



2020 CITIZENS REPORT

POPULAR ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
JUNE 30, 2020



TABLE OF CONTENTS

<u>CONTENT</u>	<u>PAGE NO.</u>
INTRODUCTION	
Town Manager Message	3
About Payson	4
Payson Profile	5
Town of Payson Mission Statement	6
Corporate Strategic Plan	7
Town Services	8
 STATEMENT OF NET POSITION	
Net Position	9
 CAPITAL ASSETS	
Capital Assets	10
Capital Improvements	11
 DEBT	
How Capital Investments are Funded	12
 GOVERNMENTAL FUND	
Revenues for Fiscal Year 2019/2020	13
Expenditures for Fiscal Year 2019/2020	15
 ENTERPRISE FUND	
Enterprise Fund for Fiscal Year 2019/2020	17
 OTHER INFORMATION	
More about the Town of Payson	19



TOWN MANAGER MESSAGE



Members of the Town of Payson’s Financial Services Department are pleased to present the Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2020. This report is intended to present an overview of the Town’s financial position and emphasize its commitment to providing responsive services and programs for the community 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 Payson’s local economy influences our organization’s overall financial status. Above all, our goal is to provide 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 2020 Comprehensive Annual Financial Report (CAFR). The financial statements were prepared in conformance with Generally Accepted Accounting Principles (GAAP) and audited by an independent accounting firm, receiving an unmodified 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. The Government Finance Officers Association has presented the following awards to the Town in recognition of our financial commitment: the Certificate of Achievement for Excellence in Financial Reporting for 22 consecutive years, the Award for Outstanding Achievement in Popular Annual Financial Reporting for 14 consecutive years, and the Distinguished Budget Presentation Award for 22 consecutive years.

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 2020 CAFR, which is available from the Financial Services Department, the Payson Public Library, or online at 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 2020 Popular Annual Financial Report serves its purpose and helps demonstrate that every effort is made to manage the community’s resources wisely for the benefit of all.

Sincerely,

A handwritten signature in black ink, appearing to read "Troy Smith". The signature is written in a cursive, slightly stylized font.

Troy Smith
Town Manager

ABOUT PAYSON

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



...PAYSON FACTS...

Incorporated: 1973	Rainfall: Avg. 22 in.	Average Age: 58.4
Area: 20.46	Snowfall: Avg. 15 in.	Average Household Size: 2.3
Elevation: 4,921 ft.	Precipitation Days: 65	Median Housing Value: \$265,100
Population: 15,338	Sunny Days: Avg. 286	Unemployment Rate: 6.3%

PAYSON PROFILE

State Routes 87 and 260 intersect within Payson, just 90 miles North of Phoenix, Arizona. The Town's boundaries encompasses 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, Annual Monster Mudda, Farmer's Markets, and the State Championship Fiddlers Contest.

Tourism, home building, and the retirement industries dominate the current economy with a growing emphasis on manufacturing and service firms. Light industry that is compatible with the community's "High Quality of Life" is also being encouraged. 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.



© DJ CRAIG

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
- ◆ Treasure our natural resources and unique environment

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 and enhance 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 Key Results Areas (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 KRA’s are established for fiscal year 2020/2021:



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, & Tourism - provides a variety of cultural events and recreational programs for citizens of all ages, hosting special events including the Old Time Fiddlers' Contest, Mogollon Monster Mud Run, 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 Division provides assistance to businesses 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 8,500 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 to obtain additional planning, and financial information.

- ✚ **Comprehensive Annual Financial Report (CAFR)** - 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, 2020, 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, 2020	June 30, 2019
	(in thousands)	
Assets		
Current & Other Assets	\$ 32,356	\$ 28,123
Capital Assets	\$ 167,975	\$ 166,610
Total Assets	\$ 200,331	\$ 194,733
Deferred Outflows of Resources	\$ 9,449	\$ 7,231
Liabilities		
Current Liabilities	\$ 2,477	\$ 3,826
Noncurrent Liabilities	\$ 92,102	\$ 86,925
Total Liabilities	\$ 94,579	\$ 90,751
Deferred Inflows of Resources	\$ 2,037	\$ 2,194
Net Position		
Net Investment in Capital Assets	\$ 133,858	\$ 131,725
Restricted	\$ 4,462	\$ 3,746
Unrestricted	\$ (25,154)	\$ (26,454)
Total Net Position	\$ 113,166	\$ 109,017

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 not due for settlement within one year.

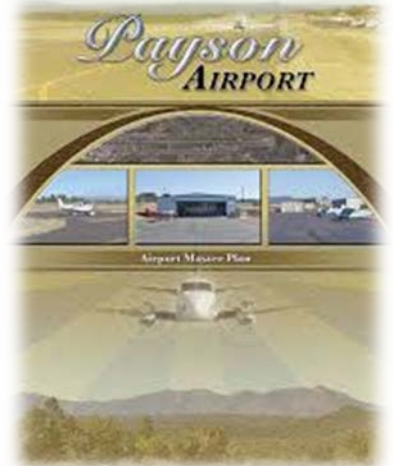
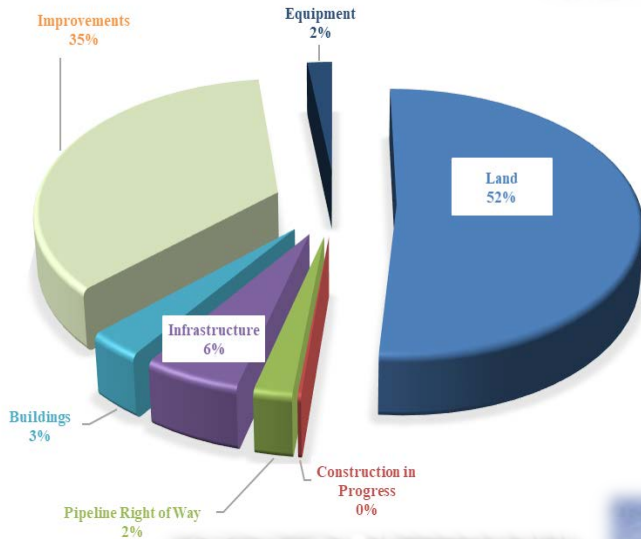
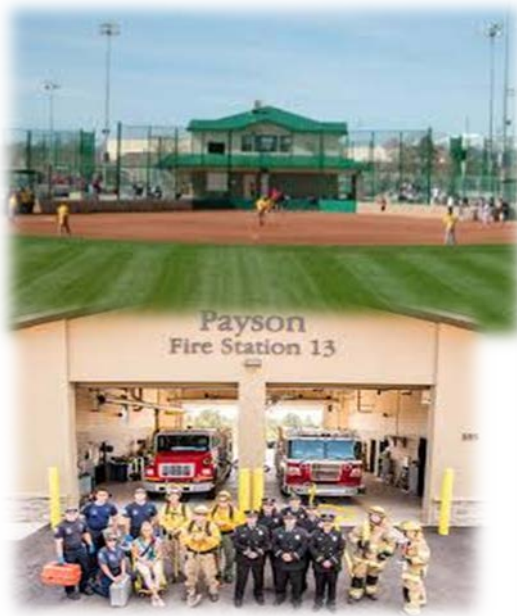
DEFERRED INFLOWS / OUTFLOWS OF RESOURCES are separated as they relate to future periods (revenue not earned or expenditures not chargeable in the current fiscal period in which they are collected or made). For example, a grant payment may be deferred in the current fiscal year if the Town has not yet 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 more than \$113 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, 2020 was \$167,978,445.



Capital Improvements for Fiscal Year 2019-2020

Payson is a mountain town whose water is obtained from deep wells within its corporate boundaries. For many years, the Town Council and staff have been actively seeking additional water sources. Recent agreements with the Federal Government and the Salt River Project have given the Town of Payson and surrounding areas water rights from the C.C. Cragin Reservoir, which will provide Payson with its water needs for many years into the future.

During the 2019-2020 fiscal year, the Town completed the C.C. Cragin Water Treatment Facility and successfully delivered water for the first season. This project was secured through the Bureau of Reclamation Rural Water Fund and the Water Infrastructure Financing Authority of Arizona. This project provides a renewable surface water supply that is an essential part of Payson's water resource portfolio. We were able to upgrade our municipal software platform to provide more efficient service delivery to customers. This included a new generator at Town Hall and critical disaster recovery upgrades that protect our data from physical and cyber threats. With a grant from the Arizona Water Protection Fund, the Town completely restored a portion of the American Gulch watercourse to enhance the flood control properties of this vital drainage infrastructure project.

For more info, contact Payson Water Dept. at (928) 474-5242, Option #4 or visit www.paysonaz.gov.



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

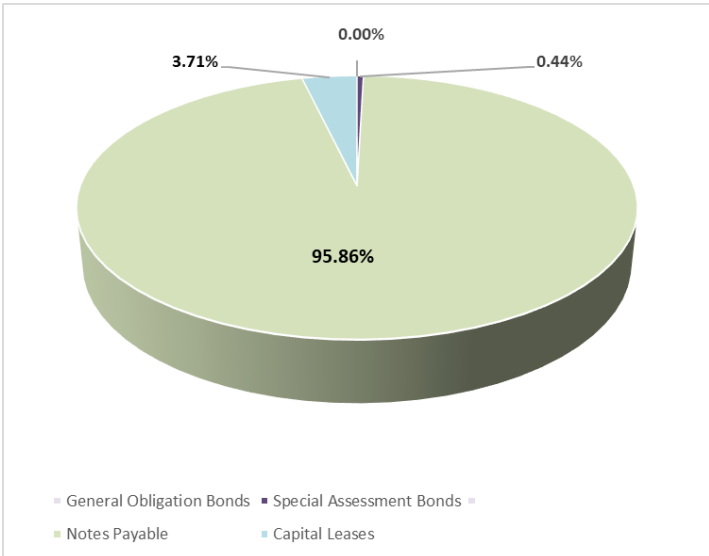
Revenue Bonds - long-term debt with repayment to come from a pledged Town revenue stream

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)

<u>Debt Type</u>	<u>2020</u>	<u>2019</u>
General Obligation Bonds	\$ -	\$ 3,083
Special Assessment Bonds	\$ 155,000	\$ 225,000
Notes Payable	\$ 34,146,163	\$ 33,056,918
Capital Leases	\$ 1,320,793	\$ 1,600,044
Total Debt	\$ 35,621,956	\$ 34,885,045



- The Town typically issues General Obligation (G.O.) Bonds to fund capital projects of general government departments. Current G.O. Bonds funded various public safety improvements and construction of Fire Station #13. Instead of a property tax levy, a special 0.12% sales tax was dedicated for the payment of this debt. The bond was paid off in July 2020.
- Special assessments imposed on certain parcels of land within the assessment district are used to pay the Westerly Drive Improvement District bonds.
- The Town has entered into lease agreements for the acquisition of public safety vehicles, various equipment, vector truck, field lighting and turf. General fund revenue will be 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 FY2019/2020

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

The revenues used to fund governmental activities are as follows:

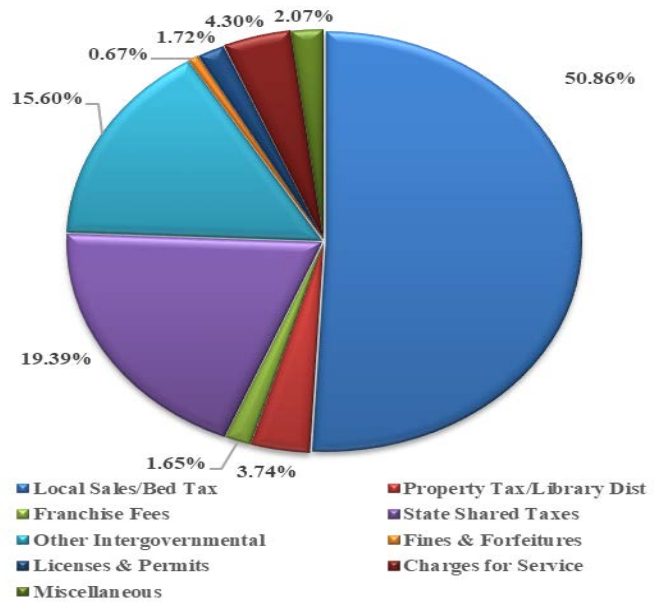
- ✦ **Local Sales Tax / Bed Tax**—a local sales tax of 2.88% is charged on most goods purchased in Town and a 5% tax is charged for transient lodging (Bed Tax).
- ✦ **Property Tax**—a primary property tax is charged based on assessed property valuation
- ✦ **Franchise Tax**—fees paid by public utilities, 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 Government revenues improved by 2.9% due to increases in local sales taxes and state shared taxes.

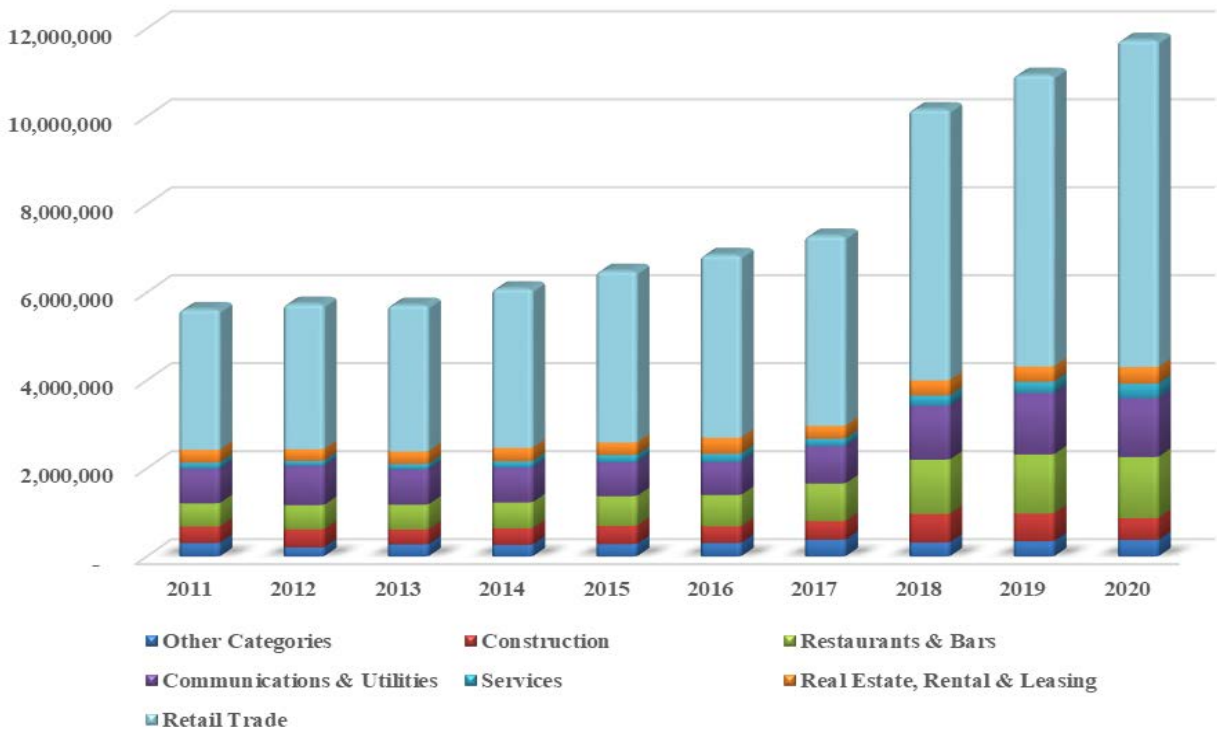
Revenue	2020	% of Total
Local Sales/Bed Tax	\$ 12,436,798	50.9%
Property Tax/Library Dist.	\$ 915,714	3.7%
Franchise Taxes	\$ 402,915	1.6%
State Shared Taxes	\$ 4,742,638	19.4%
Other Intergovernmental	\$ 3,814,022	15.6%
Fines & Forfeitures	\$ 163,871	0.7%
Licenses & Permits	\$ 421,011	1.7%
Charges for Service	\$ 1,050,828	4.3%
Miscellaneous	\$ 507,107	2.1%
Total Revenues	\$ 24,454,904	100.0%



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 impact of the nationwide economic downturn and its upturn to recovery.



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



EXPENDITURES FOR FY2019/2020

➤ **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 Departments including the Wildland Program.

Public Works—Includes Airport and Streets Division.

Culture & Recreation—Includes Parks Maintenance, Recreation, Tourism, 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.

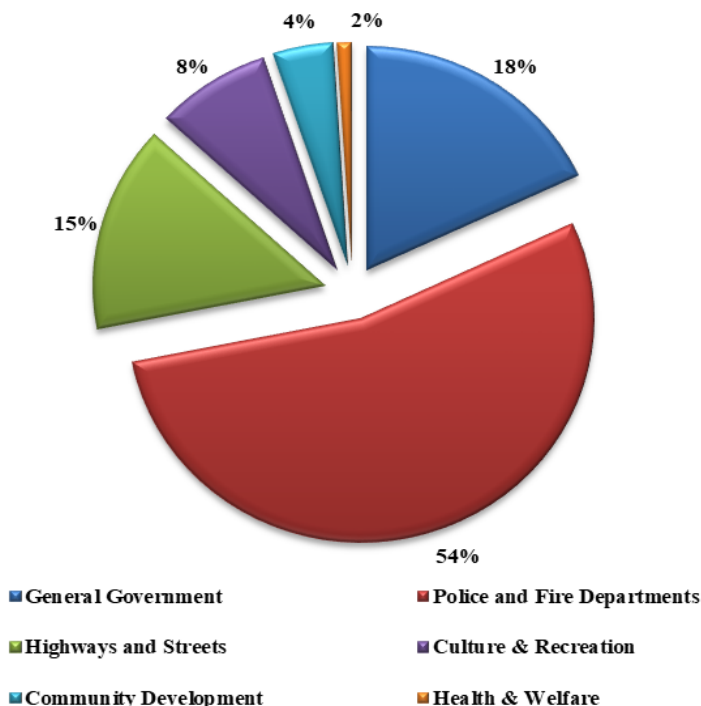
**Governmental Funds
Two-Year Expenditures by Type**

<u>Expenditures</u>	<u>2020</u>	<u>2019</u>
General Government	\$ 3,590,979	\$ 3,862,621
Public Safety	\$ 10,715,771	\$ 10,257,862
Highways and Streets	\$ 2,975,678	\$ 2,516,241
Culture & Recreation	\$ 1,599,477	\$ 1,363,281
Community Development	\$ 824,344	\$ 786,350
Health & Welfare	\$ 195,917	\$ 218,179
Subtotal	\$ 19,902,166	\$ 19,004,534
Debt Service Payments	\$ 255,287	\$ 544,654
Interest on long-term debt	\$ 58,798	\$ 53,777
Capital Outlay	\$ 1,636,590	\$ 3,605,100
Total Expenditures	\$ 21,852,841	\$ 23,208,065

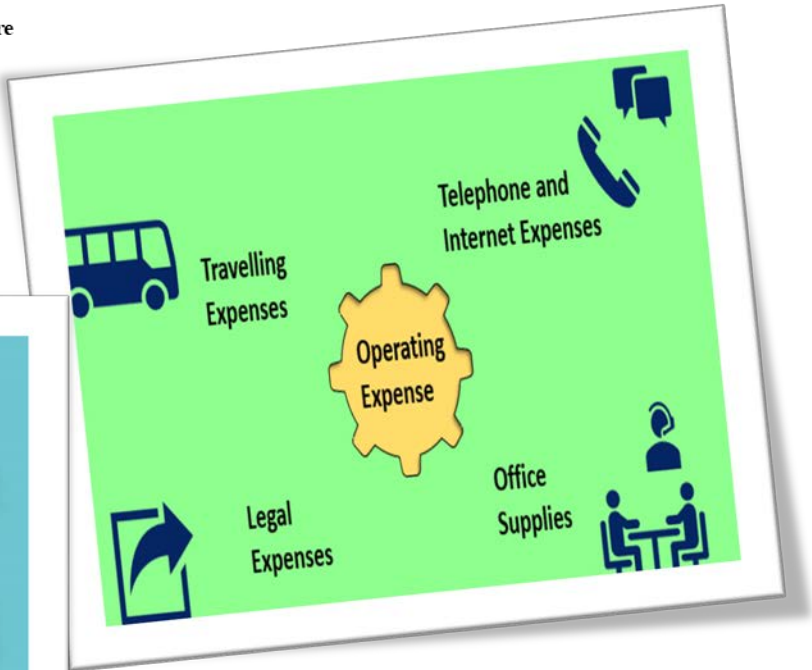
The two-year comparison on the left shows the change in total expenditures for governmental funds. The most significant change was in the Capital Outlay category. Last year the Town increased funding for investments for various maintenance items and machinery & equipment. This year, the Town pulled back the reins due to the unknown financial impact of COVID-19. Overall, the fiscal period for 2019/2020 for Governmental Fund expenditures reflect a decrease of \$1,355,224 in comparison to fiscal period ended 2019.

Where does the money go?

2020 Governmental Fund Expenditures



The pie chart on the left reflects the breakdown of Fiscal Year 2019/2020 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 services.



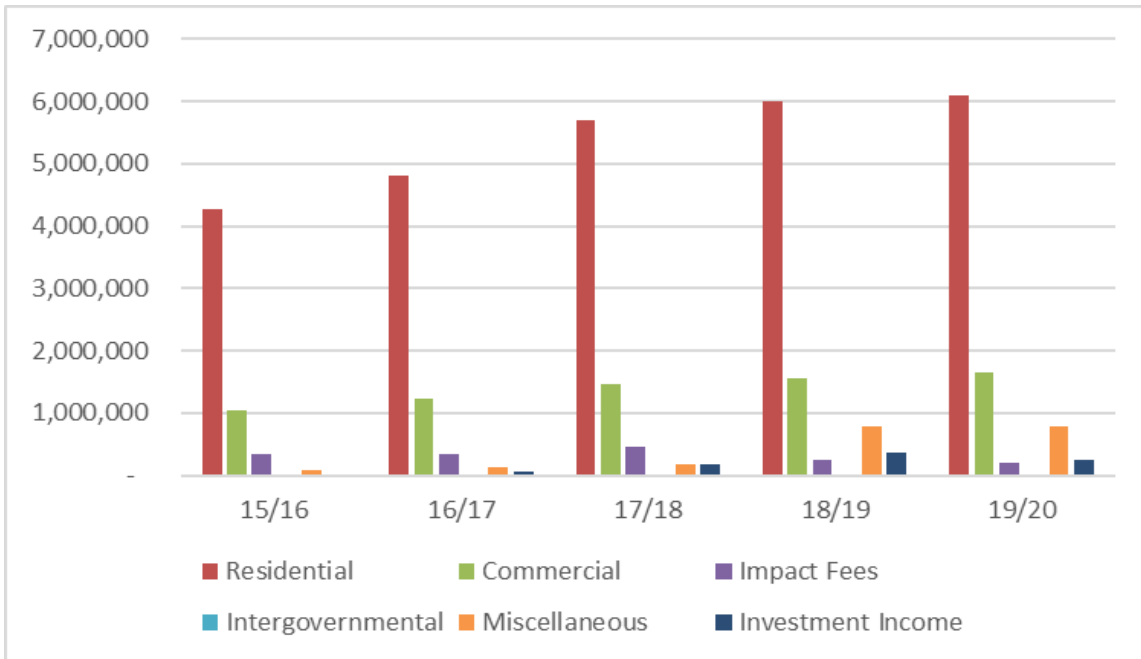
ENTERPRISE FUND

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 & adequate domestic water supply to Payson residents.

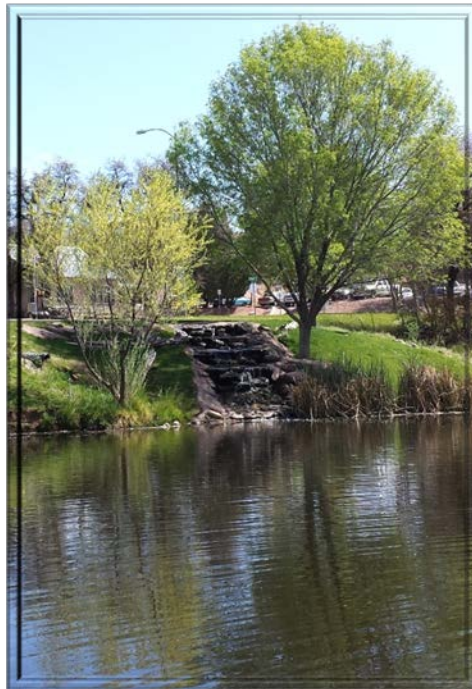
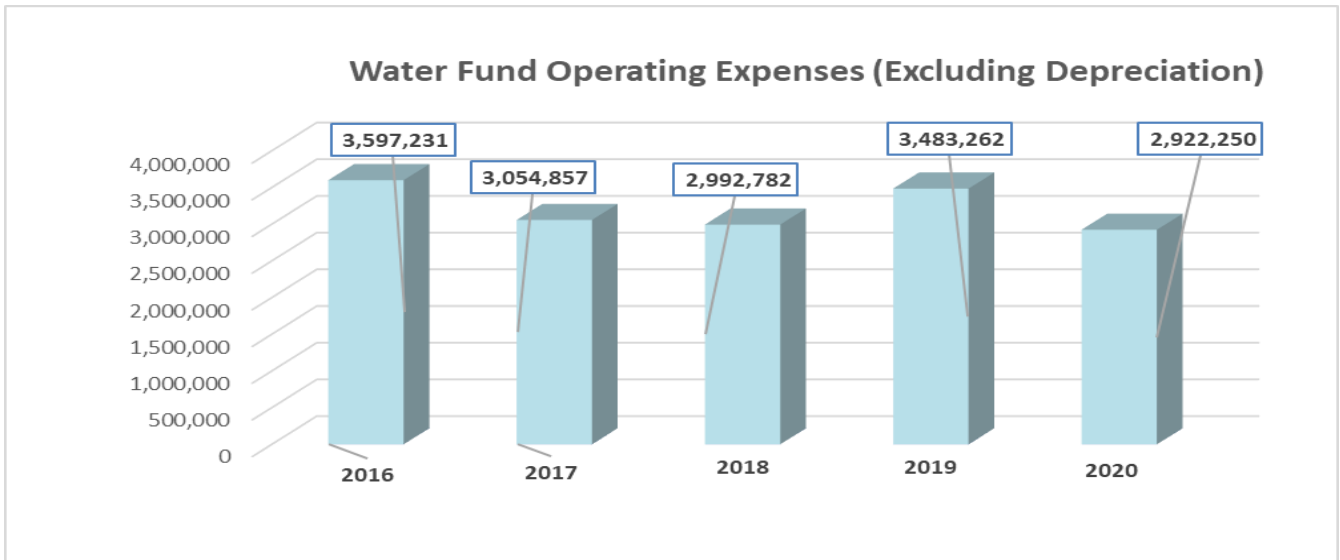
Water Fund Revenues



The above chart 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 8,532 water customers during the 2019/2020 fiscal year.

Enterprise Fund for Fiscal Year 2019/2020

The Water Fund expenditures significantly decreased by 16% in comparison with last fiscal period 2018/2019. Over the past few years, the funding requirements of various maintenance projects has caused fluctuations in Water Fund Operating Expenses. For fiscal period 2019/2020, COVID-19 played a substantial role in the decrease of expenditures.



The Government Finance Officers Association of the United States and Canada presented an award to

the Town of Payson for the Outstanding Achievement in Popular Annual Financial Reporting. This Award is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government popular reports

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 and select the appropriate Representative from the Town Council tab.

Payson Town Hall

303 N. Beeline Highway
 Payson, AZ 85541
 Phone: (929) 474-5242
 Fax: (928) 474-4610
 TDD: (928) 472-6449

Recreation & Tourism 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

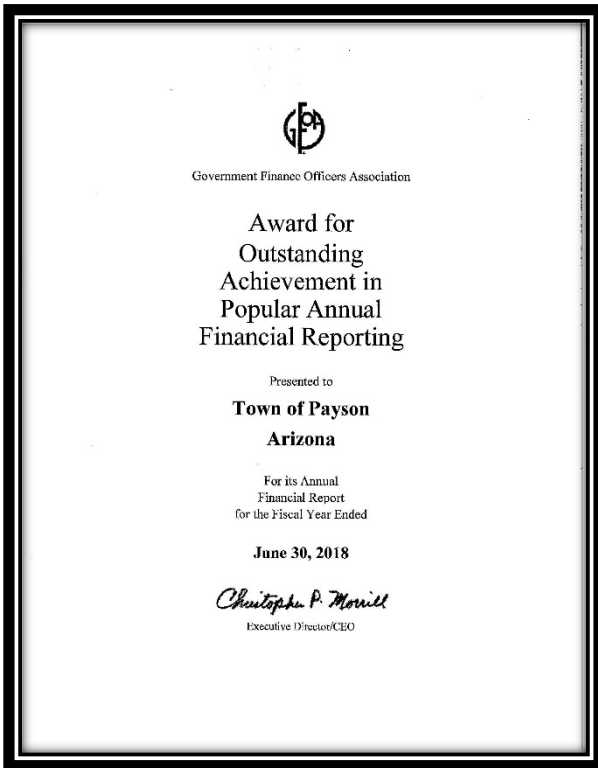
303 N. Beeline Highway
 Payson, AZ 85541
 Emergency—Dial 9-1-1
 Police Admin: (928) 472-5057
 Non-Emergency: (928) 474-5177

Fire Department

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

Fire Department—Station #12

108 E. Rancho Road



Mayor	Tom Morrissey
Vice Mayor	Janell Sterner
Councilmember	Jim Ferris
Councilmember	Chris Higgins
Councilmember	Steven Smith
Councilmember	Suzy Tubbs-Avakian
Councilmember	Barbara Underwood

