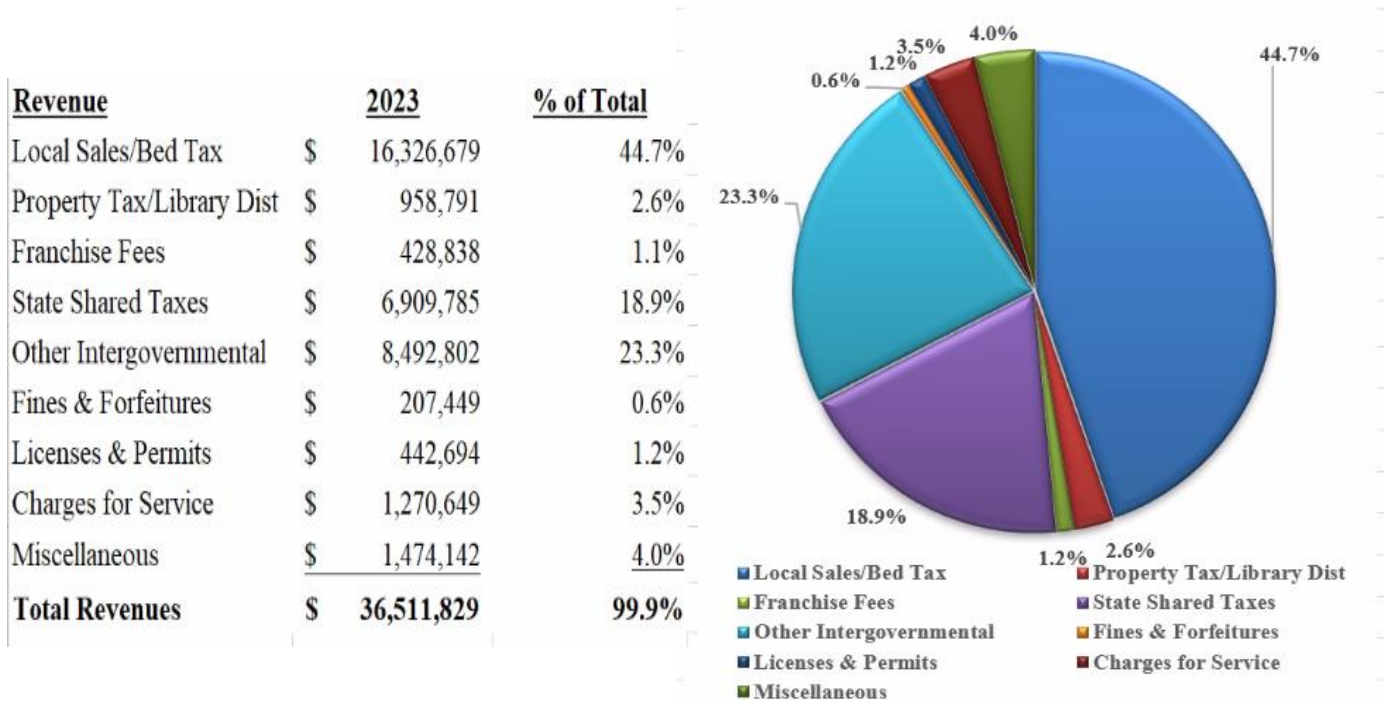
The revenues used to fund governmental activities are as follows:

- + **Local Sales Tax / Bed Tax**—a local sales tax of 2.88% is charged on most goods purchased in Town, and a 5% tax is charged for transient lodging (Bed Tax).
- + **Property Tax**—a primary property tax is charged based on assessed property valuation
- + **Franchise Tax**—fees paid by public utilities, telecommunication companies and cable television businesses
- + **State Shared Taxes**—state revenue-sharing programs include sales tax, income tax and vehicle license fees
- + **Other Intergovernmental Revenues**—monies received from other governments or entities
- + **Fines & Forfeitures**—revenues received from library and court fines
- + **Licenses & Permits**—fees for building permits, business licenses, liquor licenses, etc.
- + **Charges for Service**—revenues received for services provided
- + **Miscellaneous**—contributions, investment earnings, special assessments and other revenues that don't fit under the any of the above classifications



**Sources of Governmental Revenue**

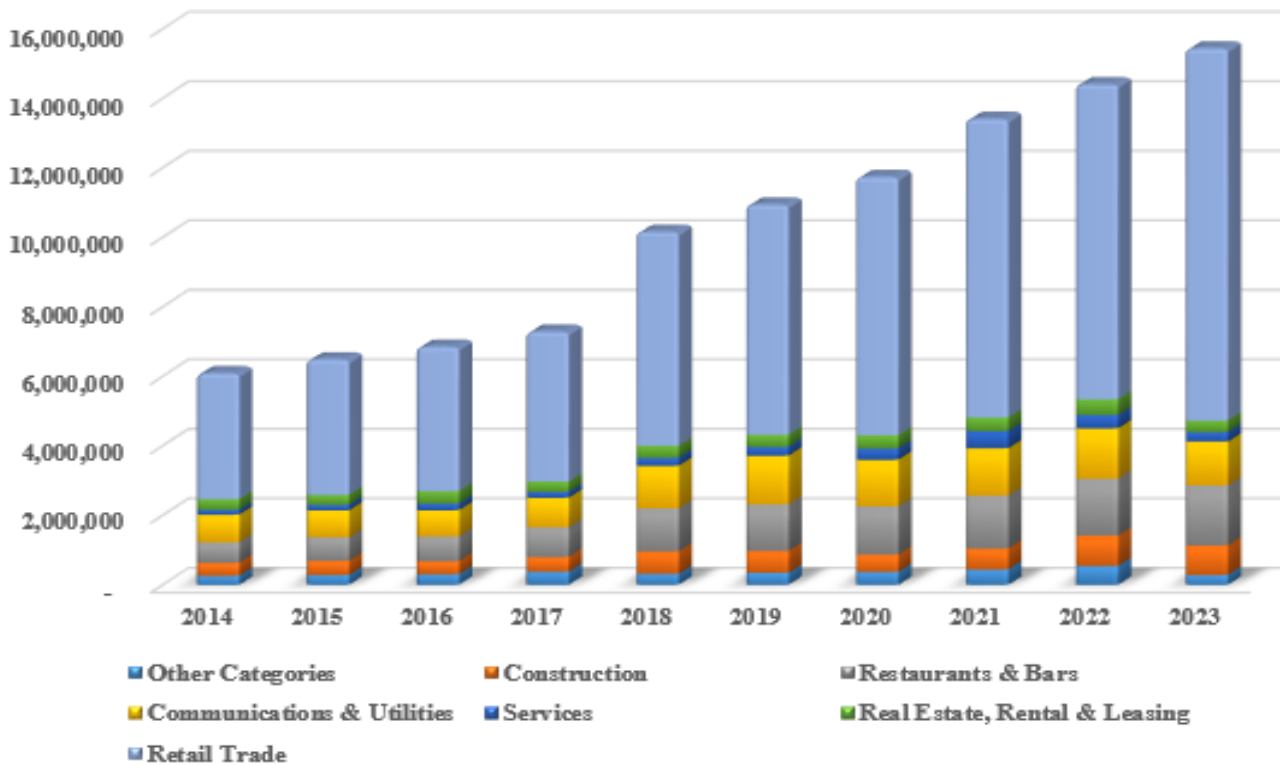
Total Governmental revenues improved by 7.6% due to increases in all revenue categories, especially local sales taxes.



### Transaction Privilege Taxes by Category

The Transaction Privilege Tax, commonly called Sales Tax, is the primary source of governmental fund revenue. It is collected on the gross receipts of business activities that occur within the Town of Payson. The Town adopted the Model City Tax Code and has an Intergovernmental Agreement (IGA) with the State Department of Revenue to administer and collect the tax for the Town.

The chart below shows a ten-year history of the Town of Payson’s sales tax activity by category. This clearly illustrates the steady increase in the amount of sales tax received.



The “Other Categories” classification includes Transportation & Warehousing, Manufacturing, Finance & Insurance, Wholesale Trade, Arts and Entertainment, and Other.



**EXPENDITURES FOR FY2022/2023**

➤ **EXPENDITURE TYPE DEFINITIONS**



**General Government**—Functions serving Town operations as a whole include Town Council, Town Manager, Town Attorney, Town Clerk, Finance, Human Resources, and Central Services.

**Public Safety**—Police Department & Fire Department including the Wildland Program.

**Public Works**—Includes Airport and Streets Divisions.

**Culture & Recreation**—Includes Parks Maintenance, Recreation, and the Library.

**Community Development**—Includes Planning/Zoning/Code Enforcement, Economic Development, Housing, and Building Services.

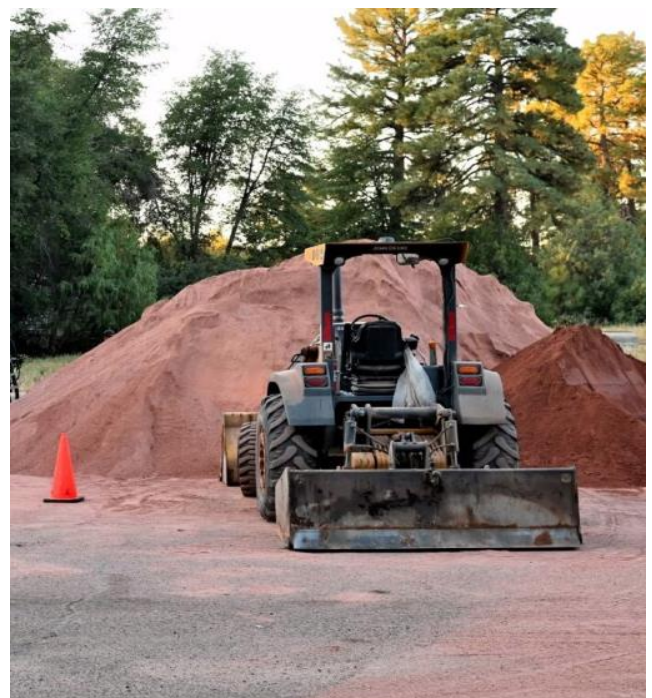
**Health & Welfare**—Encompasses contributions to entities providing services for the Town.

**Debt Service Payments**—Principal, interest and other related costs associated with the Town’s issuance of debt to support various capital improvement activities.

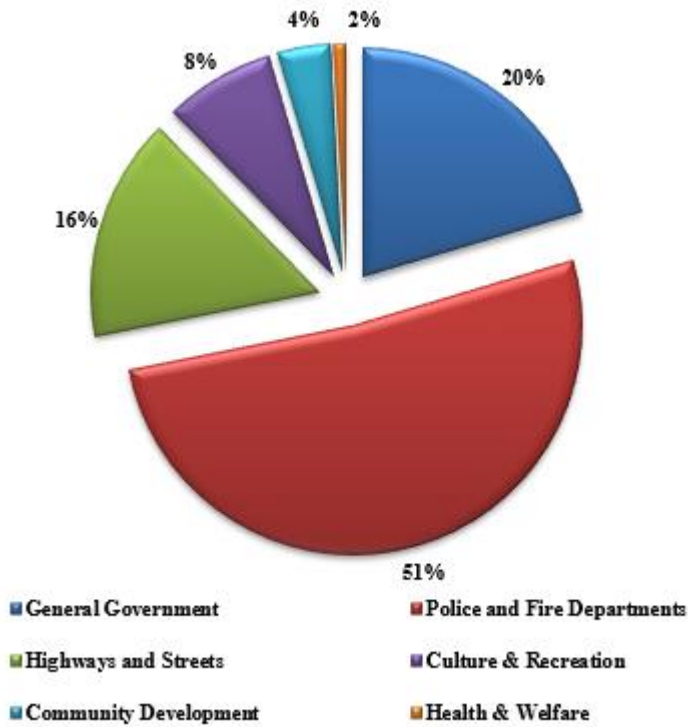
**Capital Outlay**—Expenditures for projects and equipment for the Capital Improvement Program.

**Governmental Funds  
Two-Year Expenditures by Type**

<u>Expenditures</u>	<u>2023</u>	<u>2022</u>
General Government	\$ 5,363,847	\$ 4,298,743
Public Safety	\$ 13,515,838	\$ 12,290,325
Highways and Streets	\$ 4,140,494	\$ 3,076,636
Culture & Recreation	\$ 2,047,440	\$ 1,466,262
Community Development	\$ 983,878	\$ 1,061,551
Health & Welfare	\$ 208,948	\$ 194,009
<b>Subtotal</b>	<b>\$ 26,260,445</b>	<b>\$ 22,387,526</b>
Debt Service Payments	\$ 438,359	\$ 588,293
Interest on long-term debt	\$ 165,995	\$ 250,589
Capital Outlay	\$ 2,492,172	\$ 1,107,800
<b>Total Expenditures</b>	<b>\$ 29,356,971</b>	<b>\$ 24,334,208</b>



## Where does the money go?



The pie chart on the left reflects the breakdown of Fiscal Year 2022/2023 expenditures by percentage within the Town's operating budget. These categories reflect the day-to-day expenditures such as personnel services, benefits and general operating expenditures but exclude capital outlay and debt service.





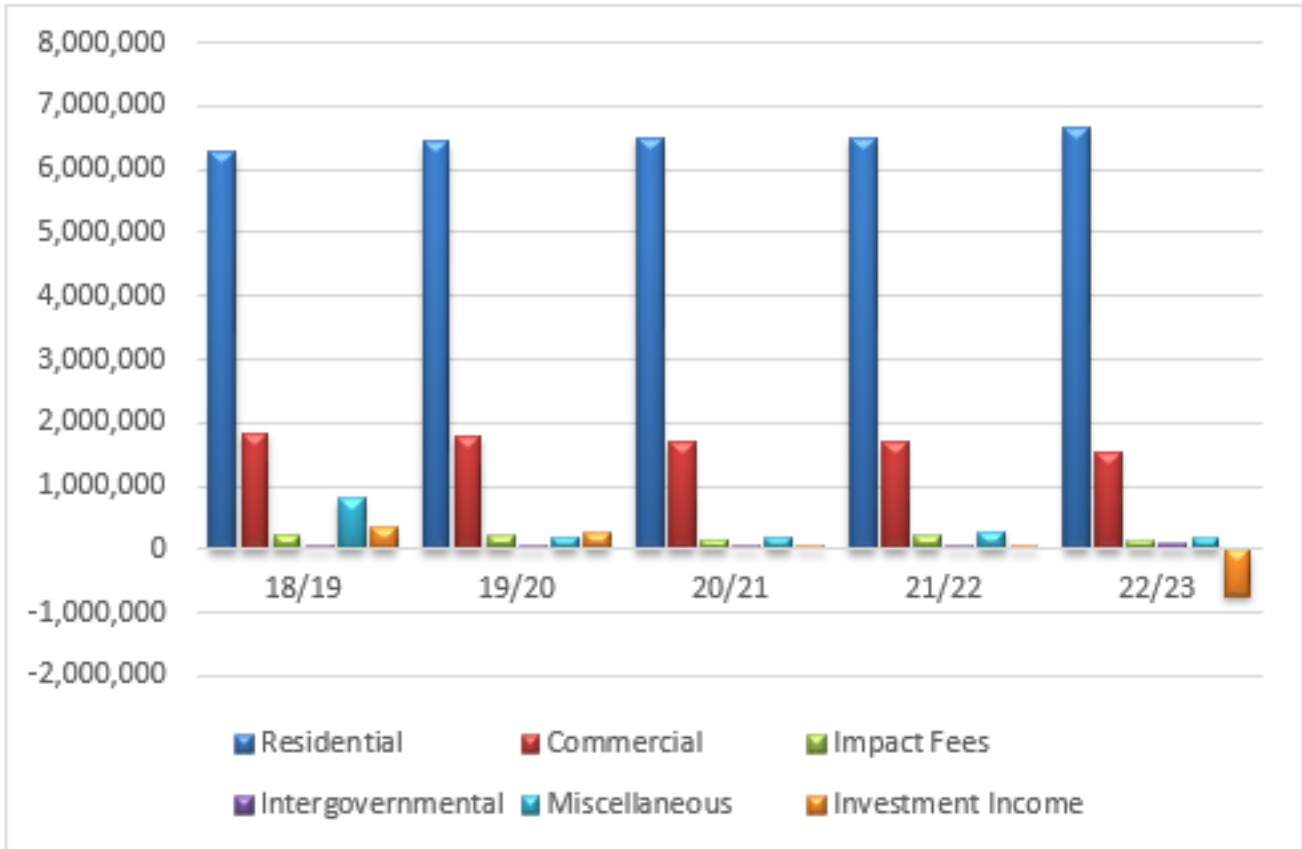
# ENTERPRISE FUND

Enterprise Funds are business-type funds considered to be self-supporting in that the services rendered are generally financed through user charges or fees.



The Town has one Enterprise Fund—The Water Fund. This fund is used to record revenues and expenses related to the maintenance and improvement of the current water system infrastructure. The Town’s Water Division provides a safe and adequate domestic water supply to Payson residents.

**Water Fund Revenues**

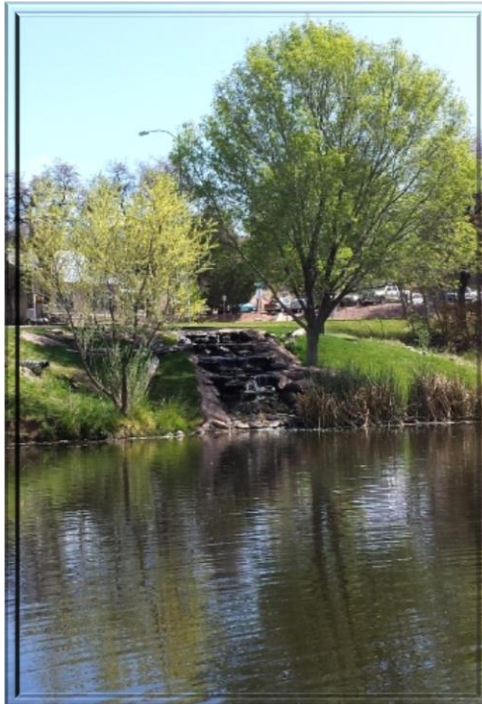
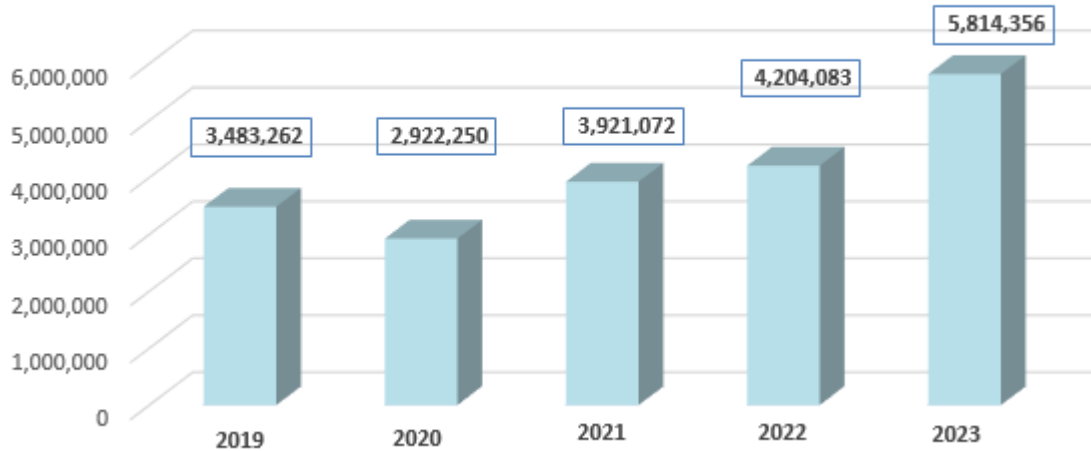


The chart above compares the major Water Fund revenues for the last five fiscal years. Since there wasn’t a significant change in Payson’s population during this time period, the changes in revenues were largely due to annual rate increases for water usage implemented to help cover the debt service for the C.C. Cragin Pipeline Project. High quality, reliable water service was provided to over 8,900 water customers during the 2022/2023 fiscal year.

## Enterprise Fund for FY2022/2023

The Water Fund expenses increased by 27.7% in comparison with last fiscal period 2021/2022. Over the past few years, the funding requirements of various maintenance projects has caused fluctuations in Water Fund operating expenses.

### Water Fund Operating Expenses (Excluding Depreciation)



The Town of Payson received the Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR Award) from Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government reporting. The PAFR is reviewed and evaluated by judges based on the following categories: reader appeal, understandability, distribution methods, creativity and other elements. A Certificate of Achievement is valid for a period of one year only.

## 2023 Payson Town Council

Mayor	Chris Higgins
Vice-Mayor	Barbara Underwood
Council Member	Brett Flaherty
Council Member	Joel Mona
Council Member	Scott Nossek
Council Member	Jolynn Schinstock
Council Member	Suzy Tubbs



## CONTACT INFORMATION

### CONTACT & LOCATION INFORMATION

To send an e-mail to the Mayor or any of the Council Members, just visit the Town website at [www.paysonaz.gov](http://www.paysonaz.gov) and select the appropriate Representative from the Town Council tab.

#### **Payson Town Hall**

303 N. Beeline Highway  
Payson, AZ 85541  
Phone: (928) 474-5242  
Fax: (928) 474-4610  
TDD: (928) 472-6449

#### **Parks & Recreation Department**

1000 W. Country Club Drive  
Payson, AZ 85541  
(928) 474-5242 Option #7

#### **Payson Public Library**

328 N. McLane  
Payson, AZ 85541  
(928) 474-9260

#### **Payson Police Department**

303 N. Beeline Highway  
Payson, AZ 85541  
Emergency—Dial 9-1-1  
Police Admin: (928) 472-5057  
Non-Emergency: (928) 474-5177

#### **Fire Department**

400 E. Main Street  
Payson, AZ 85541  
(928) 474-5242 Option #9