



**Town of Payson**

**Popular Annual  
Financial Report**

For the Fiscal Year Ended  
June 30, 2008

Prepared by  
Douglas R. Hill, CFO



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

**Town Hall (928) 474-5242**  
**TDD (928) 472-6449**  
**Fax (928) 474-4610**

December 30, 2008

Dear Residents and Friends,

We are happy to present the Town of Payson, Arizona's *Popular Annual Financial Report (PAFR)* for fiscal year ended June 30, 2008. This report presents the financial information for all the Town's operations in an easy-to-read and understand format.

The information contained in this report is unaudited and not in accordance with generally accepted accounting principles in that its condensed and simplified presentation does not include all financial statements or notes to the financial statements. Responsibility for the accuracy and completeness of this report rests with the Town management.

The Town of Payson's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2008 is the source of information contained in this report. Those seeking a deeper understanding of the Town and its operations are encouraged to review a copy of the CAFR, available at Town Hall, the Payson Public Library, or on the Town of Payson's website.

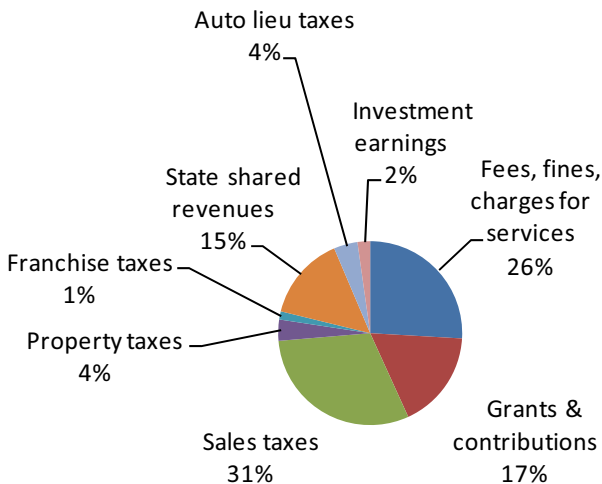
Respectfully submitted,

Douglas R. Hill  
Chief Fiscal Officer

## Where the Money Came From

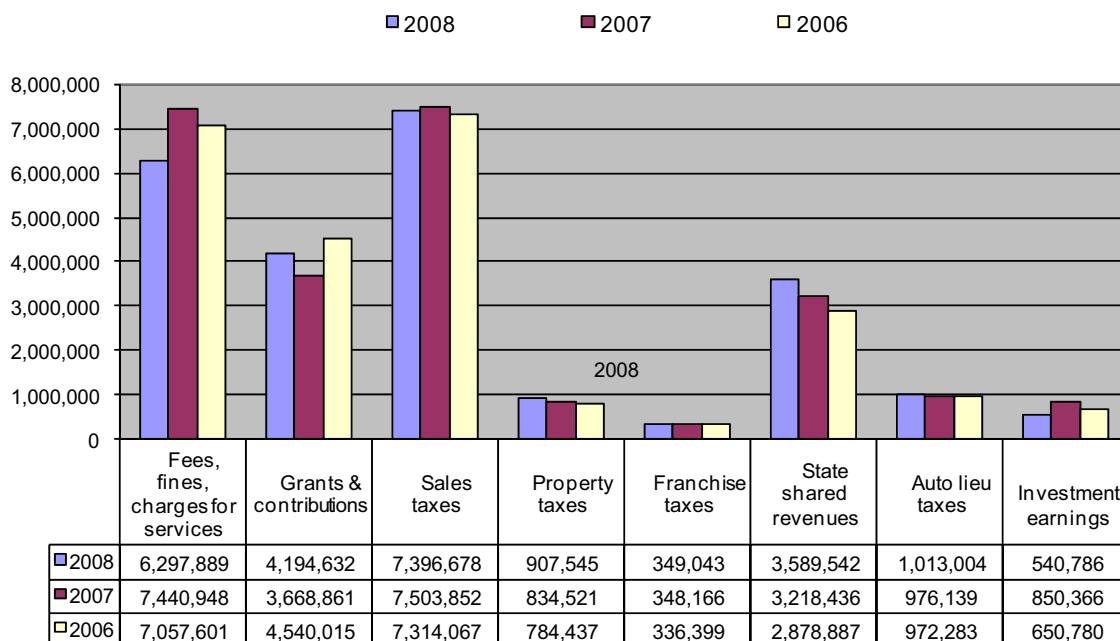
The Town of Payson breaks its revenues into two major categories; program revenues and general revenues. Program revenues are charges for services, fees, fines, grants and contributions that are clearly identifiable to an operating function. General revenue is money the Town receives that is not clearly identifiable to a particular function. Examples of general revenue include sales tax, property tax, franchise fee, state shared revenue, and auto lieu taxes.

The following chart illustrates the total revenue that the Town of Payson received from 7/1/07 to 6/3/08; it is broken out by percentage as to the type of revenue received.



*Where the Money Came From  
During the Period 7/1/07 – 6/30/08*

## *Where the Money Came From Last Three Years*

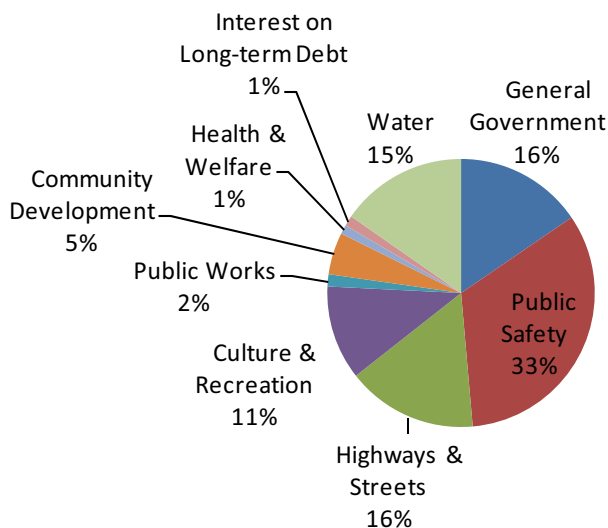


The chart above shows a comparison of the Town's revenue for the last three fiscal years. Overall, revenue has been decreasing due to the slowdown in the economy that has resulted in lower fees, fines, sales taxes and interest earnings.

The Town of Payson, as well as all other Arizona cities remains dependent on local sales taxes and state shared revenue for resources. These revenue sources are sensitive to economic downturns and legislative appropriations.

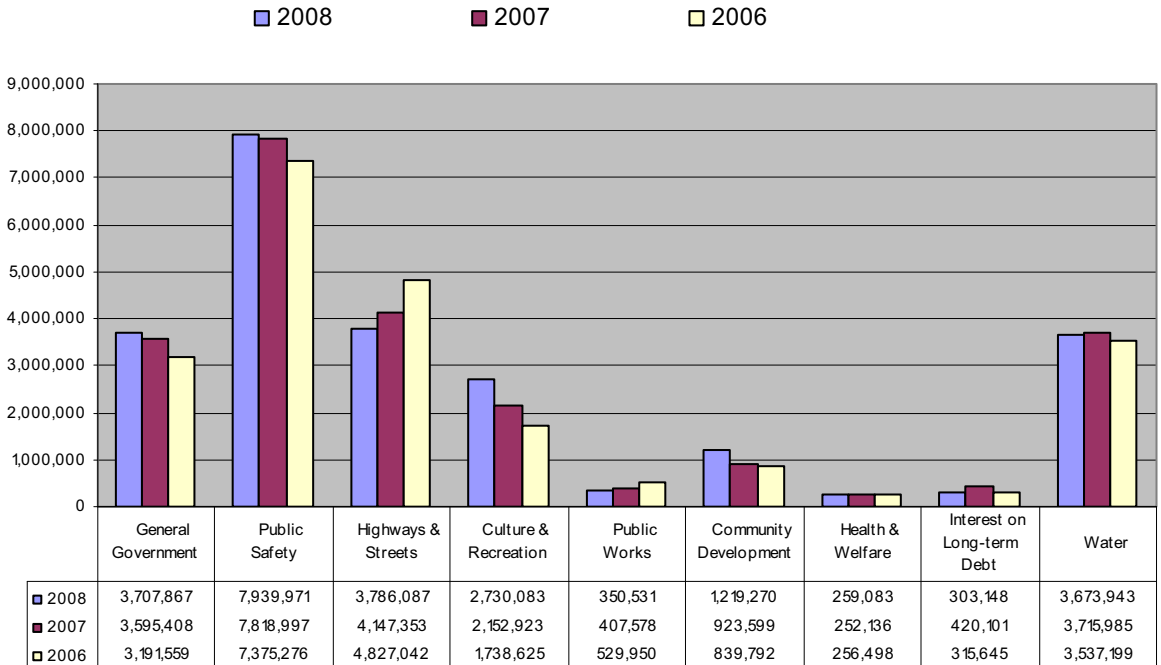
## Where the Money Went

For reporting purposes, the departments within the Town of Payson are often categorized by function. For example, public safety includes both the police and fire departments. The following pie chart shows how the Town's money was spent during the fiscal year of July 1, 2007 through June 30, 2008:



*Where the Money Went*  
*7/1/07 – 6/30/08*

## *Where the Money Went – Last Three Years*



Over the past year, expenses increased most significantly in the Culture and Recreation and Community Development areas based on new programs in those areas. Highways and Streets expenses decreased given the reduction in road project grants and street improvement projects as compared to those implemented in previous years.

The Town's "business type" operation (Water Department) is designed to recover 100% of their costs, including debt payments and depreciation. Over the past three fiscal years, expenses in the Water Fund have decreased as a result of a decrease in miscellaneous water operating expenses. Moderate increases in General Government and Public Safety were due to annual salary and benefit increases.

## Debt We Owed on June 30th

The following table provides a comparison of the Town's debt as of June 30th for the last three fiscal years as follows:

|                               | <u>2008</u>             | <u>2007</u>             | <u>2006</u>             |
|-------------------------------|-------------------------|-------------------------|-------------------------|
| General Obligation Bonds      | 2,542,376               | 2,926,974               | 3,566,570               |
| Special Assessment Bonds      | 1,615,000               | 1,830,000               | 2,025,000               |
| Revenue Bonds                 | 1,045,000               | 1,425,000               | 1,165,000               |
| Certificates of Participation | 375,000                 | 445,000                 | 515,000                 |
| Loan Payable                  | 343,239                 | 384,340                 | 596,334                 |
| Capital Leases                | 565,587                 | 193,341                 | 321,361                 |
| Compensated Absences          | <u>1,241,012</u>        | <u>1,234,570</u>        | <u>1,153,495</u>        |
|                               | <u><b>7,927,214</b></u> | <u><b>8,439,225</b></u> | <u><b>9,342,760</b></u> |

At the end of the current fiscal year (June 30, 2008), the Town had total long-term obligations outstanding of \$7,927,214. Of the outstanding debt, \$2,542,376 (including \$18,874 of deferred amount on the refunding of the bonds and \$46,250 premium on the bonds) is general obligation bonds, which are backed by the full faith and credit of the Town. In addition, the Town's Water Utility must generate enough revenue to pay the water revenue bond principal and interest. The Town's current balance of the General Obligation Bonds issues are as follows:

|                        |              |
|------------------------|--------------|
| Green Valley Park      | \$ 920,000   |
| Public Safety Projects | \$ 1,545,000 |
| Water Dept             | \$ 405,000   |

The Town currently has two Special Assessment Districts that are backed by a guaranteed investment contract with the developer of the special assessment district property. The Special Assessment Bond balances are as follows:

|                |            |
|----------------|------------|
| East Loop Road | \$ 810,000 |
| Westerly Drive | \$ 805,000 |

The Revenue Bonds will be repaid from excise tax revenues of the Town and lease revenues from new airport hangars. The Revenue Bonds are for the following projects:

|                       |            |
|-----------------------|------------|
| Public Works Facility | \$ 860,000 |
| Airport Hangars       | \$ 160,000 |

The Town issued Certificates of Participation to be used to finance improvements to two new ball fields at Rumsey Park. Repayment will come as part of a lease-purchase agreement. The balance is \$375,000.

The loan payable is a loan the Town received from the Arizona Department of Transportation (ADOT) for reconstruction of McLane Road. Revenues from the Highway Users Revenue Fund are used for repayment of the loan. The balance of the loan is \$343,239.

Capital leases were made for equipment and will be repaid by the department responsible for the lease. Compensated absences are paid by the applicable fund where each employee is regularly paid.

State statutes currently limit the amount of general obligation debt a Town may issue to 20 percent of its total assessed valuation for water, sewer, lights, open space preserves, parks, playgrounds, and recreational facilities. The current 20 percent debt limitation for the Town is \$41,312,733. State statutes also currently limit the amount of general obligation debt a Town may issue to 6 percent of its total assessed valuation for all other purposes. The current 6 percent debt limitation for the Town is \$11,124,820.



## **The Town of Payson's Financial Position on June 30th**

The Town's statement of net assets provides a "snapshot" of where we stood financially on June 30<sup>th</sup>, the last day of our fiscal year. Net assets represent the Town's ownership (equity) in the assets within its possession.

**Assets** represent what the Town owns. Current and other assets include cash, investments, and receivables (money due to the Town). Capital assets are land, buildings, infrastructure, water system, vehicles, machinery, and equipment. They are broken down into two categories: non-depreciable (land) and depreciable (all other capital assets).

**Liabilities** represent what the Town owes. Current and other liabilities consist of payables (money due from the Town to pay what it owes). Non-current liabilities represent debt that the Town must pay back and is broken out into the current year and future years.

**Net assets** may serve over time as useful indicators of a government's financial position and consist of three components. The largest portion of the Town of Payson, Arizona's net assets reflects its investment in capital assets (e.g. land, buildings, infrastructure, water system, 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 net assets represents resources that are subject to external restrictions. The remaining balance or unrestricted net asset may be used to meet the government's ongoing obligations to citizens and creditors.

The chart below depicts the Town's assets, liabilities, and net assets as they were at Jun 30<sup>th</sup> in each of the last three years (restated in 2006 and 2007). At the end of the three fiscal years, the Town of Payson, Arizona is able to report positive balances in all three categories of net assets for the government as a whole.

|  | 2008               | 2007               | 2006               |
|--|--------------------|--------------------|--------------------|
| <b>Assets</b>                                      |                    |                    |                    |
| Current and other assets                           | 19,738,214         | 21,482,600         | 20,273,255         |
| Capital assets                                     |                    |                    |                    |
| Non-depreciable                                    | 16,214,217         | 16,045,423         | 14,865,020         |
| Depreciable (net)                                  | 106,931,296        | 104,802,523        | 107,438,830        |
| <b>Total assets</b>                                | <b>142,883,727</b> | <b>142,330,546</b> | <b>142,577,105</b> |
|  |                    |                    |                    |
| <b>Liabilities</b>                                 |                    |                    |                    |
| Current and other liabilities                      | 1,668,165          | 922,109            | 1,248,510          |
| Non-current liabilities                            |                    |                    |                    |
| Due within one year                                | 1,987,430          | 1,670,442          | 2,017,064          |
| Due in more than one year                          | 5,939,784          | 6,768,783          | 7,749,528          |
| <b>Total liabilities</b>                           | <b>9,595,379</b>   | <b>9,361,334</b>   | <b>11,015,102</b>  |
|  |                    |                    |                    |
| <b>Net assets</b>                                  |                    |                    |                    |
| Invested in capital assets,<br>net of related debt | 116,329,311        | 113,643,291        | 113,690,753        |
| Restricted   | 9,219,737          | 10,130,111         | 8,945,875          |
| Unrestricted                                       | 7,739,300          | 9,195,810          | 8,925,375          |
| <b>Total net assets</b>                            | <b>133,288,348</b> | <b>132,969,212</b> | <b>131,562,003</b> |

## **Profile of Payson, Arizona**

Payson is celebrated its 125th anniversary in 2007. The town site was established in 1882 with a population of 40, which has grown to 16,742. In its early years, Payson's economy was based on logging, ranching and mining. Tourism and home building industries presently dominate the local economy; however, the past still lives on in Payson. The Payson Rodeo, now billed as the world's oldest continuous rodeo, came into being in 1884. The Hashknife Pony Express also makes its annual historical run through Payson, picking up letters for delivery.

The Town of Payson, Arizona incorporated in 1973 and is located at the intersections of States Routes 87 and 260, 90 miles north of Phoenix, Arizona. The Town's boundaries enclose 19.5 square miles in northern Gila County. Payson is nestled just below Arizona's Mogollon Rim at an elevation of 4,982 feet and enjoys a moderate four-season climate. It's surrounded by the Tonto National Forest and world's largest stand of virgin Ponderosa Pines.

The Town of Payson 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 carrying out the policies, ordinances, and resolutions of the Town Council, and for overseeing the day-to-day operations of the Town. The Council is elected on a nonpartisan "at large" basis. Council members are elected to four-year staggered terms with three council members elected every two years. The qualified electors of the Town directly elect the Mayor for a two-year term.

## **Citizen Involvement**

The Town of Payson has many opportunities for its citizens to become more educated in Town government and get involved.

### **Payson Citizens Leadership Academy**

We believe an informed citizenry is essential to the proper functioning of representative democracy. Graduates of the Payson Citizens Leadership Academy have gained valuable insight and information about how their local government operates. One of the purposes of the Academy has been to help develop local leaders for Town Council and membership on Town boards, committees, and commissions. The Academy has educated a diverse group of citizens including retirees, business owners, and employees of non-profit organizations. They range in age from their early 20s to late 80s. Many just moved to Town while others have called Payson home for many years.

### **Volunteers**

Want to volunteer your talents? The Town of Payson has, on average, 416 citizens who volunteer their time and talents serving various boards and departments. Some of the departments served include the library, police, and fire. Volunteer programs are designed to facilitate a community effort to increase the services provided to our community. To learn more about becoming involved in the Town of Payson, contact us at (928) 474-5242 or visit our website at [www.paysonaz.us](http://www.paysonaz.us).

# List of Town Officials

Town of Payson, Arizona

## Town Council

Kenny Evans

Mayor

Su Connell, Vice Mayor

Ed Blair

Richard Croy

Michael Hughes

Mike Vogel

John R. Wilson

### **Town Manager**

Debra Galbraith

### **Department Directors**

Town Clerk

Silvia Smith

Town Attorney

Samuel Streichman

Chief fiscal Officer

Douglas Hill

Magistrate

Dorothy Little

Police Chief

Don Engler

Fire Chief

Marty DeMasi

Librarian

Terry A. Morris

Public Works

LaRon Garrett

Zoning

Ray Erlandsen

Building

Ray Lahaye

Water Department

Buzz Walker

Parks and Recreation

Rick Manchester

Tourism/Economic Vitality

Cameron Davis

We hope you have enjoyed reading the Town of Payson's 2008 Popular Annual Financial Report and invite you to read our other award winning documents: the Comprehensive Annual Financial Report and the Annual Budget. Both of these publications may be found at:

<http://www.ci.payson.az.us/Departments/finance/finance-index.html>