

PAYSON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDING
JUNE 30, 2014



Town of Payson
303 N Beeline Hwy.
Payson, AZ 85541

Phone: (928) 474-5242
Fax: (928) 474-4610
TDD: (928) 474-6449

www.paysonaz.gov



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TOWN OF PAYSON, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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**TOWN OF PAYSON, ARIZONA
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INTRODUCTORY SECTION

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

TOWN OF PAYSON
Finance Department
303 N. Beeline Hwy
Payson, AZ 85541

(928) 474-5242
(928) 472-6449 TDD
(928) 474-4610 Fax
www.paysonaz.gov

December 3, 2014

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

The Comprehensive Annual Financial Report (CAFR) of the Town of Payson, Arizona (the Town), for the fiscal year ended June 30, 2014 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 controls 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.

CliftonLarsonAllen LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the Town of Payson's financial statements for the fiscal year ended June 30, 2014. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The 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, 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 19.5 square miles in northern Gila County and serve a population of 15,245. 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 a majority of the property owners in the potential annexation area and the Town Council.

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 resolution 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 7,884 customers.

The Council is required to adopt a tentative budget on or before the third Monday in July. Public hearings are held in the proposed budget with adoption of the final budget on or before the seventh day before the tax levy is adopted, which is on or before 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 of the Town Manager. Transfers between funds, however, need approval from the 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.

Like the rest of the nation, and Arizona in particular, Payson began to experience a slight increase, approximately a 2%, in the economic environment during fiscal year 2013-2014. According to the 2010 Census, the population of the Town was 15,301. Over the last ten years, the population increased 12.3%. The Town's unemployment rate, as of June 30, 2014 was 8.6%. This is 0.7% less than last year, and is higher than the State's rate of 7.5% and the same as the County's rate of 8.6%. The region (which includes Payson, another town and the surrounding non-incorporated areas within northern Gila County) has an employed labor force of approximately 6,332 that has increased significantly over the last fifteen years.

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 and will continue to be very proactive in encouraging quality community and organizational development. Each year, 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 constituent's needs. The CSP operationalizes the Town's mission statement and the 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 in the 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 nonspendable 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 Financial Services by April 1 each year. These requests are used to develop a proposed budget. By early July, the Tentative Budget is adopted and a public hearing is held on the Final Budget, which is then adopted by the Council. Within seven days of the Final

Budget adoption, a public hearing is held on the proposed Primary and Secondary tax rates where they are then adopted by ordinance. Upon adoption, they are certified to the County Treasurer.

MAJOR INITIATIVES

Although the tough economic climate of the past few years has slowed down the progress of some of the strategic objectives of the Town, a few initiatives were undertaken in fiscal year 2013-14.

- Construction of the C.C. Cragin pipeline project continues.
- Upgrades to water system infrastructure.
- Installation of solar electric systems at several Town owned buildings.

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 Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This was the 15th consecutive year that the Town achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR. 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 CAFR 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 CAFR but 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 government also received GFOA's Distinguished Budget Presentation Award for the annual budget document for fiscal year 2013-2014. In order to qualify for this award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device. This also was the 15th consecutive year that the government achieved this prestigious award.

Acknowledgements. The preparation of the report would not have been possible without the efficient and dedicated services of the entire staff of the Financial Services and Administration departments. 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,



Debra A. Galbraith, CGFM
Town Manager, CFO



Hope Cribb
Finance Manager

TOWN OF PAYSON, ARIZONA TOWN OFFICIALS

TOWN COUNCIL

Kenny J. Evans
Mayor

Michael Hughes, Vice Mayor
John R. Wilson, Council Member
Su Connell, Council Member

Ed Blair, Council Member
Richard Croy, Council Member
Fred Carpenter, Council Member

ADMINISTRATION

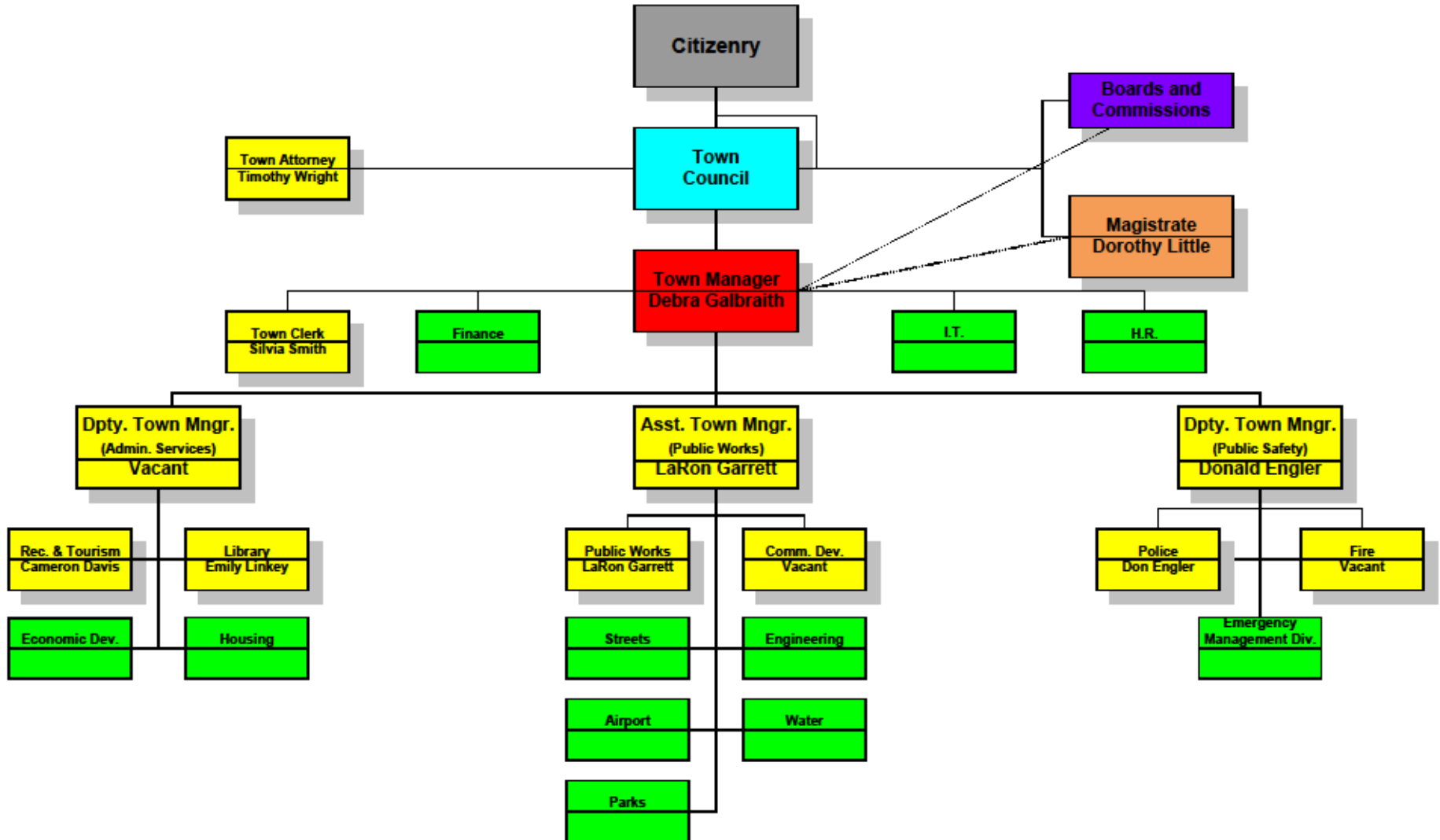
Debra A. Galbraith, Town Manager
LaRon Garrett, Assistant Town Manager
Don Engler, Deputy Town Manager

DEPARTMENT DIRECTORS

Town Clerk
Town Attorney
Magistrate Court
Finance Manager
Police Chief
Fire Chief
Librarian
Public Works
Recreation and Tourism

Silvia Smith
Timothy Wright
Dorothy Little
Hope Cribb
Don Engler
Marty DeMasi
Emily Linkey
LaRon Garrett
Cameron Davis

Town of Payson Management Organizational Chart





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, 2013

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Payson, Arizona (Town), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Payson, Arizona as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison schedules of the General Fund and HURF Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 3.F., net position was restated in the Business-Type Activities and Water Enterprise Fund to correct an error in the previously issued financial statements. Our opinion was not modified as a result of this restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 10–19 and the schedule of pension benefits, and other postemployment benefits other than pensions on page 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other 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 nonmajor fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate 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 nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014, on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Payson, Arizona's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP".

Phoenix, Arizona
December 3, 2014

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REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

The Town of Payson, Arizona (Town) is pleased to offer readers of the Town's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2014. The intended purpose of the Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes. This discussion will help determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impact on our debt and operations. When referring to prior year's data in this analysis we will be drawing upon information from last year's audited financial reports.

Financial Highlights

- ◆ The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$126.2 million (net position). Of this amount \$1.1 million is unrestricted and may be used to meet the Town's on-going obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2.7 million, an increase of \$0.3 million in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.3 million or 10 percent of total General Fund expenditures.
- ◆ General Fund revenues (on a budgetary basis) were less than budgeted revenues by \$0.5 million for fiscal year 2014. Additionally, budgetary basis expenditures were 88% (\$1.7 million (12% in savings) of the final budget in the General Fund.
- ◆ General Fund revenues exceeded expenditures by \$0.9 million; a positive variance of \$1.2 million from the final budget.
- ◆ In August 2009, the Town entered into a \$10.6 million (\$4.0 million in federal grant funding and \$6.6 million in loans) agreement with the Water Infrastructure Finance Authority of Arizona for completion of Phase I of the C.C. Cragin pipeline and for required repairs and replacements to the existing system.

Overview of the Financial Statements

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

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

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 private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. Changes in net position are reported when 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., uncollected taxes and earned but unused paid time off).

Both of 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 only the operations of the water system.

The government-wide financial statements can be found on pages 20 - 21 of this report.

Fund financial statements - Also presented are the fund financial statements. The fund financial statements focus on major funds of the Town, rather than fund type. 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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 decisions. 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.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

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 Fund, HURF Fund and Debt Service Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements and schedules.

The basic governmental fund financial statements can be found on pages 22 - 28 of this report.

Proprietary funds - The Town maintains two different types of proprietary 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 the operations of the water services. *Internal service funds* are an accounting device used to accumulate and allocate costs among the Town's various functions. The Town uses an internal service fund to account for insurance services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

The basic proprietary fund financial statements can be found on pages 29 - 32 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary Funds are not reflected in the government-wide financial statements because the *resources* of those funds are not available to support the Town's own programs. The fiduciary funds are custodial in nature and do not present results of operations or a measurement focus.

The basic fiduciary fund financial statement can be found on page 33 of this report.

Notes to the basic financial statements. The notes to the basic financial statements (pages 34 - 60) provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements and should be read in conjunction with the basic financial statements.

Required supplementary information other than MD&A. Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information following the notes to the basic financial statements. The Town has chosen to present these budgetary statements as part of the basic financial statements. Additionally, governments are required to disclose certain information about employee pensions and other postemployment benefits other than pensions. The Town has disclosed this information in Note 4.C. and in the Required Supplementary Information on page 61 of this report.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

Government-Wide Financial Analysis

Net position may serve over time as useful indicators of a government's financial position. The following table reflects the condensed Statement of Net Position of the Town for June 30, 2014 showing that assets exceeded liabilities by \$126.2 million.

**Condensed Statement of Net Position
June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013 (Restated)	2014	2013 (Restated)
Assets						
Current and Other Assets	\$ 4,170,807	\$ 3,627,772	\$ 9,755,172	\$ 8,915,176	\$ 13,925,979	\$ 12,542,948
Capital Assets						
Non-depreciable	12,340,956	12,238,995	18,300,725	15,273,495	30,641,681	27,512,490
Depreciable (net)	94,994,459	95,523,182	8,626,692	9,233,832	103,621,151	104,757,014
Total Assets	111,506,222	111,389,949	36,682,589	33,422,503	148,188,811	144,812,452
Liabilities						
Current Liabilities	816,264	553,425	824,705	753,862	1,640,969	1,307,287
Noncurrent Liabilities						
Due Within One Year	1,611,750	1,458,258	592,238	597,607	2,203,988	2,055,865
Due in More Than One Year	9,578,049	9,374,397	8,605,177	6,625,133	18,183,226	15,999,530
Total Liabilities	12,006,063	11,386,080	10,022,120	7,976,602	22,028,183	19,362,682
Net Position						
Net Investment in Capital Assets	104,424,687	104,037,027	18,784,149	18,225,098	123,208,836	122,262,125
Restricted	1,338,294	2,088,595	548,453	451,859	1,886,747	2,540,454
Unrestricted	(6,262,822)	(6,121,753)	7,327,867	6,768,944	1,065,045	647,191
Total Net Position	\$ 99,500,159	\$ 100,003,869	\$ 26,660,469	\$ 25,445,901	\$ 126,160,628	\$ 125,449,770

Net position consists of three components. The largest portion of the Town's net position (98%) reflects its net investment in capital assets (e.g., land, intangible assets, buildings, infrastructure, water system, and vehicles, machinery and equipment), less any outstanding related debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related 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.

An additional portion of the Town's net position (1.5%) represents resources that are subject to external restrictions. The remaining balance (\$1.1 million) represents unrestricted net position.

At the end of the current fiscal year, the Town was able to report positive balances in all three categories of net position for the government as a whole. The negative unrestricted net position, reported in the governmental activities, was largely due to the recognition of the other postemployment healthcare benefits in the current and prior years. The Town amortizes the liability for other postemployment healthcare benefits over the employee's service period to the Town. The other postemployment healthcare liability recognized for services rendered through June 30, 2014 was estimated at \$7.1 million.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

The following table compares the revenue and expenses for the current and previous fiscal year.

**Changes in Net Position
Fiscal Years Ended June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013 (Restated)	2014	2013 (Restated)
REVENUES						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 1,875,099	\$ 1,712,074	\$ 4,905,372	\$ 4,569,601	\$ 6,780,471	\$ 6,281,675
Operating Grants and Contributions	1,973,302	2,946,035	554,516	-	2,527,818	2,946,035
Capital Grants and Contributions	1,432,182	296,246	216,465	-	1,648,647	296,246
General Revenues:						
Sales Taxes	6,435,777	6,047,114	-	-	6,435,777	6,047,114
Property Taxes	901,723	882,079	-	-	901,723	882,079
Franchise Taxes	357,950	356,550	-	-	357,950	356,550
State Shared Revenues	3,037,332	2,815,379	-	-	3,037,332	2,815,379
Auto Lieu Taxes	857,218	832,631	-	-	857,218	832,631
Investment Earnings	658	388	8,071	9,324	8,729	9,712
Total Revenues	<u>16,871,241</u>	<u>15,888,496</u>	<u>5,684,424</u>	<u>4,578,925</u>	<u>22,555,665</u>	<u>20,467,421</u>
EXPENSES						
General Government	3,453,652	4,075,873	-	-	3,453,652	4,075,873
Public Safety	8,632,829	8,977,125	-	-	8,632,829	8,977,125
Highways and Streets	2,725,747	2,479,031	-	-	2,725,747	2,479,031
Culture and Recreation	1,229,920	1,252,833	-	-	1,229,920	1,252,833
Public Works	115,453	195,693	-	-	115,453	195,693
Community Development	853,007	982,040	-	-	853,007	982,040
Health and Welfare	223,846	264,900	-	-	223,846	264,900
Interest on Long-Term Debt	123,197	147,677	-	-	123,197	147,677
Water	-	-	4,487,156	4,531,525	4,487,156	4,531,525
Total Expenses	<u>17,357,651</u>	<u>18,375,172</u>	<u>4,487,156</u>	<u>4,531,525</u>	<u>21,844,807</u>	<u>22,906,697</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	(486,410)	(2,486,676)	1,197,268	331,550	710,858	(2,155,126)
Transfers	(17,300)	(17,300)	17,300	17,300	-	-
CHANGE IN NET POSITION	<u>(503,710)</u>	<u>(2,503,976)</u>	<u>1,214,568</u>	<u>348,850</u>	<u>710,858</u>	<u>(2,155,126)</u>
Net Position - Beginning of Year (Restated)	100,003,869	102,507,845	25,445,901	25,381,201	125,449,770	127,889,046
NET POSITION - END OF YEAR	<u>\$ 99,500,159</u>	<u>\$ 100,003,869</u>	<u>\$ 26,660,469</u>	<u>\$ 25,445,901</u>	<u>\$ 126,160,628</u>	<u>\$ 125,449,770</u>

Governmental activities. Total governmental revenues increased over the prior year with a net increase of \$1.0 million (6.2%).

Program revenues increased \$0.3 million over the prior fiscal year. The increase was the net result of a 33% decrease in operating grants and contributions, 10% increase in fees, fines and charges for services, and a 383% increase in capital grants and contributions. The decrease in the operating grants and contributions was mainly due to the Town moving the GSA property purchasing program revenues to a fiduciary fund in the current year (\$1.2 million). The increase in capital grants and contributions was due to capital contributions received from ADOT in the current year (\$1.0 million). The increase in fees, fines and charges for services was mainly due to the Town increasing the fees and charges for services provided by the general government.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

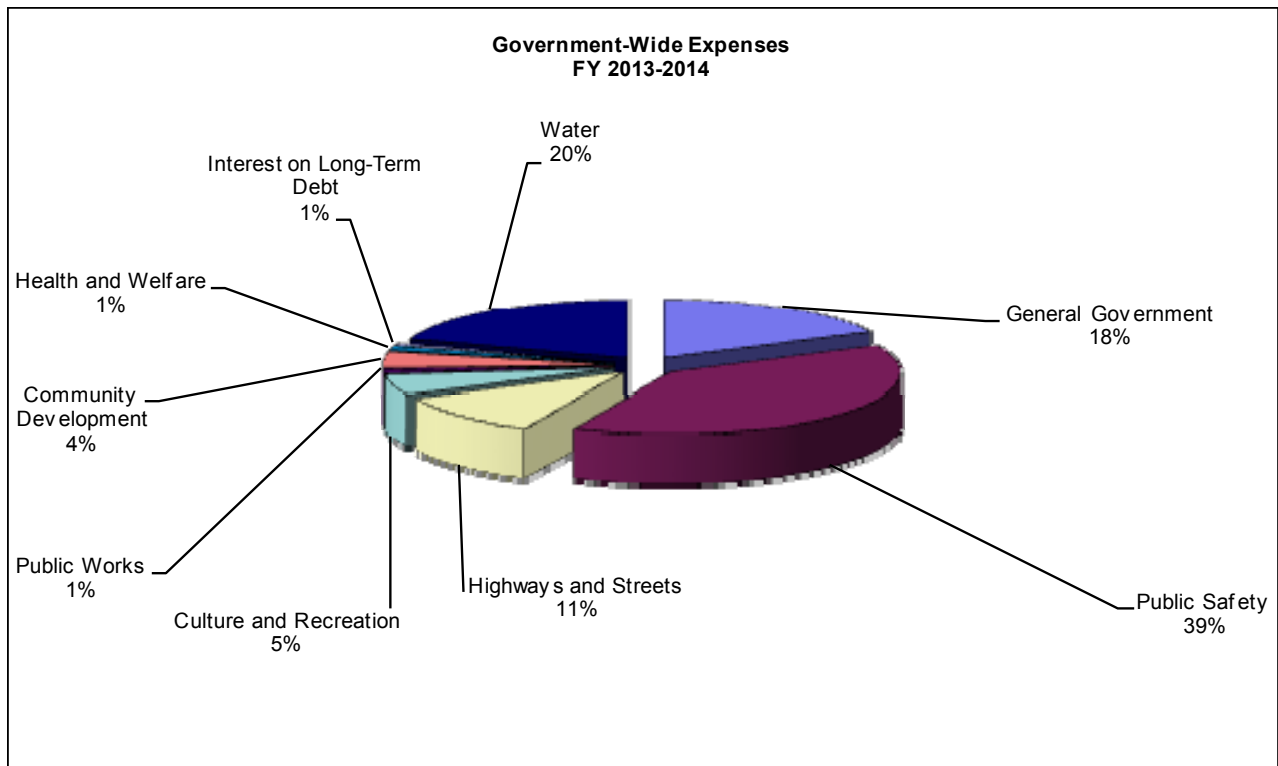
General revenues increased \$0.7 million. The increase was largely due to an improvement in economic activity resulting in the Town's share of state sales tax and local sales tax increasing. The remaining changes in general revenues were not significant.

Overall, expenses decreased \$1.0 million from the prior year. The decrease was mainly due to a decline in general government expenses of \$0.6 million and a decline in community development of \$0.1 million due to a decrease in other postemployment related contributions and a decrease in various operating grants. Public safety expenses declined due to vacancy savings from vacant police positions, as well as a decrease in grant activity (\$0.4 million). Conversely, Highways and Streets expenses increased \$0.2 million due to an increase in street maintenance projects.

Business-type activities. Charges for services increased over the prior fiscal year by \$0.3 million. The increase was due to increased rates that were implemented during the fiscal year 2013-14 for water usage. Operating grants increased \$0.5 million over the prior fiscal year. The increase was due to the Town receiving a reimbursement from a local non-profit as part of construction of the C.C. Cragin pipeline.

The decrease in expenses was not significant.

The following graph illustrates the Town's government-wide expenses previously discussed in a comparative analysis of government-wide revenues, expenses and changes in net position.



**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

Financial Analysis of the Town's Funds

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

As of the end of the current fiscal year the Town's governmental funds reported combined ending fund balances of \$2.7 million, an increase of \$0.3 million in comparison with the prior year. Approximately 61% of this total amount (\$1.6 million) constitutes General Fund fund balance, which is reported as either nonspendable, restricted, assigned or unassigned fund balance. At the end of fiscal year 2013-14, fund balances were as follows:

Fund	Balance	Increase (Decrease) From 2012-13
General Fund	\$ 1,632,351	667,390
HURF Fund	78,574	(65,096)
Debt Service Fund	241,793	(331,167)
Nonmajor Governmental Funds	720,261	28,967

The General Fund is the chief operating fund of the Town. As a measure of the General Fund's liquidity, it may be useful to compare both the General Fund fund balance and total fund balance to total fund expenditures. The unassigned General Fund fund balance represents 10% of total General Fund expenditures, while total unassigned fund balance represents 8.3% of total fund expenditures.

The General Fund increase of \$0.7 million was the result of increased revenues from sales tax and state shared revenues. This increase in revenues was primarily the result of an increase in economic activity which leads to greater distributions to the state and local governments.

The HURF Fund decrease of \$65,096 was the result of an increase in street maintenance projects during the current year.

The Debt Service Fund accounts for the payment of general obligation bonds and special assessments. The debt service due on this long-term debt is funded largely by property tax, sales tax and special assessment revenues; however, funds are transferred in from other funds to contribute to the debt service due on the general obligation bonds. The debt service fund decreased \$0.3 million due to the use of carryover funds from prior years for current debt service payments and recognition of the July 1, 2013 and July 1, 2014 principal and interest (final debt service requirement) due on the general obligation bonds, series 2004.

The \$28,967 increase in Nonmajor governmental fund balance in the current year was not considered significant.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

Budgetary Highlights

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 26 – 28. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis. The Town did not amend its budget during the fiscal year.

The budget was prepared based on assumptions regarding the continuing decline of the national and regional economy. Although the economy seems to show small signs of stabilizing, the Town still follows a conservative approach to budgeting. When the Town went into this decline a few years ago, there were very few reserves available as a cushion. Over the past few years, the amount of reserves has shown some improvement, but is still at a level far below the requirements of the Town.

General Fund revenues of \$13.4 million were less than budgeted revenues of \$13.9 million by \$0.5 million while expenditures of \$12.5 million were 88% of budgeted expenditures (savings of \$1.7 million). Revenues were less than budgeted revenues primarily due to lower than expected economic recovery and budget grants that were not received during the year. The expenditure savings were derived largely from unspent contingencies, and vacancies savings.

The Town did not amend the budget during the fiscal year.

Capital Assets

The Town's capital assets for its governmental activities as of June 30, 2014 totaled \$107.3 million (net of accumulated depreciation), a decrease from the prior year of \$0.4 million. Business-type activities capital assets amounted to \$27.0 million (net of accumulated depreciation), a net increase from the prior year of \$2.4 million. Governmental fund financial statements record capital asset purchases as expenditures. See Note 3.A.4. in the Notes to the Basic Financial Statements for further information regarding capital assets.

Major capital asset events during the current fiscal year included the following:

Governmental Activities – The most significant change in capital assets in the Governmental Activities was \$1.8 million in current year depreciation expense and \$0.9 million in additions to street and sidewalk pavement. The Town also purchased \$139,485 in fire equipment and \$53,276 in airport improvements.

Business-Type Activities – The most significant change in capital assets in the Business Type Activities was \$1.1 million in current year depreciation expense and \$3.0 million in construction in progress additions for the continued construction on the CC Cragin Pipeline. Additionally, the Town had to restate the beginning balance in the pipeline right of way category due to \$0.5 million of repair and maintenance expenditures in the prior year that were previously capitalized in error.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

The following table provides a breakdown of the capital assets of the Town at June 30, 2014 and 2013.

**Capital Assets (net)
June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013 (Restated)	2014	2013 (Restated)
Land	\$ 12,238,995	\$ 12,238,995	\$ 1,590,144	\$ 1,577,957	\$ 13,829,139	\$ 13,816,952
Construction in Progress	101,961	-	13,147,094	10,132,051	13,249,055	10,132,051
Pipeline Right of Way	-	-	3,563,487	3,563,487	3,563,487	3,563,487
Infrastructure	84,202,093	83,961,905	-	-	84,202,093	83,961,905
Buildings	6,582,668	7,083,842	305,731	330,911	6,888,399	7,414,753
Improvements Other Than Buildings	1,779,878	1,834,344	8,030,515	8,687,531	9,810,393	10,521,875
Vehicles, Machinery and Equipment	2,429,820	2,643,091	290,446	215,390	2,720,266	2,858,481
Total Capital Assets	\$ 107,335,415	\$ 107,762,177	\$ 26,927,417	\$ 24,507,327	\$ 134,262,832	\$ 132,269,504

Long-Term Debt

At the end of the current fiscal year, the Town had total long-term obligations outstanding of \$20.4 million. Of the outstanding debt, \$1.6 million (including \$40,583 premium on the bonds) is general obligation bonds and \$8.1 million are notes payable backed by the full faith and credit of the Town. An additional \$0.5 million of special assessment bonds are backed by a guaranteed investment contract with the developer of the special assessment district property. All other outstanding debt is secured by pledges of specific revenue sources in the Town, including revenue bonds of \$0.5 million.

The State imposes certain debt limitations on the Town of six percent (6%) and twenty percent (20%) of the outstanding secondary net assessed valuation of the Town. The Town's available debt margin at June 30, 2014 is \$8.4 million in the 6% capacity and \$33.2 million in the 20% capacity. Additional information on the debt limitations and capacities may be found in the statistical section of this report (pages 92 - 94).

The following schedule shows the outstanding debt of the Town (both current and long-term) as of June 30, 2014 and 2013. Further detail on the Town's outstanding debt may be found in Notes 3.C., 3.D. and 3.E. on pages 49 – 53.

**Outstanding Debt
June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 1,565,583	\$ 2,044,952	\$ -	\$ -	\$ 1,565,583	\$ 2,044,952
Special Assessment Bonds	535,000	585,000	-	-	535,000	585,000
Revenue Bonds	470,000	575,000	-	-	470,000	575,000
Notes Payable	-	-	8,143,268	6,282,229	8,143,268	6,282,229
Capital Leases	340,145	520,198	-	-	340,145	520,198
Compensated Absences	1,187,582	1,212,985	220,745	218,311	1,408,327	1,431,296
Other Postemployment Benefits	7,091,489	5,894,520	833,402	722,200	7,924,891	6,616,720
Total Outstanding Debt	\$ 11,189,799	\$ 10,832,655	\$ 9,197,415	\$ 7,222,740	\$ 20,387,214	\$ 18,055,395

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

Economic Factors and Next Year's Budgets and Rates

The Town, as well as all other Arizona cities, remains dependent on state shared revenues (18%) and local sales taxes for resources (38%). These revenue sources are sensitive to economic downturns and legislative appropriations. While the local economy seems to be stabilizing slightly, the Town continues to spend conservatively and cautiously.

The Fiscal Year 2014-2015 budget preparation was influenced by the following factors:

- Anticipation of County shared transportation tax revenue.
- Utilization of previously frozen staff positions as needed.
- Possible construction of the university campus.
- Continued reductions in some revenues due to little or no growth in Town sales taxes, state shared revenues, and/or highway user (gas tax) revenues.
- The pursuit of grants.
- Continued construction of the C.C. Cragin pipeline.

Financial Contact

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

Town of Payson
Financial Services Department
303 North Beeline Highway
Payson, AZ 85541

Or visit our website at:

<http://www.paysonaz.gov>

Basic Financial Statements

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TOWN OF PAYSON, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 1,908,502	\$ 7,890,234	\$ 9,798,736
Receivables, Net			
Accounts Receivable	269,842	664,951	934,793
Intergovernmental Receivables	941,036	75,769	1,016,805
Property Taxes Receivable	33,965	-	33,965
Special Assessments Receivable	624,771	-	624,771
Prepaid Items	7,692	-	7,692
Restricted Cash and Investments	384,999	1,087,551	1,472,550
Other Assets	-	36,667	36,667
Capital Assets			
Non-Depreciable	12,340,956	18,300,725	30,641,681
Depreciable (Net)	94,994,459	8,626,692	103,621,151
Total Assets	<u>111,506,222</u>	<u>36,682,589</u>	<u>148,188,811</u>
LIABILITIES			
Accounts Payable	250,174	135,577	385,751
Accrued Wages and Benefits	294,042	36,809	330,851
Interest Payable	10,718	113,221	123,939
Customer Deposits Payable	21,330	539,098	560,428
Matured Debt Principal Payable	240,000	-	240,000
Noncurrent Liabilities			
Due Within One Year	1,611,750	592,238	2,203,988
Due in More Than One Year	9,578,049	8,605,177	18,183,226
Total Liabilities	<u>12,006,063</u>	<u>10,022,120</u>	<u>22,028,183</u>
NET POSITION			
Net Investment in Capital Assets	104,424,687	18,784,149	123,208,836
Restricted for			
Court Enhancement	87,028	-	87,028
Highways and Streets	78,574	-	78,574
Debt Service	866,564	496,395	1,362,959
Capital Outlay	306,128	52,058	358,186
Unrestricted	(6,262,822)	7,327,867	1,065,045
Total Net Position	<u>\$ 99,500,159</u>	<u>\$ 26,660,469</u>	<u>\$ 126,160,628</u>

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 3,453,652	\$ 1,041,851	\$ 57,458	\$ 155,768	\$ (2,198,575)		\$ (2,198,575)
Public Safety	8,632,829	310,052	486,973	209,774	(7,626,030)		(7,626,030)
Highways and Streets	2,725,747	50,646	1,428,871	956,092	(290,138)		(290,138)
Culture and Recreation	1,229,920	60,943	-	-	(1,168,977)		(1,168,977)
Public Works	115,453	168,781	-	-	53,328		53,328
Community Development	853,007	227,567	-	110,548	(514,892)		(514,892)
Health and Welfare	223,846	15,259	-	-	(208,587)		(208,587)
Interest on Long-Term Debt	123,197	-	-	-	(123,197)		(123,197)
Total Governmental Activities	<u>17,357,651</u>	<u>1,875,099</u>	<u>1,973,302</u>	<u>1,432,182</u>	<u>(12,077,068)</u>		<u>(12,077,068)</u>
Business-Type Activities							
Water	4,487,156	4,905,372	554,516	216,465	-	\$ 1,189,197	1,189,197
Totals	<u>\$ 21,844,807</u>	<u>\$ 6,780,471</u>	<u>\$ 2,527,818</u>	<u>\$ 1,648,647</u>	<u>(12,077,068)</u>	<u>1,189,197</u>	<u>(10,887,871)</u>
General Revenues:							
Taxes							
Sales Taxes					6,435,777	-	6,435,777
Property Taxes					880,368	-	880,368
Franchise Taxes					357,950	-	357,950
Special Assessments					21,355	-	21,355
State Sales Tax Revenue Sharing - Unrestricted					3,037,332	-	3,037,332
Auto Lieu Tax Revenue Sharing - Unrestricted					857,218	-	857,218
Investment Earnings					658	8,071	8,729
Transfers					(17,300)	17,300	-
Total General Revenues and Transfers					<u>11,573,358</u>	<u>25,371</u>	<u>11,598,729</u>
Change in Net Position					(503,710)	1,214,568	710,858
Net Position - Beginning of Year, Restated					100,003,869	25,445,901	125,449,770
Net Position - Ending					<u>\$ 99,500,159</u>	<u>\$ 26,660,469</u>	<u>\$ 126,160,628</u>

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General	HURF Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 973,387	\$ -	\$ 492,511	\$ 414,150	\$ 1,880,048
Restricted Cash and Investments	78,871	-	-	306,128	384,999
Receivables, Net					
Taxes Receivable	33,965	-	-	-	33,965
Accounts Receivable	265,007	-	-	-	265,007
Intergovernmental Receivable	728,790	197,934	-	14,312	941,036
Special Assessments Receivable	-	-	624,771	-	624,771
Due from Other Funds	60,974	-	-	-	60,974
Prepaid Items	7,692	-	-	-	7,692
Total Assets	<u>\$ 2,148,686</u>	<u>\$ 197,934</u>	<u>\$ 1,117,282</u>	<u>\$ 734,590</u>	<u>\$ 4,198,492</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 218,210	\$ 25,056	\$ -	\$ 6,908	\$ 250,174
Accrued Wages and Benefits	253,291	33,330	-	7,421	294,042
Due to Other Funds	-	60,974	-	-	60,974
Matured Principal Payable	-	-	240,000	-	240,000
Interest Payable	-	-	10,718	-	10,718
Customer Deposits Payable	21,330	-	-	-	21,330
Total Liabilities	<u>492,831</u>	<u>119,360</u>	<u>250,718</u>	<u>14,329</u>	<u>877,238</u>
Deferred Inflows of Resources					
Unavailable Revenues	23,504	-	624,771	-	648,275
Fund Balances					
Nonspendable for Prepaids	7,692	-	-	-	7,692
Restricted	-	78,574	241,793	393,156	713,523
Assigned:					
Public Safety - Police	126,990	-	-	-	126,990
Culture and Recreation	191,445	-	-	-	191,445
Capital Outlay	-	-	-	327,105	327,105
Unassigned	1,306,224	-	-	-	1,306,224
Total Fund Balances	<u>1,632,351</u>	<u>78,574</u>	<u>241,793</u>	<u>720,261</u>	<u>2,672,979</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,148,686</u>	<u>\$ 197,934</u>	<u>\$ 1,117,282</u>	<u>\$ 734,590</u>	<u>\$ 4,198,492</u>

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances for Governmental Funds \$ 2,672,979

Amounts reported for governmental activities in the statement of activities are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental Capital Assets	141,979,471
Less Accumulated Depreciation	(34,644,056)
Capital Assets Used in Governmental Activities	107,335,415

Some revenues are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.

Property Taxes	23,504
Special Assessment Revenue	624,771

Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

General Obligation Bonds	(1,525,000)
Special Assessment Bonds	(535,000)
Revenue Bonds	(470,000)
Premium	(40,583)
Capital Leases	(340,145)
Compensated Absences	(1,187,582)
Other Postemployment Benefits	(7,091,489)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

33,289

Total Net Position of Governmental Activities

\$ 99,500,159

TOWN OF PAYSON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

	General	HURF Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Sales Taxes	\$ 6,086,529	\$ -	\$ 349,248	\$ -	\$ 6,435,777
Property Taxes	639,045	-	-	230,400	869,445
Franchise Taxes	357,950	-	-	-	357,950
Intergovernmental	4,533,684	1,428,871	-	298,322	6,260,877
Fines and Forfeitures	164,262	-	-	15,341	179,603
Licenses and Permits	314,391	-	-	-	314,391
Charges for Services	761,914	50,646	-	-	812,560
Contributions and Donations	104,933	-	-	780	105,713
Development Impact Fees	-	59,280	-	70,800	130,080
Special Assessments	-	-	56,023	-	56,023
Investment Earnings	652	2	-	4	658
Other	406,577	26,315	-	5,573	438,465
Total Revenues	<u>13,369,937</u>	<u>1,565,114</u>	<u>405,271</u>	<u>621,220</u>	<u>15,961,542</u>
EXPENDITURES					
Current					
General Government	3,379,491	-	-	-	3,379,491
Public Safety	7,084,652	-	-	-	7,084,652
Highways and Streets	512,618	1,593,412	-	-	2,106,030
Culture and Recreation	417,435	-	-	327,122	744,557
Public Works	3,618	-	-	-	3,618
Community Development	778,744	-	-	-	778,744
Health and Welfare	226,300	-	-	-	226,300
Debt Service					
Principal Retirement	43,628	-	761,425	-	805,053
Interest on Long-Term Debt	3,861	-	128,705	-	132,566
Capital Outlay	-	-	-	383,137	383,137
Total Expenditures	<u>12,450,347</u>	<u>1,593,412</u>	<u>890,130</u>	<u>710,259</u>	<u>15,644,148</u>
Excess (Deficiency) of Revenues Over Expenditures	919,590	(28,298)	(484,859)	(89,039)	317,394
OTHER FINANCING SOURCES (USES)					
Transfers In	39,910	-	193,602	118,006	351,518
Transfers Out	(292,110)	(36,798)	(39,910)	-	(368,818)
Total Other Financing Sources (Uses)	<u>(252,200)</u>	<u>(36,798)</u>	<u>153,692</u>	<u>118,006</u>	<u>(17,300)</u>
Net Change in Fund Balances	667,390	(65,096)	(331,167)	28,967	300,094
FUND BALANCES					
Beginning of Year	964,961	143,670	572,960	691,294	2,372,885
End of Year	<u>\$ 1,632,351</u>	<u>\$ 78,574</u>	<u>\$ 241,793</u>	<u>\$ 720,261</u>	<u>\$ 2,672,979</u>

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances of Governmental Funds \$ 300,094

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for Capital Assets	1,531,070
Less Current Year Depreciation	(1,754,400)
Excess Depreciation Over Capital Expenditures	(223,330)

The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets. (203,432)

Some revenues reported in the governmental funds that did not provide current financial resources in prior years have been recognized previously in the statement of activities and therefore are not reported as revenues in the statement of activities.

Property Taxes	10,923
Special Assessments	(34,668)

The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal on long-term debt reduces long-term debt on the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when the debt is first issued, whereas these items are amortized over the term of the long term debt in the statement of activities.

Principal Payments on Long-Term Bonds	625,000
Principal Payments on Capital Leases	180,053
Amortization of Bond Premium	9,369

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 the governmental funds.

Net Change in Compensated Absences	25,403
Net Change in Other Postemployment Benefits	(1,196,969)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues of the internal service fund is reported with governmental activities. 3,847

Change in Net Position of Governmental Activities \$ (503,710)

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2014**

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 7,041,100	\$ 7,083,524	\$ 42,424
Intergovernmental	5,335,800	4,533,684	(802,116)
Fines and Forfeitures	155,000	164,262	9,262
Licenses and Permits	240,500	314,391	73,891
Charges for Services	680,700	761,914	81,214
Contributions and Donations	12,200	104,933	92,733
Investment Earnings	2,000	652	(1,348)
Other	417,000	406,577	(10,423)
Total Revenues	13,884,300	13,369,937	(514,363)
EXPENDITURES			
Current			
General Government			
General Government Administration	1,208,600	1,059,031	149,569
Town Clerk	192,900	193,455	(555)
Elections	38,300	1,043	37,257
Town Manager	177,000	182,302	(5,302)
Town Council	102,300	83,277	19,023
Human Resources	224,300	205,449	18,851
Computer Information Services	570,400	511,893	58,507
Financial Services	332,300	304,405	27,895
Courts	213,100	196,645	16,455
Airport	864,900	312,244	552,656
Attorney	361,600	329,747	31,853
Total General Government	4,285,700	3,379,491	906,209
Public Safety			
Police Department	4,457,700	4,199,096	258,604
Fire Department	3,243,800	2,885,556	358,244
Total Public Safety	7,701,500	7,084,652	616,848
Highways and Streets			
Streets	518,800	512,618	6,182
Culture and Recreation			
Park Operations	60,000	58,296	1,704
Recreation	432,400	310,482	121,918
Aquatics	45,400	45,858	(458)
Trails	10,000	2,799	7,201
Total Culture and Recreation	547,800	417,435	130,365

(Continued)

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2014**

	Original and Final Budget	Actual	Variance with Final Budget
EXPENDITURES (CONTINUED)			
Current (Continued)			
Community Development			
Planning and Zoning	\$ 241,800	\$ 247,407	\$ (5,607)
Building Inspections	374,500	355,790	18,710
Tourism - Economic Vitality	202,600	175,547	27,053
Total Community Development	<u>818,900</u>	<u>778,744</u>	<u>40,156</u>
Health and Welfare			
Health and Welfare	116,400	116,400	-
Animal Control	132,900	109,900	23,000
Total Health and Welfare	<u>249,300</u>	<u>226,300</u>	<u>23,000</u>
Debt Service			
Principal Retirement	-	43,628	(43,628)
Interest on Long-Term Debt	-	3,861	(3,861)
Total Expenditures	<u>14,126,400</u>	<u>12,450,347</u>	<u>1,676,053</u>
Excess (Deficiency) of Revenues Over Expenditures	(242,100)	919,590	1,161,690
OTHER FINANCING SOURCES (USES)			
Transfers In	35,810	39,910	4,100
Transfers Out	(294,400)	(292,110)	2,290
Total Other Financing Sources (Uses)	<u>(258,590)</u>	<u>(252,200)</u>	<u>6,390</u>
Net Change in Fund Balance	(500,690)	667,390	1,168,080
FUND BALANCE			
Beginning of Year	993,673	964,961	(28,712)
End of Year	<u>\$ 492,983</u>	<u>\$ 1,632,351</u>	<u>\$ 1,139,368</u>

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
HURF FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Intergovernmental	\$ 1,561,300	\$ 1,428,871	\$ (132,429)
Charges for Services	-	50,646	50,646
Development Impact Fees	12,000	59,280	47,280
Investment Earnings	-	2	2
Other	<u>33,300</u>	<u>26,315</u>	<u>(6,985)</u>
Total Revenues	1,606,600	1,565,114	(41,486)
EXPENDITURES			
Current			
Highways and Streets	<u>1,678,700</u>	<u>1,593,412</u>	<u>85,288</u>
Excess (Deficiency) of Revenues Over Expenditures	(72,100)	(28,298)	43,802
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>-</u>	<u>(36,798)</u>	<u>(36,798)</u>
Net Change in Fund Balance	(72,100)	(65,096)	7,004
FUND BALANCE			
Beginning of Year	143,670	143,670	-
End of Year	<u>\$ 71,570</u>	<u>\$ 78,574</u>	<u>\$ 7,004</u>

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Water Fund	Internal Service Funds
ASSETS		
Current Assets		
Cash and Investments	\$ 7,890,234	\$ 28,454
Receivables, Net		
Accounts Receivable	664,951	4,835
Intergovernmental Receivable	75,769	-
Restricted Cash and Investments	1,087,551	-
Total Current Assets	9,718,505	33,289
Noncurrent Assets		
Other Assets	36,667	-
Capital Assets		
Non-Depreciable	18,300,725	-
Depreciable (Net)	8,626,692	-
Total Noncurrent Assets	26,964,084	-
Total Assets	36,682,589	33,289
LIABILITIES		
Current Liabilities		
Accounts Payable	135,577	-
Accrued Wages and Benefits	36,809	-
Interest Payable	113,221	-
Customer Deposits Payable	539,098	-
Compensated Absences	130,997	-
Notes Payable	461,241	-
Total Current Liabilities	1,416,943	-
Noncurrent Liabilities		
Compensated Absences	89,748	-
Other Postemployment Benefits	833,402	-
Notes Payable	7,682,027	-
Total Noncurrent Liabilities	8,605,177	-
Total Liabilities	10,022,120	-
NET POSITION		
Net Investment in Capital Assets	18,784,149	-
Restricted for		
Debt Service	496,395	-
Capital Outlay	52,058	-
Unrestricted	7,327,867	33,289
Total Net Position	\$ 26,660,469	\$ 33,289

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2014**

	Business-Type Activities - <u>Enterprise Funds</u>	<u>Governmental Activities</u>
	<u>Water Fund</u>	<u>Internal Service Funds</u>
Operating Revenues		
Charges for Services	\$ 4,619,277	\$ -
Contributions	-	1,703,923
Total Operating Revenues	<u>4,619,277</u>	<u>1,703,923</u>
Operating Expenses		
Cost of Sales and Services	3,427,494	1,700,076
Depreciation	1,056,164	-
Total Operating Expenses	<u>4,483,658</u>	<u>1,700,076</u>
Operating Income	135,619	3,847
Nonoperating Revenues (Expenses)		
Intergovernmental	554,516	-
Development Impact Fees	185,893	-
Investment Earnings	8,071	-
Interest Expense	(3,498)	-
Miscellaneous Nonoperating Revenues	100,202	-
Total Nonoperating Revenues (Expenses)	<u>845,184</u>	<u>-</u>
Income Before Capital Contributions and Transfers	980,803	3,847
Capital Contributions	216,465	-
Transfers In	17,300	-
Total Capital Contributions and Transfers	<u>233,765</u>	<u>-</u>
Change in Net Position	1,214,568	3,847
Net Position		
Beginning of Year (As Restated)	25,445,901	29,442
End of Year	<u>\$ 26,660,469</u>	<u>\$ 33,289</u>

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2014**

	Business-type Activities - Enterprise Funds	Governmental Activities
	Water	Internal Service Funds
Cash Flows from Operating Activities		
Receipts from Customers	\$ 4,516,857	\$ 1,704,187
Payments to Suppliers	(2,052,521)	(1,700,544)
Payments to Employees	(1,239,756)	-
Customer Deposits Payable	18,940	-
Miscellaneous Revenue	100,202	-
Net Cash Flows from Operating Activities	<u>1,343,722</u>	<u>3,643</u>
Cash Flows from Noncapital Financing Activities		
Intergovernmental Revenues	606,660	-
Transfers In	17,300	-
Development impact Fees	185,893	-
Net Cash Flows from Noncapital Financing Activities	<u>809,853</u>	<u>-</u>
Cash Flows from Capital and Financing Activities		
Purchases of Capital Assets	(3,054,077)	-
Principal Paid on Capital Debt	(448,599)	-
Interest Paid on Capital Debt	(172,948)	-
Issuance of Long-Term Debt	2,309,638	-
Net Cash Flows from Capital and Related Financing Activities	<u>(1,365,986)</u>	<u>-</u>
Cash Flows from Investing Activities		
Investment Earnings	<u>8,071</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	795,660	3,643
Cash and Cash Equivalents, Beginning of Year	<u>8,182,125</u>	<u>24,811</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,977,785</u>	<u>\$ 28,454</u>
Reconciliation of cash and cash equivalents to the statement of net position		
Cash and Investments	\$ 7,890,234	\$ 28,454
Restricted Cash and Investments	1,087,551	-
Total Cash and Cash Equivalents	<u>\$ 8,977,785</u>	<u>\$ 28,454</u>

(Continued)

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2014**

	Business-type Activities - Enterprise Funds	Governmental Activities
	Water	Internal Service Funds
Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities		
Operating Income	\$ 135,619	\$ 3,847
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:		
Adjustments to Operating Activity		
Depreciation	1,056,164	-
Nonoperating Receipts	100,202	-
Change in Assets/Liabilities:		
Receivables	(102,420)	264
Other Assets	5,940	-
Accounts Payable	10,730	(468)
Accrued Wages and Benefits	4,911	-
Customer Deposits Payable	18,940	-
Compensated Absences	2,434	-
Other Postemployment Benefits	111,202	-
Net Cash Provided for Operating Activities	\$ 1,343,722	\$ 3,643

Noncash Capital Financing Activities

During the fiscal year ended June 30, 2014 the Town received \$216,465 in contributed assets and capitalized \$205,712 in interest expenses incurred during the fiscal year.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Agency Fund</u>
Assets	
Current Assets	
Cash and Cash Equivalents	<u>\$ 720</u>
Liabilities	
Current Liabilities	
Due to Other Entities	<u>\$ 720</u>

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying 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 applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

A. Reporting Entity

The Town is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. Furthermore, there are no component units combined with the Town for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the Town's financial statements present only the funds of those entities for which its elected governing board 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) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. However, fiduciary funds are not included in the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements and the proprietary fund 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 revenues 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 provider have been met.

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, except expenditures related to compensated absences, debt service expenditures and claims and judgments, which are recorded only when payment is due.

Property taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

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

Highway Users Revenue Fund (HURF) is a special revenue fund used to account for the operations of the street maintenance department. Financing is provided by the Town's share of motor fuel tax revenues. State law requires these motor fuel taxes be used to maintain streets.

The *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.

The Town reports the following major proprietary fund:

The *Water Fund* accounts for the operations of the Town's drinking water treatment and distribution system. The intent of the Town is that all or most of the costs (expenses, including depreciation) of providing these services to the general public on a continuing basis be financed or recovered primarily through user charges.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

Additionally, the Town reports the following fund types:

The *Internal Service Fund* consists of the Insurance Fund. It accounts for the Town's self-insurance program for employee health and medical benefits.

The *General Services Administration Agency Fund* accounts for the monies the Town receives in an agency capacity to purchase vehicles for other agencies.

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 fund are charges to customers for water services. The principal operating revenues of the Town's internal service fund are Town departmental contributions and charges to employees for health benefits. Operating expenses for the Internal Service Fund include the cost of administrative expenses and health insurance premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, for governmental activities and business-type activities, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity

1. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. 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, towns 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.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity
(Continued)**

2. Receivables

All trade and property taxes receivables are shown net of an allowance for uncollectibles.

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.

3. Short-term Interfund Receivables/Payables

During the course of operations, individual funds within the Town's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Cash and Investments

Certain proceeds of the Town's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Customer deposits in the Enterprise Fund are recorded as restricted assets because their use is limited.

6. Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, vehicles, furniture, machinery, equipment, construction in progress, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity
(Continued)**

6. Capital Assets (Continued)

Capital assets, purchased or acquired, are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis 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

Interest incurred for any outstanding debt in the proprietary funds are capitalized (if material), net of any interest earned on unspent debt, during the construction phase of Town projects.

7. Compensated Absences

The liability for compensated absences reported in the government-wide financial statements and proprietary fund financial statements consist of unpaid, accumulated leave balances. The Town switched to a Paid Time Off (PTO) program at the beginning of the 2011 fiscal year. The liability has been calculated based on the Town's compensated absence policy, in which employees will be paid at their full rate for the first 240 hours of PTO. All PTO hours between 241 and 816 will be paid out at half rate. For Firefighters, the first 360 hours of PTO will be paid at full rate and the PTO hours between 361 and 1166.4 will be paid out at half rate. Governmental funds report a liability for compensated absences for those employees who have unused leave outstanding at the end of the year following an employee's resignation or termination. The Town did not report any liability for compensated absences in the governmental fund financial statements.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund statements of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity
(Continued)**

8. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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.

9. Deferred Inflows of Resources

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the Town as of June 30, 2014 or within 60 days of fiscal year end. The deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

10. Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because capital assets make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside the Town. Unrestricted net position are the remaining net position not included in the previous two categories.

11. 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, committed, assigned, and unassigned fund balances.

The *nonspendable* fund balance classification includes amounts that cannot be spent because they are either a) not in a spendable form or b) legally or contractually required to be maintained intact.

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

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity
(Continued)**

11. Fund Balance Classifications (Continued)

The Town reported restricted fund balances in the HURF Fund (\$78,574) restricted to pay for highway and street improvements, the Debt Service Fund (\$241,793) restricted to pay debt service on outstanding debt, and the Nonmajor Governmental Funds (\$393,156) restricted for capital projects relating to the water trust agreement (\$306,128), and judicial enhancement (\$87,028).

Committed fund balances are resources pursuant to constraints imposed by formal action of the government's highest level of decision making authority. These resources cannot be used for any other purpose unless the same authority takes formal action to change the use. The highest level of decision making authority for the Town of Payson is the Town Council. Formal action to modify or rescind a fund balance commitment would be done by resolution or ordinance of the council, as required. Both actions by the council are equally binding. Fund balances must be committed prior to the end of the fiscal year.

The *assigned* fund balance amounts are constrained by the government's intent to be used for specific purpose. Intent must be expressed by a) the governing body itself or b) a committee or official which the governing body has delegated the authority to assign amounts to be used as for a specific purpose. Per Financial Policy 101, section 1.5, adopted by the Town Council, the Finance Manager, after consultation with the Town Manager, has the authority to assign fund balance for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This is the balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the policy of the Town to expend fund balance in the following order:

- 1) Restricted – per external requirements
- 2) Committed – per Town Council requirements
- 3) Assigned – per finance manager requirements
- 4) Unassigned

Any expenditure that could fall within multiple fund balance classifications will follow the order above.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity
(Continued)**

11. Fund Balance Classifications (Continued)

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 5% of total General Fund operating budgeted revenues. Annual contribution 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 utility operating fund should equal 5% of prior year total operating expenses and have a carry-over balance equal to 90 days 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 expenditure in the annual budget.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through a passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. 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.
5. 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 THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the following funds/departments:

	<u>Amount of Overexpenditure</u>
General Fund	
General Government	
Town clerk	\$ 555
Town manager	5,302
Culture and Recreation	
Aquatics	458
Community Development	
Planning and zoning	5,607
Debt Service	
Principal	43,628
Interest	3,861
Debt Service Fund	234,030

Cash was available to meet all the over expenditures listed above.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2014 consist of the following:

Deposits	
Cash on hand	\$ 1,685
Cash in bank	145,595
Investments	
State Treasurer's Investment Pool	10,354,941
Cash on deposit with trustee	<u>769,785</u>
Total Deposits and Investments	11,272,006
Less: Restricted cash and investments	(1,472,550)
Fiduciary Funds	<u>(720)</u>
Total cash and investments, statement of net position	<u><u>\$ 9,798,736</u></u>

Deposits - The Town had a carrying value of \$145,595 for cash on deposit with a local financial institution and a bank balance of \$379,008 at June 30, 2014. Of the bank balance, \$327,882 was insured by federal depository insurance through two different institutions, with the remaining \$51,126 secured by pledged collateral.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments - The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk. Cash on deposit with trustee are held in trust for the Town under a Trust Agreement with Bank of New York. The funds held in trust are invested in money market funds, are valued at fair value, and are invested in U.S. Government Securities and U.S. Treasury Money Market Fund. The funds are not subject to credit risk or interest rate risk.

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. Average maturity of the Town's investments are as follows:

Investment	Maturity			Total
	Less Than 1 Year	1-3 Years	> 3 Years	
U.S. Government Securities	\$ 769,785	\$ -	\$ -	\$ 769,785
State Treasurer's Investment Pool	10,354,941	-	-	10,354,941
	<u>\$ 11,124,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,124,726</u>

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 Town's investment in U.S. Government Securities are backed by the full faith and credit of the federal government and the State Treasurer's Investment Pool 7 received a rating of AA+.

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.

**TOWN OF PAYSON, ARIZONA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Restricted Cash and Investments

Restricted assets at June 30, 2014 consisted of the following:

	Governmental Activities	Business-type Activities	Total
Central Arizona Project Trust	\$ 306,128	\$ -	\$ 306,128
Current Debt Service	-	496,395	496,395
Replacement and Extension	-	52,058	52,058
Customer Deposits	-	539,098	539,098
Court Deposits	78,871	-	78,871
Total	<u>\$ 384,999</u>	<u>\$ 1,087,551</u>	<u>\$ 1,472,550</u>

3. Receivables and Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	Unavailable
Property Tax Receivable	
General Fund	\$ 23,504
Special Assessments Receivable	
Debt Service Fund	624,771
Total	<u>\$ 648,275</u>

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 12,238,995	\$ -	\$ -	\$ 12,238,995
Construction in Progress	-	101,961	-	101,961
Total Capital Assets, Not Being Depreciated	<u>12,238,995</u>	<u>101,961</u>	<u>-</u>	<u>12,340,956</u>
Capital Assets, Being Depreciated:				
Infrastructure	100,747,390	906,180	-	101,653,570
Buildings	10,668,374	-	(203,432)	10,464,942
Improvements Other Than Buildings	7,280,394	207,497	-	7,487,891
Vehicles, Machinery and Equipment	9,752,801	315,432	(36,121)	10,032,112
Total Capital Assets, Being Depreciated	<u>128,448,959</u>	<u>1,429,109</u>	<u>(239,553)</u>	<u>129,638,515</u>
Accumulated Depreciation for:				
Infrastructure	(16,785,485)	(665,992)	-	(17,451,477)
Buildings	(3,584,532)	(297,742)	-	(3,882,274)
Improvements Other Than Buildings	(5,446,050)	(261,963)	-	(5,708,013)
Vehicles, Machinery and Equipment	(7,109,710)	(528,703)	36,121	(7,602,292)
Total Accumulated Depreciation	<u>(32,925,777)</u>	<u>(1,754,400)</u>	<u>36,121</u>	<u>(34,644,056)</u>
Total Capital Assets, Being Depreciated, Net	<u>95,523,182</u>	<u>(325,291)</u>	<u>(203,432)</u>	<u>94,994,459</u>
Governmental Activities Capital Assets, Net	<u>\$ 107,762,177</u>	<u>\$ (223,330)</u>	<u>\$ (203,432)</u>	<u>\$ 107,335,415</u>

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,577,957	\$ 12,187	\$ -	\$ 1,590,144
Pipeline Right of Way	3,563,487	-	-	3,563,487
Construction in Progress	10,132,051	3,015,043	-	13,147,094
Total Capital Assets, Not Being Depreciated	<u>15,273,495</u>	<u>3,027,230</u>	<u>-</u>	<u>18,300,725</u>
Capital Assets, Being Depreciated:				
Buildings	750,714	-	-	750,714
Improvements Other Than Buildings	24,445,814	306,661	(342,385)	24,410,090
Vehicles, Machinery and Equipment	1,664,180	142,363	-	1,806,543
Total Capital Assets, Being Depreciated	<u>26,860,708</u>	<u>449,024</u>	<u>(342,385)</u>	<u>26,967,347</u>
Accumulated Depreciation for:				
Buildings	(419,803)	(25,180)	-	(444,983)
Improvements Other Than Buildings	(15,758,283)	(963,677)	342,385	(16,379,575)
Vehicles, Machinery and Equipment	(1,448,790)	(67,307)	-	(1,516,097)
Total Accumulated Depreciation	<u>(17,626,876)</u>	<u>(1,056,164)</u>	<u>342,385</u>	<u>(18,340,655)</u>
Total Capital Assets, Being Depreciated, Net	<u>9,233,832</u>	<u>(607,140)</u>	<u>-</u>	<u>8,626,692</u>
Business-Type Activities Capital Assets, Net	<u>\$ 24,507,327</u>	<u>\$ 2,420,090</u>	<u>\$ -</u>	<u>\$ 26,927,417</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 66,714
Public Safety	588,463
Highways and Streets	626,276
Culture and Recreation	456,126
Community Development	16,821
Total Depreciation Expense	<u>\$ 1,754,400</u>
Business-Type Activities:	
Water	<u>\$ 1,056,164</u>

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers

For the year ended June 30, 2014 interfund receivables and payables consisted of the following:

Due To	Due From HURF Fund
General Fund	\$ 60,974

The above interfund receivables and payables were recorded to cover a cash deficit at year-end. Funds were received subsequent to June 30, 2014 for the HURF Fund to cover the deficit.

Interfund transfers for the year ended June 30, 2014 consisted of the following:

Transfer Out	Transfer In				Total
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Water Fund	
General Fund	\$ -	\$ 193,602	\$ 81,208	\$ 17,300	\$ 292,110
HURF Fund	-	-	36,798	-	36,798
Debt Service Fund	39,910	-	-	-	39,910
Total	\$ 39,910	\$ 193,602	\$ 118,006	\$ 17,300	\$ 368,818

The transfer from the General Fund to the Debt Service Fund was recorded to fund annual debt service requirements on outstanding excise tax revenue bonds and Town owned property within special assessment districts. The transfer from the General Fund to the Nonmajor Governmental Funds was to record the annual subsidy to the Library Fund and transfer funds for capital acquisitions. The transfer from the General Fund to the Water Fund was recorded to pay interest on prior borrowing between the funds. The transfer from the HURF Fund to the Nonmajor Governmental Funds was recorded for capital acquisitions. The transfer from the Debt Service Fund to the General Fund was recorded to transfer accumulated funds for obligations that were fully paid.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Obligations Under Leases

Capital Leases

The Town has entered into lease agreements as a lessee for financing the acquisition of maintenance and public safety vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the net present value of the future minimum lease payments as of the inception date. Revenues from the General and Highway Users Revenue Funds are used to pay the capital lease obligations. Accordingly, the principal amount of the assets are capitalized in the government-wide statement of net position.

The assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Vehicles, machinery and equipment	\$ 830,384
Less: accumulated depreciation	(657,595)
Total	\$ 172,789

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2014, were as follows:

	Governmental Activities
Year ending June 30,	
2015	\$ 192,577
2016	105,749
2017	52,873
Total minimum lease payments	351,199
Less: amount representing interest	(11,054)
Present value of minimum lease payments	\$ 340,145

D. Notes Payable

The Town has entered into a note payable for the purchase of real property (Little Note Payable) and a Water Infrastructure Finance Authority of Arizona (WIFA) loan for improvements to the water system. The Water Enterprise Fund de-obligated \$2,407,191 of the original Water Infrastructure Financing Authority (WIFA) loan of \$6,585,000, leaving a balance of \$4,177,809. Additionally, the Town entered into a \$6,250,000 loan agreement with WIFA. The loan 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 2.891% through fiscal year 2033.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Notes Payable (Continued)

Description	Interest Rate	Maturity	Outstanding Principal June 30, 2014	Amount Due Within One Year
Business-type Activities:				
Little Note Payable	3.357%	7/1/14-15	\$ 58,984	\$ 54,356
Water Infrastructure Authority	2.891%	7/1/14-33	8,084,284	406,885
			<u>\$ 8,143,268</u>	<u>\$ 461,241</u>

Annual debt service requirements to maturity on the note payable at June 30, 2014 are summarized as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2015	\$ 461,241	\$ 223,324
2016	446,463	209,873
2017	442,500	197,417
2018	455,051	184,624
2019	467,959	171,469
2020-2024	2,546,596	646,574
2025-2029	3,323,458	256,979
	<u>\$ 8,143,268</u>	<u>\$ 1,890,260</u>

E. Long-Term Obligations

The Town has long-term bonds and special assessments payable issued to provide funds for the acquisition and construction of major capital facilities. The bonds are both callable and noncallable with the interest payable semiannually. General obligation bonds are backed by the full faith and credit of the Town. The refunding bonds are funded by property taxes in the Debt Service Fund and the Series 2004 is funded by the .12% sales tax. Special assessments imposed on certain parcels of land within the assessment district are used to pay the East Loop Road Improvement District and Westerly Drive Improvement District bonds. The excise tax revenue obligation bonds will be repaid from excise tax revenues of the Town. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

The Town has pledged special sales taxes to repay \$2.0 million in governmental general obligation refunding bonds issued in 2004. Proceeds of the bonds provided financing for various public safety improvements. The bonds are payable solely from special sales taxes and were paid off in the current year. Annual principal and interest payments on the bonds required more than 100% of net revenues. Principal and interest paid for the current year and total special sales taxes were \$532,854 and \$349,248, respectively.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

The Town has pledged special sales taxes to repay \$1.5 million in governmental general obligation bonds issued in 2009. Proceeds of the bonds provided financing for the construction of a new fire station. The bonds are payable solely from special sales taxes and are payable through 2019. Annual principal and interest payments on the bonds are expected to require more than 100% of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,673,016. Principal and interest paid for the current year and total special sales taxes were \$54,094 and \$-0- respectively.

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 such 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% of net revenues. The total principal and interest remaining to be paid on the bonds is \$660,538. Principal and interest paid for the current year and total excise taxes were \$80,800 and 56,023, respectively.

The Town has pledged future excise taxes to repay \$0.9 million in governmental excise tax revenue obligations issued in 2003. Proceeds of the bonds provided financing for a new public works building. The bonds are payable from excise taxes and are payable through 2017. Annual principal and interest payments on the bonds are expected to require less than 2% of net revenues. The total principal and interest remaining to be paid on the bonds is \$513,619. Principal and interest paid for the current year and total excise taxes were \$128,119 and 8,664,533 respectively.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

The Town has pledged net revenues from the operation of the Water System to repay \$10.4 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 2032; however, as of June 30, 2014, the Town has only drawn down \$8.1 million of the loan. Annual principal and interest payments on the loans are expected to require less than 50% of net revenues. The total principal and interest remaining to be paid on the loan is \$9,974,544. Principal and interest paid for the current year and total net revenues from the operation of the Water System were \$605,582 and \$1,300,056, respectively.

The Town's long-term bonds, special assessments and certificates of participation are as follows:

Purpose	Interest Rates	Maturity Date	Original Amount	Outstanding Amount
Governmental Activities:				
General Obligation Bonds				
General obligation bonds, Series 2009	3.0-4.0	07/01/14-18	\$ 1,525,000	\$ 1,525,000
Special Assessment Bonds				
Westerly Drive Improvement District, Series 2005	5.5	01/01/15-22	875,000	535,000
Revenue Bonds				
Excise tax revenue obligations, Public Works, Series 2003A	3.75-4.625	10/01/14-17	860,000	470,000
Total governmental activities			<u>\$ 5,290,000</u>	<u>\$ 2,530,000</u>

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended June 30, 2014 are as follows:

	July 1, 2013	Increases	Decreases	June 30, 2014	Due Within One Year
Governmental Activities					
Bonds and Special Assessments					
General Obligation Bonds	\$ 1,995,000	\$ -	\$ (470,000)	\$ 1,525,000	\$ 280,000
Special Assessment Bonds	585,000	-	(50,000)	535,000	55,000
Revenue Bonds	575,000	-	(105,000)	470,000	110,000
	<u>3,155,000</u>	<u>-</u>	<u>(625,000)</u>	<u>2,530,000</u>	<u>445,000</u>
Deferred Amounts:					
Premium	49,952	-	(9,369)	40,583	7,500
Total Bonds and Special Assessments	<u>3,204,952</u>	<u>-</u>	<u>(634,369)</u>	<u>2,570,583</u>	<u>452,500</u>
Other Liabilities:					
Capital Leases	520,198	-	(180,053)	340,145	184,995
Compensated Absences	1,212,985	920,476	(945,879)	1,187,582	974,255
Other Postemployment Benefits	5,894,520	1,622,649	(425,680)	7,091,489	-
Total Other Liabilities	<u>7,627,703</u>	<u>2,543,125</u>	<u>(1,551,612)</u>	<u>8,619,216</u>	<u>1,159,250</u>
Governmental Activities Long-Term Liabilities	<u>\$ 10,832,655</u>	<u>\$ 2,543,125</u>	<u>\$ (2,185,981)</u>	<u>\$ 11,189,799</u>	<u>\$ 1,611,750</u>
	July 1, 2013	Increases	Decreases	June 30, 2014	Due Within One Year
Business-type Activities					
Notes Payable	\$ 6,282,229	\$ 2,309,638	\$ (448,599)	\$ 8,143,268	\$ 461,241
Compensated Absences	218,311	129,615	(127,181)	220,745	130,997
Other Postemployment Benefits	722,200	150,749	(39,547)	833,402	-
Business-Type Activities Long-Term Liabilities	<u>\$ 7,222,740</u>	<u>\$ 2,590,002</u>	<u>\$ (615,327)</u>	<u>\$ 9,197,415</u>	<u>\$ 592,238</u>

Debt service requirements on long-term debt at June 30, 2014 are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 445,000	\$ 97,869
2016	470,000	81,181
2017	485,000	62,719
2018	510,000	42,091
2019	395,000	22,725
2020 - 2024	225,000	25,300
	<u>\$ 2,530,000</u>	<u>\$ 331,885</u>

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Prior Period Adjustment

Beginning net position and capital assets were restated to correct an error in the previously issued financial statements. In the prior year, \$543,009 of expenses for maintenance and operation of the CC Craigen pipeline were capitalized in error.

The following is a summary to reconcile beginning net position in the business-type activities and Water Enterprise Fund to the prior year issued financial statements.

	Net Position as Previously Stated	Restatement to Properly Record Capital Assets	Net Position As Restated
Business- Type Activities/ Water Fund	\$ 25,988,910	\$ (543,009)	\$ 25,445,901

NOTE 4 OTHER INFORMATION

A. 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's insurance protection is provided by the Arizona Municipal Risk Retention Pool (AMRRP), of which the Town is a participating member. The AMRRP is a public entity risk pool currently operating as a common risk management and insurance program for 70 member cities and towns. The Town pays an annual premium to AMRRP for its general insurance coverage. The agreement provides that AMRRP will be self-sustaining through member premiums. The limit for basic coverage is for \$1,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$8,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years. The AMRRP 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.

The Town is also insured by Arizona Municipal Workers Compensation Fund for potential worker related accidents. Employees' medical needs are met through a Health and Medical Benefits program offered by the Town. There have been no claim settlements in excess of insurance coverage for the past three years.

B. Contingent Liabilities

Lawsuits - The Town is a defendant in various lawsuits. In the opinion of the Town's attorney, all significant claims have been dismissed, are still in discovery and no determination of liability can be made or are covered by insurance.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans

Arizona State Retirement System (ASRS)

Plan Descriptions - The Town contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System (ASRS). The ASRS (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by State statute. ASRS is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statutes, Title 38, Chapter 5, Article 2.

ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates. For the year ended June 30, 2014, active plan members were required by statute to contribute at the actuarially determined rate of 11.54 percent (10.70 percent for retirement, 0.60 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll. The Town was required to contribute an amount equal to the active plan members. The Town's contribution to the plan for the years ended June 30, 2014, 2013 and 2012, which was equal to 100 percent of the required contributions for each year, are presented as follows:

**Arizona State Retirement System Contributions
Last Three Fiscal Years**

<u>Year ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2014	\$ 389,051	\$ 21,816	\$ 8,726
2013	366,373	23,233	8,578
2012	366,174	23,792	8,922

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS)

Plan Description - The Town contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement and death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

Funding Policy - Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The Town is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 13.95% and 13.85% of annual covered payroll for Police and Fire, respectively.

Annual Pension Cost - During the year ended June 30, 2014, the Town of Payson, Arizona's annual pension cost of \$631,148 for police and \$348,309 for fire was equal to the Town of Payson, Arizona's required and actual contributions.

The required contribution was determined as part of the June 30, 2012 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 7.85% per year compounded annually, (b) projected salary increases of 4.5% to 8.5% (including inflation at 4.5%) per year compounded annually, and (c) additional projected salary increases of 4.5% to 8.5% per year attributable to seniority/merit.

Funded Status and Funding Progress - As of June 30, 2013 (most recent valuation available), the plan was 40.7 percent funded for police and 69.3 percent funded for fire. The actuarial accrued liability for benefits was \$13.0 million for police and \$8.1 million for fire, and the actuarial value of assets was \$5.3 million for police and \$5.6 million for fire, resulting in an unfunded actuarial accrued liability (UAAL) of \$7.7 million for police and \$2.5 million for fire. The covered payroll (annual payroll of active employees covered by the plan) was \$1.6 million for police and \$1.7 million for fire, and the ratio of the UAAL to the covered payroll was 487.3 percent for police and 144.4 percent for fire.

The actuarial accrued liability for other postemployment benefits was \$0.4 million for police and \$0.3 million for fire, and the actuarial value of assets was \$-0- for police and \$-0- for fire, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.4 million for police and \$0.3 million for fire. The covered payroll (annual payroll of active employees covered by the plan) was \$1.6 million for police and \$1.7 million for fire, and the ratio of the UAAL to the covered payroll was 26.0 percent for police and 18.5 percent for fire.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial value of the Town's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013, was 20 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

**Three-Year Trend Information
Police**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2012	\$ 481,295	100.0 %	\$ -
2013	576,180	100.0	-
2014	631,148	100.0	-

Fiscal Year Ended June 30,	Annual OPEB Cost	Percent Contributed	OPEB Benefit Obligation
2012	\$ 33,652	100.0 %	\$ -
2013	30,025	100.0	-
2014	28,205	100.0	-

**Three-Year Trend Information
Fire**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2012	\$ 249,612	100.0 %	\$ -
2013	307,124	100.0	-
2014	348,309	100.0	-

Fiscal Year Ended June 30,	Annual OPEB Cost	Percent Contributed	OPEB Benefit Obligation
2012	\$ 22,679	100.0 %	\$ -
2013	22,787	100.0	-
2014	23,210	100.0	-

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Additional historical trend information for the Town's PSPRS is disclosed on page 61.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

Postemployment Benefits Other Than Pension Benefits (OPEB)

The Town's liability for postemployment healthcare benefits other than pensions as of June 30, 2014 is based on the actuarial performed as of July 1, 2012.

Plan Description - The Town provides postretirement health care benefits in accordance with the Town of Payson Personnel Rules and Procedures manual. An employee eligible for the Retirement Medical Benefits Insurance Package from the Town of Payson, Arizona shall meet the requirements of "Rule of 70" with a minimum of ten years of service to be eligible for retirement. An employee must obtain 70 points by computing his/her age and the number of years of continued service to the Town. 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.

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.

Currently, the plan has 112 active participants and 47 current retirees, beneficiaries and dependents. The Town makes average monthly contributions of \$319 for employee only health care benefits plans and \$695 for employee and family health care benefit plans. The Town makes average monthly contributions of \$643 for retiree only postretirement health care benefits plan and \$1,584 for retiree and family postretirement health care benefits plans.

Funding Policy - During the year ended June 30, 2014, the Town contributed \$465,227 for all eligible retirees.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Postemployment Benefits Other Than Pension Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation - The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the Town's net OPEB obligation.

Annual Required Contribution	\$	1,862,258
Interest on Net OPEB Obligation		243,948
Adjustment to Annual Required Contribution		<u>(332,808)</u>
Annual OPEB Cost (Expense)		1,773,398
Contributions Made		<u>(465,227)</u>
Increase in Net OPEB Obligation		1,308,171
Net OPEB Obligation-Beginning of Year		<u>6,616,720</u>
Net OPEB Obligation-End of Year	\$	<u><u>7,924,891</u></u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2013 and 2012 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 1,932,691	44.9%	\$ 5,421,076
June 30, 2013	1,893,160	36.8%	6,616,720
June 30, 2014	1,773,398	26.2%	7,924,891

Funding Progress – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Postemployment Benefits Other Than Pension Benefits (OPEB) (Continued)

The actuarial accrued liability for other postemployment benefits was \$23.4 million and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$23.4 million.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 8.0%, reduced by decrements to an ultimate rate of 5% over six years. The initial self-pay trend rate was 8.0%, reduced to 5% over six years. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2013, was 30 years.

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

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**TOWN OF PAYSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS**

Payson Police

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2011	\$ 5,725,065	\$ 11,731,524	48.8%	\$ 6,006,459	\$ 1,723,654	348.5%
2012	5,597,463	12,877,323	43.5%	7,279,860	1,461,875	498.0%
2013	5,304,593	13,046,224	40.7%	7,741,631	1,588,546	487.3%

Other Postemployment Benefits (Health Insurance Subsidy)

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2011	\$ -	\$ 375,475	0.0%	\$ 375,475	\$ 1,723,654	21.8%
2012	-	373,890	0.0%	373,890	1,461,875	25.6%
2013	-	413,422	0.0%	413,422	1,588,546	26.0%

Payson Fire

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2011	\$ 4,871,780	\$ 7,095,775	68.7%	\$ 2,223,995	\$ 1,299,910	171.1%
2012	5,382,932	7,850,792	68.6%	2,467,860	1,482,525	166.5%
2013	5,600,975	8,076,587	69.3%	2,475,612	1,714,959	144.4%

Other Postemployment Benefits (Health Insurance Subsidy)

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2011	\$ -	\$ 285,709	0.0%	\$ 285,709	\$ 1,299,910	22.0%
2012	-	294,624	0.0%	294,624	1,482,525	19.9%
2013	-	318,034	0.0%	318,034	1,714,959	18.5%

Payson Other Postemployment Benefits

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2009	\$ -	\$ 19,327,774	0.0%	\$ 19,327,774	N/A	N/A
2010	-	23,953,850	0.0%	23,953,850	N/A	N/A
2012	-	23,427,368	0.0%	23,427,368	N/A	N/A

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**Combining and Individual Fund
Statements and Schedules**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Library Fund - accounts for the costs associated with the Town's library and is primarily funded by a special property tax assessed by the Gila County Library District specifically for libraries within the county. The tax is distributed by a population-based formula and must be used for library related expenditures.

Judicial Collection Enhancement (JCEF)/Municipal Court 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.

CAPITAL PROJECTS FUNDS

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

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**TOWN OF PAYSON, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>Special Revenue</u>		<u>Capital Projects</u>	Total Nonmajor Governmental Funds
	<u>Library</u>	<u>JCEF/FTG</u>	<u>Capital Projects</u>	
ASSETS				
Cash and Investments	\$ 8,285	\$ 87,028	\$ 318,837	\$ 414,150
Restricted Cash and Investments	-	-	306,128	306,128
Intergovernmental Receivable	-	-	14,312	14,312
Total Assets	<u>\$ 8,285</u>	<u>\$ 87,028</u>	<u>\$ 639,277</u>	<u>\$ 734,590</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 864	\$ -	\$ 6,044	\$ 6,908
Accrued Wages and Benefits	7,421	-	-	7,421
Total Liabilities	<u>8,285</u>	<u>-</u>	<u>6,044</u>	<u>14,329</u>
FUND BALANCES				
Restricted	-	87,028	306,128	393,156
Assigned	-	-	327,105	327,105
Total Fund Balances	<u>-</u>	<u>87,028</u>	<u>633,233</u>	<u>720,261</u>
Total Liabilities and Fund Balances	<u>\$ 8,285</u>	<u>\$ 87,028</u>	<u>\$ 639,277</u>	<u>\$ 734,590</u>

TOWN OF PAYSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

	<u>Special Revenue</u>		<u>Capital Projects</u>	Total Nonmajor Governmental Funds
	<u>Library</u>	<u>JCEF/FTG</u>	<u>Capital Projects</u>	
REVENUES				
Taxes				
Property Taxes	\$ 230,400	\$ -	\$ -	\$ 230,400
Intergovernmental	-	-	298,322	298,322
Fines and Forfeitures	15,341	-	-	15,341
Contributions and Donations	-	780	-	780
Development Impact Fees	-	-	70,800	70,800
Investment Earnings	-	-	4	4
Other	5,573	-	-	5,573
Total Revenues	<u>251,314</u>	<u>780</u>	<u>369,126</u>	<u>621,220</u>
EXPENDITURES				
Current				
Culture and Recreation	327,122	-	-	327,122
Capital Outlay	-	-	383,137	383,137
Total Expenditures	<u>327,122</u>	<u>-</u>	<u>383,137</u>	<u>710,259</u>
Excess (Deficiency) of Revenues Over Expenditures	(75,808)	780	(14,011)	(89,039)
OTHER FINANCING SOURCES (USES)				
Transfers In	75,808	-	42,198	118,006
Net Change in Fund Balances	-	780	28,187	28,967
FUND BALANCES				
Beginning of Year	-	86,248	605,046	691,294
End of Year	<u>\$ -</u>	<u>\$ 87,028</u>	<u>\$ 633,233</u>	<u>\$ 720,261</u>

**TOWN OF PAYSON, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes			
Sales Taxes	\$ 350,000	\$ 349,248	\$ (752)
Special Assessments	55,100	56,023	923
Total Revenues	<u>405,100</u>	<u>405,271</u>	<u>171</u>
EXPENDITURES			
Debt Service			
Principal Retirement	522,300	761,425	(239,125)
Interest on Long-Term Debt	133,800	128,705	5,095
Total Expenditures	<u>656,100</u>	<u>890,130</u>	<u>(234,030)</u>
Excess (Deficiency) of Revenues Over Expenditures	(251,000)	(484,859)	(233,859)
OTHER FINANCING SOURCES (USES)			
Transfers In	302,400	193,602	(108,798)
Transfers Out	(141,510)	(39,910)	101,600
Total Other Financing Sources (Uses)	<u>160,890</u>	<u>153,692</u>	<u>(7,198)</u>
Net Change in Fund Balance	(90,110)	(331,167)	(241,057)
FUND BALANCE			
Beginning of Year	590,059	572,960	(17,099)
End of Year	<u>\$ 499,949</u>	<u>\$ 241,793</u>	<u>\$ (258,156)</u>

**TOWN OF PAYSON, ARIZONA
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2014**

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Intergovernmental	\$ 230,400	\$ 230,400	\$ -
Fines and Forfeitures	15,500	15,341	(159)
Other	-	5,573	5,573
Total Revenues	<u>245,900</u>	<u>251,314</u>	<u>5,414</u>
EXPENDITURES			
Current			
Culture and Recreation	<u>334,400</u>	<u>327,122</u>	<u>7,278</u>
Excess (Deficiency) of Revenues Over Expenditures	(88,500)	(75,808)	12,692
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>88,500</u>	<u>75,808</u>	<u>(12,692)</u>
Net Change in Fund Balance	-	-	-
FUND BALANCE			
Beginning of Year	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF PAYSON, ARIZONA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2014**

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Intergovernmental	\$ 817,200	\$ 298,322	\$ (518,878)
Development Impact Fees	14,000	70,800	56,800
Investment Earnings	-	4	4
Total Revenues	<u>831,200</u>	<u>369,126</u>	<u>(462,074)</u>
EXPENDITURES			
Capital Outlay	<u>1,375,366</u>	<u>383,137</u>	<u>992,229</u>
Excess (Deficiency) of Revenues Over Expenditures	(544,166)	(14,011)	530,155
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>9,200</u>	<u>42,198</u>	<u>32,998</u>
Net Change in Fund Balance	(534,966)	28,187	563,153
FUND BALANCE			
Beginning of Year	778,822	605,046	(173,776)
End of Year	<u>\$ 243,856</u>	<u>\$ 633,233</u>	<u>\$ 389,377</u>

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AGENCY FUND

General Services Administration Agency Fund - accounts for the monies the Town receives in an agency capacity to purchase vehicles for other agencies

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**TOWN OF PAYSON, ARIZONA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FISCAL YEAR ENDED JUNE 30, 2014**

Agency Fund	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Assets				
Cash and Investments	\$ -	\$ 1,169,500	\$ (1,168,780)	\$ 720
Liabilities				
Due to Other Entities	\$ -	\$ 1,169,500	\$ (1,168,780)	\$ 720

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STATISTICAL SECTION

This section of the Town of Payson, Arizona's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the sales tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

See the table of contents for page numbers of the schedules that encompass the above sections.

**TOWN OF PAYSON, ARIZONA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Net Investment in Capital Assets	\$ 21,506,684	\$ 22,328,708	\$ 101,360,121	\$ 106,049,982
Restricted	4,207,316	4,734,371	5,448,557	4,310,080
Unrestricted	5,479,255	5,103,790	4,590,792	2,456,973
Total governmental activities net position	<u>\$ 31,193,255</u>	<u>\$ 32,166,869</u>	<u>\$ 111,399,470</u>	<u>\$ 112,817,035</u>
Business-type activities				
Net Investment in Capital Assets	\$ 11,933,965	\$ 13,142,519	\$ 12,283,170	\$ 14,363,974
Restricted	3,626,754	4,211,504	4,681,554	4,909,657
Unrestricted	3,174,456	3,821,585	4,707,319	5,282,327
Total business-type activities net position	<u>\$ 18,735,175</u>	<u>\$ 21,175,608</u>	<u>\$ 21,672,043</u>	<u>\$ 24,555,958</u>
Primary government				
Net Investment in Capital Assets	\$ 33,440,649	\$ 35,471,227	\$ 113,643,291	\$ 120,413,956
Restricted	7,834,070	8,945,875	10,130,111	9,219,737
Unrestricted	8,653,711	8,925,375	9,298,111	7,739,300
Total primary government net position	<u>\$ 49,928,430</u>	<u>\$ 53,342,477</u>	<u>\$ 133,071,513</u>	<u>\$ 137,372,993</u>

Source: The Town's Finance Department.

Fiscal Year

2009	2010	2011	2012	2013	2014
\$ 105,561,440	\$ 103,809,445	\$ 104,607,886	\$ 104,528,536	\$ 104,037,027	\$ 104,424,687
3,971,451	3,137,935	3,106,342	2,471,981	2,088,595	1,338,294
521,636	1,459,147	(2,639,291)	(4,492,672)	(6,121,753)	(6,262,822)
<u>\$ 110,054,527</u>	<u>\$ 108,406,527</u>	<u>\$ 105,074,937</u>	<u>\$ 102,507,845</u>	<u>\$ 100,003,869</u>	<u>\$ 99,500,159</u>
\$ 14,720,036	\$ 15,195,051	\$ 19,475,037	\$ 19,448,774	\$ 18,225,098	\$ 18,784,149
4,921,901	1,065,623	-	451,859	451,859	548,453
3,890,818	5,898,114	5,224,938	5,480,569	6,768,944	7,327,867
<u>\$ 23,532,755</u>	<u>\$ 22,158,788</u>	<u>\$ 24,699,975</u>	<u>\$ 25,381,202</u>	<u>\$ 25,445,901</u>	<u>\$ 26,660,469</u>
\$ 120,281,476	\$ 119,004,496	\$ 124,082,923	\$ 123,977,310	\$ 122,262,125	\$ 123,208,836
8,893,352	4,203,558	3,106,342	2,923,840	2,540,454	1,886,747
4,412,454	7,357,261	2,585,647	987,897	647,191	1,065,045
<u>\$ 133,587,282</u>	<u>\$ 130,565,315</u>	<u>\$ 129,774,912</u>	<u>\$ 127,889,047</u>	<u>\$ 125,449,770</u>	<u>\$ 126,160,628</u>

**TOWN OF PAYSON, ARIZONA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2005	2006	2007	2008
Expenses				
Governmental activities:				
General government	\$ 2,727,457	\$ 3,191,559	\$ 3,595,408	\$ 3,707,867
Public safety	6,239,687	7,375,276	7,818,997	7,939,971
Highways and streets	2,285,810	4,827,042	4,147,353	3,786,087
Culture and recreation	1,772,917	1,738,625	2,152,923	2,730,083
Public works	551,668	529,950	407,578	350,531
Community development	871,706	839,792	923,599	1,219,270
Health and welfare	242,892	256,498	252,136	259,083
Interest on long-term debt	239,528	315,645	317,800	303,148
Total governmental activities	<u>14,931,665</u>	<u>19,074,387</u>	<u>19,615,794</u>	<u>20,296,040</u>
Business-type activities				
Water	2,632,184	2,046,035	3,715,985	3,673,943
Total primary government expenses	<u>17,563,849</u>	<u>21,120,422</u>	<u>23,331,779</u>	<u>23,969,983</u>
Program Revenues				
Governmental activities:				
Fees, Fines, and Charges for Services				
General government	1,126,063	1,341,311	947,152	907,951
Public safety	404,194	386,291	581,150	658,707
Highways and streets	54,843	91,574	90,507	50,876
Culture and recreation	116,635	103,873	117,706	148,416
Public works	86,489	82,158	98,367	61,272
Community development	761,468	841,640	614,968	422,856
Health and welfare	10,920	11,104	11,277	10,149
Interest on long-term debt	-	-	880,303	-
Operating grants and contributions	2,689,186	3,941,550	2,862,482	2,137,228
Capital grants and contributions	453,218	338,142	404,433	1,786,891
Total governmental activities program revenues	<u>5,703,016</u>	<u>7,137,643</u>	<u>6,608,345</u>	<u>6,184,346</u>
Business-type activities				
Charges for services:				
Water	3,508,276	4,199,650	4,099,518	4,037,662
Operating grants and contributions	38,752	50,000	39,500	-
Capital grants and contributions	-	210,323	362,446	270,513
Total business-type activities program revenues	<u>3,547,028</u>	<u>4,459,973</u>	<u>4,501,464</u>	<u>4,308,175</u>
Total primary government program revenues	<u>9,250,044</u>	<u>11,597,616</u>	<u>11,109,809</u>	<u>10,492,521</u>
Net (expense)/revenue				
Governmental activities	(9,228,649)	(11,936,744)	(13,007,449)	(14,111,694)
Business-type activities	914,844	2,413,938	785,479	634,232
Total primary government net expense	<u>\$ (8,313,805)</u>	<u>\$ (9,522,806)</u>	<u>\$ (12,221,970)</u>	<u>\$ (13,477,462)</u>

Source: The Town's Finance Department.

Fiscal Year

	2009	2010	2011	2012	2013	2014
\$	4,323,958	\$ 3,133,909	\$ 3,984,961	\$ 3,574,186	\$ 4,075,873	\$ 3,453,652
	8,376,425	8,164,357	8,645,178	8,845,884	8,977,125	8,632,829
	2,856,499	3,070,365	2,765,928	2,632,098	2,479,031	2,725,747
	1,714,675	1,575,542	1,466,906	1,453,416	1,252,833	1,229,920
	445,095	284,563	324,660	212,155	195,693	115,453
	1,051,931	1,119,712	1,228,298	880,320	982,040	853,007
	289,710	273,394	259,854	267,331	264,900	223,846
	275,659	267,661	249,925	224,074	147,677	123,197
	<u>19,333,952</u>	<u>17,889,503</u>	<u>18,925,710</u>	<u>18,089,464</u>	<u>18,375,172</u>	<u>17,357,651</u>
	<u>4,797,060</u>	<u>4,164,224</u>	<u>4,229,154</u>	<u>4,373,128</u>	<u>4,531,525</u>	<u>4,487,156</u>
	<u>24,131,012</u>	<u>22,053,727</u>	<u>23,154,864</u>	<u>22,462,592</u>	<u>22,906,697</u>	<u>21,844,807</u>
	657,076	656,861	669,803	741,260	1,046,540	1,041,851
	723,194	626,728	404,286	361,472	318,429	310,052
	28,185	4,482	-	4,831	-	50,646
	131,966	216,752	138,524	164,088	63,198	60,943
	56,617	87,476	103,004	81,098	107,266	168,781
	268,662	117,147	124,893	150,149	158,449	227,567
	15,139	18,509	19,152	18,276	18,192	15,259
	-	-	-	-	-	-
	2,079,200	1,840,478	2,237,241	2,661,413	2,946,035	1,973,302
	248,512	448,191	862,801	675,204	296,246	1,432,182
	<u>4,208,551</u>	<u>4,016,624</u>	<u>4,559,704</u>	<u>4,857,791</u>	<u>4,954,355</u>	<u>5,280,583</u>
	3,666,635	3,678,173	3,961,028	4,268,103	4,569,601	4,905,372
	-	-	-	75,000	-	554,516
	-	117,124	3,100,474	826,370	-	216,465
	<u>3,666,635</u>	<u>3,795,297</u>	<u>7,061,502</u>	<u>5,169,473</u>	<u>4,569,601</u>	<u>5,676,353</u>
	<u>7,875,186</u>	<u>7,811,921</u>	<u>11,621,206</u>	<u>10,027,264</u>	<u>9,523,956</u>	<u>10,956,936</u>
	(15,125,401)	(13,872,879)	(14,366,006)	(13,231,673)	(13,420,817)	(12,077,068)
	(1,130,425)	(368,927)	2,832,348	796,345	38,076	1,189,197
\$	<u>(16,255,826)</u>	<u>(14,241,806)</u>	<u>(11,533,658)</u>	<u>(12,435,328)</u>	<u>(13,382,741)</u>	<u>(10,887,871)</u>

**TOWN OF PAYSON, ARIZONA
 CHANGES IN NET POSITION (CONTINUED)
 LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)**

	Fiscal Year			
	2005	2006	2007	2008
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Sales taxes	\$ 5,936,919	\$ 7,314,067	\$ 7,503,852	\$ 7,396,678
Property taxes	727,678	784,437	834,521	907,545
Franchise taxes	336,881	336,399	348,166	349,043
Intergovernmental	2,513,814	3,851,170	4,194,575	4,602,546
Payments in lieu of taxes	964,324	-	-	-
Investment earnings	136,117	361,815	403,108	287,474
Transfers	254,790	262,470	312,470	437,734
Total governmental activities	<u>10,870,523</u>	<u>12,910,358</u>	<u>13,596,692</u>	<u>13,981,020</u>
Business-type activities:				
Investment earnings	117,928	288,965	447,258	253,312
Transfers	(254,790)	(262,470)	(312,470)	(437,734)
Total business-type activities	<u>(136,862)</u>	<u>26,495</u>	<u>134,788</u>	<u>(184,422)</u>
Total primary government	<u>10,733,661</u>	<u>12,936,853</u>	<u>13,731,480</u>	<u>13,796,598</u>
Change in Net Position				
Governmental activities	1,641,874	973,614	589,243	(130,674)
Business-type activities	777,982	2,440,433	920,267	449,810
Total primary government	<u>\$ 2,419,856</u>	<u>\$ 3,414,047</u>	<u>\$ 1,509,510</u>	<u>\$ 319,136</u>

Fiscal Year

2009	2010	2011	2012	2013	2014
\$ 6,624,711	\$ 5,919,923	\$ 5,915,905	\$ 6,047,629	\$ 6,047,114	\$ 6,435,777
856,237	1,002,536	1,010,692	960,360	882,079	901,723
339,802	349,061	344,833	351,227	356,550	357,950
4,473,463	3,988,244	3,533,894	3,320,055	3,648,010	3,894,550
-	-	-	-	-	-
68,680	(39,885)	76,978	2,610	388	658
-	1,005,000	152,114	(17,300)	(17,300)	(17,300)
<u>12,362,893</u>	<u>12,224,879</u>	<u>11,034,416</u>	<u>10,664,581</u>	<u>10,916,841</u>	<u>11,573,358</u>
107,222	(40)	(14,082)	1,475	9,324	8,071
-	(1,005,000)	(152,114)	17,300	17,300	17,300
<u>107,222</u>	<u>(1,005,040)</u>	<u>(166,196)</u>	<u>18,775</u>	<u>26,624</u>	<u>25,371</u>
<u>12,470,115</u>	<u>11,219,839</u>	<u>10,868,220</u>	<u>10,683,356</u>	<u>10,943,465</u>	<u>11,598,729</u>
(2,762,508)	(1,648,000)	(3,331,590)	(2,567,092)	(2,503,976)	(503,710)
(1,023,203)	(1,373,967)	2,666,152	815,120	64,700	1,214,568
<u>\$ (3,785,711)</u>	<u>\$ (3,021,967)</u>	<u>\$ (665,438)</u>	<u>\$ (1,751,972)</u>	<u>\$ (2,439,276)</u>	<u>\$ 710,858</u>

**TOWN OF PAYSON, ARIZONA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year				
	2005	2006	2007	2008	2009
General Fund					
Reserved	\$ 2,000	\$ -	\$ 14,662	\$ -	\$ 14,729
Unreserved	2,649,209	3,428,794	2,934,445	1,052,084	785,962
Nonspendable					
Restricted					
Assigned					
Unassigned					
Total General Fund	<u>\$ 2,651,209</u>	<u>\$ 3,428,794</u>	<u>\$ 2,949,107</u>	<u>\$ 1,052,084</u>	<u>\$ 800,691</u>
All other governmental funds					
Reserved	\$ -	\$ 6,226	\$ 250	\$ 250	\$ 250
Unreserved, reported in:					
Special revenue funds	1,862,531	2,080,199	2,191,308	1,183,909	1,096,303
Debt service funds	1,123,656	877,863	1,164,787	1,553,209	1,416,112
Capital projects funds	3,811,793	2,968,412	2,206,560	1,557,772	1,324,306
Restricted					
Assigned					
Total all other governmental funds	<u>\$ 6,797,980</u>	<u>\$ 5,932,700</u>	<u>\$ 5,562,905</u>	<u>\$ 4,295,140</u>	<u>\$ 3,836,971</u>

Source: The Town's Finance Department.

Note: The Town implemented the provisions of GASB Statement No. 54 during the fiscal year 2011.

Fiscal Year

2010	2011	2012	2013	2014
\$ 14,645				
826,978				
	\$ 7,629	\$ 7,629	\$ 7,692	\$ 7,692
	258,357	390,725	317,820	-
	341,960	176,048	158,688	318,435
	924,513	326,348	480,761	1,306,224
<u>\$ 841,623</u>	<u>\$ 1,532,459</u>	<u>\$ 900,750</u>	<u>\$ 964,961</u>	<u>\$ 1,632,351</u>

\$ 3,869				
913,850				
1,198,421				
2,459,190				
	\$ 2,029,780	\$ 1,387,149	\$ 1,111,336	\$ 713,523
	619,937	474,275	296,588	327,105
<u>\$ 4,575,330</u>	<u>\$ 2,649,717</u>	<u>\$ 1,861,424</u>	<u>\$ 1,407,924</u>	<u>\$ 1,040,628</u>

TOWN OF PAYSON, ARIZONA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year				
	2005	2006	2007	2008	2009
Revenues					
Taxes	\$ 7,001,478	\$ 8,434,903	\$ 8,686,539	\$ 8,653,266	\$ 7,820,750
Intergovernmental	6,500,510	8,000,326	7,332,472	7,362,721	6,595,255
Fines and forfeitures	285,048	288,141	265,598	255,155	235,284
Licenses and permits	575,256	634,614	464,571	331,783	252,931
Charges for services	931,057	960,699	1,103,001	1,113,467	1,033,870
Other	1,849,683	1,647,363	1,264,172	1,113,304	660,187
Total revenues	<u>17,143,032</u>	<u>19,966,046</u>	<u>19,116,353</u>	<u>18,829,696</u>	<u>16,598,277</u>
Expenditures					
General government and community development	3,428,453	3,967,139	4,133,694	5,018,872	4,246,206
Public safety	5,702,869	7,417,846	7,612,207	7,731,920	7,242,658
Public works & highways and streets	2,423,241	4,526,180	3,705,640	4,627,564	2,585,497
Health and welfare & culture and recreation	1,695,512	1,837,732	2,093,694	2,464,067	1,368,395
Capital outlay	1,936,984	2,746,022	1,063,615	1,997,629	593,607
Debt service					
Principal retirement	585,803	844,385	1,249,354	897,754	988,117
Interest on long-term debt	239,528	315,645	420,101	277,630	250,141
Other debt service	53,514	365,390	-	-	-
Total expenditures	<u>16,065,904</u>	<u>22,020,339</u>	<u>20,278,305</u>	<u>23,015,436</u>	<u>17,274,621</u>
Excess of revenues over (under) expenditures	1,077,128	(2,054,293)	(1,161,952)	(4,185,740)	(676,344)
Other financing sources (uses)					
Transfers in	2,113,691	2,769,621	3,797,776	2,955,804	577,983
Transfers out	(1,858,901)	(2,507,151)	(3,485,306)	(2,518,070)	(577,983)
Issuance of refunding debt	-	1,085,000	-	-	-
Issuance of long-term debt	2,048,723	1,420,000	-	-	-
Bond premium	-	41,531	-	-	-
Payment to refunded debt escrow agent	-	(1,020,403)	-	-	-
Proceeds from capital lease	226,200	178,000	-	550,000	-
Total other financing sources (uses)	<u>2,529,713</u>	<u>1,966,598</u>	<u>312,470</u>	<u>987,734</u>	<u>-</u>
Net change in fund balance	<u>\$ 3,606,841</u>	<u>\$ (87,695)</u>	<u>\$ (849,482)</u>	<u>\$ (3,198,006)</u>	<u>\$ (676,344)</u>
Debt service as a percentage of noncapital expenditures	6.22%	7.91%	8.69%	6.30%	8.02%

Source: The Town's Finance Department.

Note: Debt service principal and interest was not available prior to the fiscal year ended June 30, 2004 to present as separate line items.

Fiscal Year				
2010	2011	2012	2013	2014
\$ 7,271,520	\$ 7,236,777	\$ 7,330,207	\$ 7,249,900	\$ 7,663,172
6,193,464	6,153,959	6,403,423	6,851,042	6,260,877
221,523	177,314	159,629	165,210	179,603
209,031	215,695	240,600	247,821	314,391
937,636	684,754	859,788	704,572	812,560
514,413	1,076,976	492,365	692,038	730,939
<u>15,347,587</u>	<u>15,545,475</u>	<u>15,486,012</u>	<u>15,910,583</u>	<u>15,961,542</u>
4,127,767	3,568,102	4,261,562	4,118,149	4,158,235
7,125,424	7,178,572	7,763,007	7,973,221	7,084,652
2,599,518	2,173,759	2,074,324	1,865,303	2,109,648
1,231,155	1,051,603	1,114,932	1,018,437	970,857
915,780	1,996,313	1,052,702	261,410	383,137
847,866	959,229	1,036,559	889,002	805,053
241,063	223,327	197,473	157,050	132,566
55,233	-	-	-	-
<u>17,143,806</u>	<u>17,150,905</u>	<u>17,500,559</u>	<u>16,282,572</u>	<u>15,644,148</u>
(1,796,219)	(1,605,430)	(2,014,547)	(371,989)	317,394
2,035,274	542,820	450,893	562,228	351,518
(1,030,274)	(390,706)	(468,193)	(579,528)	(368,818)
-	-	-	-	-
1,525,000	-	-	-	-
45,510	-	-	-	-
-	-	-	-	-
-	218,539	611,845	-	-
<u>2,575,510</u>	<u>370,653</u>	<u>594,545</u>	<u>(17,300)</u>	<u>(17,300)</u>
<u>\$ 779,291</u>	<u>\$ (1,234,777)</u>	<u>\$ (1,420,002)</u>	<u>\$ (389,289)</u>	<u>\$ 300,094</u>
7.15%	7.15%	7.58%	6.30%	6.64%

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**TOWN OF PAYSON, ARIZONA
GENERAL GOVERNMENT TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Sales Taxes</u>	<u>Property Taxes</u>	<u>Franchise Taxes</u>	<u>Bed Tax</u>	<u>Library District</u>	<u>Total</u>
2005	\$ 5,602,478	\$ 727,678	\$ 336,881	\$ 176,591	\$ 157,850	\$ 7,001,478
2006	7,102,970	593,694	336,399	211,097	190,743	8,434,903
2007	7,298,346	634,241	348,166	205,506	200,280	8,686,539
2008	7,214,023	695,245	349,043	182,655	212,300	8,653,266
2009	6,464,884	629,861	339,802	159,827	226,376	7,820,750
2010	5,784,193	773,306	349,060	135,730	229,230	7,271,519
2011	5,696,337	746,809	344,834	219,568	229,230	7,236,778
2012	5,827,059	702,121	351,227	220,570	229,230	7,330,207
2013	5,787,208	616,931	356,550	259,906	229,305	7,249,900
2014	6,170,051	639,045	357,950	265,726	230,400	7,663,172

Source: The Town's Finance Department.

**TOWN OF PAYSON, ARIZONA
TAXABLE SALES BY CATEGORY
LAST TEN FISCAL YEARS
(UNAUDITED)**

Sales Category	Fiscal Year				
	2005	2006	2007	2008	2009
Retail trade	\$ 2,946,388	\$ 3,655,505	\$ 3,809,689	\$ 3,644,827	\$ 3,411,550
Construction	1,008,971	1,207,041	1,171,982	953,990	897,002
Restaurants and bars	547,906	615,870	638,635	614,752	586,231
Communications and utilities	510,765	576,592	626,516	812,819	750,808
Transportation & warehousing	11,028	14,743	25,914	10,272	8,363
Services	137,325	142,882	127,827	111,830	110,342
Manufacturing	138,382	180,369	198,832	188,595	141,061
Real estate, rental & leasing	280,826	320,133	305,467	403,451	356,298
Finance and insurance	12,269	9,983	8,299	8,612	7,837
Accommodations	287,731	333,627	342,659	313,025	269,210
Wholesale trade	51,102	87,044	63,060	89,777	82,084
Arts & entertainment	40,820	46,401	67,811	81,039	55,972
Other	136,390	145,489	117,161	69,305	42,293
Total	\$ 6,109,903	\$ 7,335,679	\$ 7,503,852	\$ 7,302,294	\$ 6,719,051
Town sales tax rate	8.72%	8.72%	8.72%	8.72%	8.72%

Source: Arizona Department of Revenue.

Fiscal Year

2010	2011	2012	2013	2014
\$ 3,188,660	\$ 3,190,013	\$ 3,299,193	\$ 3,323,438	\$ 3,620,256
379,158	372,588	411,290	335,958	372,355
554,640	529,279	551,843	567,341	592,086
812,622	787,188	894,790	805,044	791,127
8,783	9,090	9,682	8,740	-
126,490	134,700	108,859	120,009	144,166
121,831	132,780	70,963	122,048	120,359
322,460	294,262	266,915	288,228	303,055
5,307	5,547	6,288	6,221	7,314
222,243	300,769	309,848	333,205	348,656
69,460	75,675	61,747	45,678	48,541
53,083	54,470	50,796	52,012	50,295
55,186	29,544	5,415	39,192	37,567
<u>\$ 5,919,923</u>	<u>\$ 5,915,905</u>	<u>\$ 6,047,629</u>	<u>\$ 6,047,114</u>	<u>\$ 6,435,777</u>
8.72%	9.72%	9.72%	8.72%	8.72%

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

Fiscal Year	Town Direct Rate	Gila County	Arizona State	Total Tax Rate
2005	2.12 %	1.00 %	5.60 %	8.72 %
2006	2.12	1.00	5.60	8.72
2007	2.12	1.00	5.60	8.72
2008	2.12	1.00	5.60	8.72
2009	2.12	1.00	5.60	8.72
2010	2.12	1.00	5.60	8.72
2011	2.12	1.00	6.60	9.72
2012	2.12	1.00	6.60	9.72
2013	2.12	1.00	5.60	8.72
2014	2.12	1.00	5.60	8.72

Source: Arizona Dept. of Revenue

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

Fiscal Year	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2005	\$ 185,691,636	0.3481	\$ 1,251,385,801	14.839 %
2006	173,526,259	0.3444	1,383,662,572	12.541
2007	185,691,636	0.3502	1,500,887,154	12.372
2008	211,163,665	0.3447	1,745,155,468	12.100
2009	250,890,669	0.2813	2,071,174,745	12.113
2010	262,113,724	0.3201	2,875,030,889	9.117
2011	245,707,080	0.3150	1,778,795,861	11.355
2012	203,431,006	0.3394	1,789,969,238	11.365
2013	178,737,829	0.3502	1,575,224,664	11.347
2014	165,958,361	0.3828	1,473,839,350	11.260

Source: The Gila County Assessor's Office.

TOWN OF PAYSON, ARIZONA
NET SECONDARY ASSESSED VALUATION BY PROPERTY CLASSIFICATION
JUNE 30, 2014
(UNAUDITED)

Description	Total Assessed Value	Exempt Amount	Net Secondary Assessed Valuation	As a % of the Town's Total Net Secondary Assessed Valuation
Mining, Utilities, Telecommunications, Commercial and Industry	\$ 42,738,655	\$ (1,356,610)	\$ 41,382,045	24.94%
Vacant Land and Agriculture Real Property	23,123,714	(8,432,403)	14,691,311	8.85%
Agricultural and Personal Property	421,131	(395,559)	25,572	0.02%
Owner Occupied Residential Property	63,900,091	(707,309)	63,192,782	38.08%
Leased or Rented Residential Property	46,821,836	(158,255)	46,663,581	28.12%
Improvements on Government Property	3,070	-	3,070	0.00%
	<u>\$ 177,008,497</u>	<u>\$ (11,050,136)</u>	<u>\$ 165,958,361</u>	<u>100.00%</u>

Source: The Gila County Assessor's Office.

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

Fiscal Year	Town			Overlapping Rates					
	Town of Payson Primary	Town of Payson Secondary	Total Town Rate	N. Gila Co. Sanitary District	Library District Secondary	Fire District Assistance Secondary	School Equalization Primary	Gila County Primary	Rate Total
2005	0.2867	0.0614	0.3481	0.7000	0.2000	0.1000	0.4560	4.4100	6.2141
2006	0.2752	0.0692	0.3444	0.7000	0.2000	0.1000	0.4358	4.4100	6.1902
2007	0.2640	0.0862	0.3502	0.7000	0.2000	0.1000	N/A	4.3488	5.6990
2008	0.2476	0.0971	0.3447	0.7000	0.2000	0.1000	N/A	4.1100	5.4547
2009	0.2215	0.0598	0.2813	0.7000	0.2000	0.1000	N/A	3.9200	5.2013
2010	0.2215	0.0986	0.3201	0.7000	0.2000	0.1000	0.3306	3.7500	5.4007
2011	0.2560	0.0590	0.3150	0.6000	0.2000	0.1000	0.3564	4.1900	5.7614
2012	0.3065	0.0329	0.3394	0.6000	0.2000	0.1000	0.4259	4.1900	5.8553
2013	0.3502	-	0.3502	0.6000	0.2000	0.1000	0.4717	4.1900	5.9119
2014	0.3828	-	0.3828	0.6000	0.2000	0.1000	0.5123	4.1900	5.9851

Source: The Gila County Treasurer's Office.

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**TOWN OF PAYSON, ARIZONA
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2014 AND NINE YEARS PRIOR
(UNAUDITED)**

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service	\$ 5,220,398	1	3.15%	\$ 5,037,866	1	3.50%
Retail Trust III--Wal-Mart	1,790,360	2	1.08%	1,840,335	6	1.28%
Payson Regional Hospital	1,605,982	3	0.97%	1,748,978	7	1.22%
Alliant Gas LLC	1,555,921	4	0.94%	-	-	0.00%
Home Depot USA Inc	964,382	5	0.58%	-	-	0.00%
Payson Village Center I LLC	938,466	6	0.57%	-	-	0.00%
Black Buffalo Golf LLC	916,936	7	0.55%	-	-	0.00%
CSL Payson LLC (Care Facility)	857,820	8	0.52%	-	-	0.00%
Sawmill Crossing LLC	770,171	9	0.46%	-	-	0.00%
Buffalo Golf LLC	650,954	10	0.39%	-	-	0.00%
First American Title, Trustee	-	-	-	4,248,362	2	2.95%
Qwest Corporation/ CenturyLink	-	-	-	2,353,108	3	1.63%
PLP Payson LLC	-	-	-	2,108,553	4	1.46%
Rim Gold Investors LLC	-	-	-	1,914,121	5	1.33%
First American Title, Trustee	-	-	-	1,318,584	8	0.92%
Rim Country Mall LLC	-	-	-	1,139,342	9	0.79%
Cabletelevision of Payson	-	-	-	857,386	10	0.60%
	<u>\$ 15,271,390</u>		9.20%	<u>\$ 22,566,635</u>		15.68%

Source: The Gila County Treasurer's Office.

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

Fiscal	(1) Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2005	\$ 522,310	\$ 522,310	100.00 %	\$ -	\$ 522,310	100.00 %
2006	588,279	585,930	99.60	2,349	588,279	100.00
2007	641,740	639,190	99.60	-	639,190	99.60
2008	703,207	690,260	98.16	4,985	695,245	98.87
2009	647,200	621,858	96.08	8,003	629,861	97.32
2010	790,354	760,451	96.22	29,495	789,946	99.95
2011	751,315	728,383	96.95	22,932	751,315	100.00
2012	680,975	674,978	99.12	5,997	680,975	100.00
2013	623,716	598,897	96.02	18,034	616,931	98.91
2014	633,680	628,885	99.24	-	628,885	99.24

Source: The Gila County Treasurer's Office.

(1) The amount levied and collected is net of resolutions.

Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
\$ -	- %
-	-
2,550	0.40
7,962	1.13
17,339	2.68
408	0.05
-	-
-	-
6,785	1.09
4,795	0.76

**TOWN OF PAYSON, ARIZONA
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Governmental Activities						
Fiscal Year	General Obligation Bonds	Certificates of Participation	Excise Tax Revenue Bonds	Special Assessment Bonds	Term Loans	Capital Leases
2005	\$ 3,371,000	\$ -	\$ 1,235,000	\$ 1,305,000	\$ 787,385	\$ 286,695
2006	3,015,000	515,000	1,165,000	2,025,000	596,334	321,361
2007	2,825,000	445,000	1,095,000	1,830,000	-	193,341
2008	2,465,000	375,000	1,070,000	1,615,000	-	565,587
2009	2,055,000	295,000	940,000	1,390,000	-	372,470
2010	3,205,000	215,000	860,000	1,155,000	-	294,604
2011	2,820,000	135,000	770,000	900,000	-	363,914
2012	2,415,000	45,000	675,000	635,000	-	794,200
2013	2,044,952	-	575,000	585,000	-	520,198
2014	1,565,583	-	470,000	535,000	-	340,145

Source: The Town of Payson.

Business-type
Activities

Water Revenue Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 750,000	\$ -	\$ 7,735,080	1.27 %	504
640,000	-	8,277,695	1.34	538
525,000	-	6,913,341	1.03	415
405,000	343,239	6,838,826	0.96	402
140,000	300,464	6,352,934	0.90	319
115,000	1,062,675	6,907,279	0.98	404
-	768,548	5,757,462	1.02	380
-	2,827,053	7,391,253	1.14	487
-	6,282,229	10,007,379	1.14	658
-	8,143,268	11,053,996	1.50	725

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

Fiscal Year	General Obligation Bonds	Taxable Assessed Value of Property	Percentage of Estimated Actual Value of Property	Population	Net General Obligation Bonded Debt Per Capita
2005	\$ 3,371,000	\$ 1,383,662,572	0.24	15,375	219
2006	3,015,000	1,500,887,154	0.20	15,430	195
2007	2,825,000	1,745,155,468	0.16	16,742	169
2008	2,465,000	1,745,155,468	0.14	16,742	147
2009	2,055,000	2,071,174,745	0.10	17,281	97
2010	3,205,000	2,875,030,889	0.11	17,281	185
2011	2,820,000	1,778,795,861	0.16	15,301	184
2012	2,415,000	1,565,594,980	0.15	15,301	158
2013	1,995,000	1,575,224,664	0.13	15,215	131
2014	1,565,583	1,473,839,350	0.12	15,245	116

Source: The Town of Payson and the Gila County Treasurer's Office.

TOWN OF PAYSON, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2014
(UNAUDITED)

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
State of Arizona	Not Available	0.35%	\$ -
Gila County	\$ 6,895,000	37.70%	2,599,415
Gila Community College	None	37.70%	-
Northern Gila County Sanitary District	435,000	100.00%	489,000
Payson Unified School District No. 10	33,215,000	70.01%	23,253,822
Total Overlapping Debt:			<u>26,342,237</u>
 Town of Payson	 2,910,728	 100.00%	 <u>2,910,728</u>
Total direct and overlapping debt			<u><u>\$ 29,252,965</u></u>

Source: Gila County Treasurer's Office.

(1) Proportion applicable to the Town of Payson, Arizona, is computed on the ratio of secondary assessed valuation for 2012-13.

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

6% Debt Limit

	Fiscal Year				
	2005	2006	2007	2008	2009
Debt limit	\$ 9,380,449	\$ 10,413,736	\$ 12,669,820	\$ 12,669,820	\$ 14,408,387
Total applicable to limit	2,030,000	1,930,000	1,740,000	1,545,000	1,305,000
Legal debt margin	<u>\$ 7,350,449</u>	<u>\$ 8,483,736</u>	<u>\$ 10,929,820</u>	<u>\$ 11,124,820</u>	<u>\$ 13,103,387</u>
Total net debt applicable to the limit as a percentage of the debt limit	N/A	18.53%	13.73%	12.19%	9.06%

20% Debt Limit

	Fiscal Year				
	2005	2006	2007	2008	2009
Debt limit	\$ 31,268,162	\$ 34,712,452	\$ 42,232,733	\$ 42,232,733	\$ 48,027,956
Total applicable to limit	1,341,000	1,085,000	1,085,000	920,000	750,000
Legal debt margin	<u>\$ 29,927,162</u>	<u>\$ 33,627,452</u>	<u>\$ 41,147,733</u>	<u>\$ 41,312,733</u>	<u>\$ 47,277,956</u>
Total net debt applicable to the limit as a percentage of the debt limit	4.29%	3.13%	2.57%	2.18%	1.56%

Source: The Gila County Treasurer's Office.

Fiscal Year

2010	2011	2012	2013	2014
\$ 14,210,510	\$ 12,119,281	\$ 10,686,150	\$ 10,686,150	\$ 9,957,502
3,205,000	2,430,000	2,215,000	2,215,000	1,525,000
<u>\$ 11,005,510</u>	<u>\$ 9,689,281</u>	<u>\$ 8,471,150</u>	<u>\$ 8,471,150</u>	<u>\$ 8,432,502</u>
22.55%	20.05%	20.73%	20.73%	15.32%

Fiscal Year

2010	2011	2012	2013	2014
\$ 47,368,366	\$ 40,397,603	\$ 35,620,500	\$ 35,747,566	\$ 33,191,672
575,000	390,000	200,000	-	-
<u>\$ 46,793,366</u>	<u>\$ 40,007,603</u>	<u>\$ 35,420,500</u>	<u>\$ 35,747,566</u>	<u>\$ 33,191,672</u>
1.21%	0.97%	0.56%	0.00%	0.00%

**TOWN OF PAYSON, ARIZONA
 CALCULATION OF LEGAL DEBT MARGIN
 JUNE 30, 2014
 (UNAUDITED)**

Net secondary assessed valuation	\$ 165,958,361
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<u>Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds</u>	
Debt limit - 20% of secondary net assessed valuation	\$ 33,191,672
Net debt applicable to limit	<u>-</u>
20% legal debt margin	<u>33,191,672</u>
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<u>All other general obligation bonds</u>	
Debt limit - 6% of secondary net assessed valuation	9,957,502
Net debt applicable to limit	<u>1,525,000</u>
6% legal debt margin	<u>8,432,502</u>
Total legal debt margin	<u>\$ 41,624,174</u>

Source: Gila County Assessor's Office.

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

Fiscal Year	Water Revenue Bonds and Notes Payable						Special Assessment Bonds			
	Utility Service Charges (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
2005	\$ 3,664,956	\$ 1,796,271	\$ 1,868,685	\$ 105,000	\$ 38,269	13.04	\$ 260,854	\$ 145,000	\$ 85,550	1.13
2006	4,101,235	1,055,410	3,045,825	225,000	16,000	12.64	209,279	155,000	76,995	0.90
2007	4,116,226	2,599,177	1,517,049	120,000	39,657	9.50	160,928	195,000	124,530	0.50
2008	4,099,088	2,681,646	1,417,442	130,000	17,000	9.64	160,985	215,000	98,328	0.51
2009	3,725,307	3,557,361	167,946	135,000	10,375	1.16	121,577	225,000	85,508	0.39
2010	3,678,133	3,121,955	556,178	184,518	6,376	2.91	154,543	235,000	78,591	0.49
2011	3,946,946	3,195,508	751,438	184,518	11,709	3.83	154,239	255,000	57,813	0.49
2012	4,206,296	3,300,658	905,638	303,177	(8,071)	3.07	146,616	265,000	49,143	0.47
2013	4,488,194	-	1,284,961	312,513	135,576	2.87	57,930	50,000	33,550	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

Source: The Town of Payson.

(1): Utility service charges include 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
 (UNAUDITED)**

Fiscal Year	Population	Personal Income	Median Personal Income	Median Age	School Enrollment	Town of Payson Unemployment Rate
2005	15,375	\$ 607,312,500	\$ 39,500	48.9	2,613	3.2
2006	15,430	616,783,390	39,973	48.9	2,806	3.2
2007	16,742	669,227,966	39,973	49.1	2,812	4.1
2008	16,965	678,141,945	39,973	50.5	2,712	4.6
2009	17,281	708,400,033	40,993	49.3	2,657	7.3
2010	17,281	708,400,033	40,993	49.3	2,352	7.9
2011	15,301	562,525,964	36,764	54.2	2,420	7.7
2012	15,301	647,874,942	42,342	53.1	2,225	9.6
2013	15,215	665,519,315	43,741	53.1	2,485	9.6
2014	15,245	663,691,075	43,535	52.9	2,485	7.5

Source: The Town of Payson.

**TOWN OF PAYSON, ARIZONA
PRINCIPAL EMPLOYERS
JUNE 30, 2014 AND NINE YEARS PRIOR
(UNAUDITED)**

Employer	2014			2005		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Mazatzal Casino	320	1	14.15%	285	4	12.08%
Wal-Mart	295	2	13.04%	350	2	14.84%
Payson Regional Medical Center	320	3	14.15%	300	3	12.72%
Payson Unified School District	304	4	13.44%	350	1	14.84%
Gila County	167	5	7.38%	200	6	8.48%
Town of Payson	161	6	7.12%	151	5	6.40%
Rim Country Health/Manzanita Manor	145	7	6.41%	80	10	3.39%
Payson Care Center/Life Care Center	143	8	6.32%	123	7	5.21%
Home Depot	100	9	4.42%	108	13	4.58%
Safeway Supermarket	120	10	5.31%	115	8	4.87%
US Forest Service	80	11	3.54%	167	9	7.08%
Bashas' Supermarket	75	12	3.32%	88	11	3.73%
Chapman Auto	32	13	1.41%	42	12	1.78%
	2,262			2,359		

Source: The Town of Payson.

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**TOWN OF PAYSON, ARIZONA
 FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

Function	Full-time Equivalent Employees									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Town Manager	2.0	2.0	2.0	2.0	4.0	2.0	4.0	4.0	4.0	5.0
Town Clerks	5.0	5.0	7.0	6.0	4.0	4.0	4.0	4.0	3.0	3.0
Central Services									1.5	1.5
Finance	8.0	8.0	6.0	7.0	7.0	6.0	6.0	6.0	7.0	7.0
Community Development	12.0	12.0	13.0	13.0	13.0	13.0	14.0	14.0	12.0	12.0
Legal	5.0	5.0	5.0	4.5	4.5	4.0	4.0	4.0	4.5	4.5
Human Resources	3.5	3.5	3.5	1.0	2.0	2.0	3.0	3.0	3.0	3.0
Police Department	42.0	45.0	49.0	49.0	49.0	49.0	48.0	48.0	50.0	51.0
Fire Department	25.0	25.0	25.0	25.0	27.0	27.0	27.0	33.0	32.0	32.0
Airport	1.0	1.0	1.0	-	-	-	1.0	1.0	1.5	1.5
Engineering & Streets	16.5	16.5	17.0	17.0	22.5	22.5	22.0	22.0	22.0	22.0
Library	6.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Parks and Recreation	9.5	11.5	11.5	11.5	7.0	7.0	6.5	6.5	6.5	6.5
Water	17.0	17.0	17.0	19.0	19.0	20.0	20.0	20.0	20.0	20.0
Total	<u>152.5</u>	<u>158.5</u>	<u>165.0</u>	<u>163.0</u>	<u>167.0</u>	<u>164.5</u>	<u>167.5</u>	<u>173.5</u>	<u>175.0</u>	<u>177.0</u>

Source: The Town of Payson.

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

Function/Program	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Building Permits						
Permits Issued	374(a)	283	201	103	115	37
Value of Buildings in \$	\$ 55,123,657	\$ 68,105,715	\$ 45,006,009	\$ 41,597,955	\$ 20,388,596	\$ 9,358,003
Police						
Average Response Time	6.28	5.54	3.47	9.2	7.23	5
Number of Sworn Officers	27	29	30	31	31	31
Total Calls	20,085	18,944	24,398	20,726	24,233	26,233
Calls per Sworn Officer	744	653	813	669	782	846
Officer per 1000 of Population	1.756	1.88	1.875	1.938	1.824	1.824
Total of Index Crimes	587	577	527	440	635	617
Index Crimes per Capital	0.038	0.037	0.031	0.026	0.037	0.036
Number of Drug Arrests	486	410	275	156	78	126
Drug Arrests per Capita	0.032	0.027	0.016	0.009	0.005	0.007
Fire						
Average Response Time	5.09	5.4	5.06	4.09	4.2	4.06
Total Calls	2,106	2,197	2,236	2,280	3	2,387
Calls per Capita	0.137	0.142	0.013	0.136	0.161	0.138
Fire Personnel per 1000 of Pop.	1.561	1.49	1.434	1.374	1.562	1.562
Fire Safety Inspections	486	453	396	418	576	535
Event Center						
Number of Events	-	28	22	21	25	30
Number of Days Used	-	77	104	101	120	127
Other Public Works						
Street Slurry sealed (miles)	-	15	14	14	-	-
Snow Removal (hours)	-	453	250	277	64	64
Parks and recreation						
Use of Facilities - Number of Activities	-	30	39	90	115	118
Program Registrations	-	2,040	1,951	3,241	3,756	3,464
Ramada Reservations	-	372	232	276	250	264
Swim Lessons	-	201	207	395	325	n/a
Pool Passes	-	2,498	2,420	2,450	2,500	n/a
Library						
Number of Patrons	15,257	17,136	14,432	15,712	16,674	13,474
Number of Internet Users	20,305	18,423	15,095	15,342	15,532	14,838
Number of New Cards Issued	1,605	1,562	1,415	1,400	1,200	1,143
Circulation per Capita	11.71	9.23	9.07	9.07	9.71	9.53
Patrons as % of Population	99.2	111.1	86.2	93.8	99.9	96.5
Water						
Number of Water Taps	7,399	7,609	7,728	7,777	7,827	7,854
Average daily consumption (thousand of gallons)	1,533.70	1,561.70	1,502.30	1,534.30	1,468.80	1,490.60
Peak daily consumption (thousand of gallons)	2,094.10	2,169.40	2,055.10	2,384.20	2,467.50	2,044.30
Elections						
Number of Registered Voters	7,117	8,828	8,828	8,913	8,913	9,304
Number Voting in Last Election	4,149	5,479	5,479	5,123	5,123	5,123
% of Participation of Voters	58.30%	62.06%	62.06%	57.48%	57.48%	55.06%

Source: The Town of Payson.

(a) Starting in 2005 Multi-Family Residential is reflected in the total number of permits and building valuation

Fiscal Year			
2011	2012	2013	2014
34	49	38	61
\$ 19,087,366	\$ 12,652,967	\$ 11,747,997	\$ 19,350,791
5.33	8.05	5.21	5.23
30	30	30	30
28,259	20,956	20,030	20,799
942	699	668	693
1.961	1.961	1.972	1.968
675	655	674	735
0.044	0.043	0.044	0.048
95	137	39	39
0.006	0.009	0.003	0.003
4.47	4.42	4.36	4.36
2,588	2,625	2,680	2,884
0.169	0.172	0.176	0.189
1.765	2.157	2.169	2.099
567	398	453	154
35	42	49	51
127	134	185	190
6	-	-	-
-	-	-	-
122	122	93	101
3,668	3,235	3,366	4,723
302	265	247	310
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
13,525	14,784	15,708	15,485
18,388	10,269	12,128	12,128
1,267	1,259	1,131	1,139
11.34	10.68	8.85	9.46
88.4	96.62	1.03	1.01
7,800	7,838	7,886	7,966
1,493.40	1,448.20	1,473.00	1,438.00
2,050.40	2,057.00	2,522.00	2,362.00
9,304	9,921	9,921	9,141
5,123	3,146	3,146	3,146
55.06%	31.71%	31.71%	34.42%

**TOWN OF PAYSON, ARIZONA
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Area - Square Miles	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Police										
Number of Employees	31	28	30	32	32	31	31	31	31	30
Patrol Vehicles	43	23	21	23	23	23	22	20	21	20
Fire										
Number of Firefighters	23	24	24	24	24	24	27	33	32	31
Number of Fire stations	2	2	2	2	2	2	3	3	3	3
Number of Municipal Employees (excluding Public safety)	92	98	102	102	102	102	102.5	102.5	105.0	116.0
Public Works										
Streets (miles)	105.9	105.9	105.9	105.9	105.9	105.9	105.9	105.9	105.9	110.3
Number of Water taps	7,399	7,609	7,728	7,777	7,827	7,854	7,800	7,838	7,886	7,966
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: The Town of Payson.