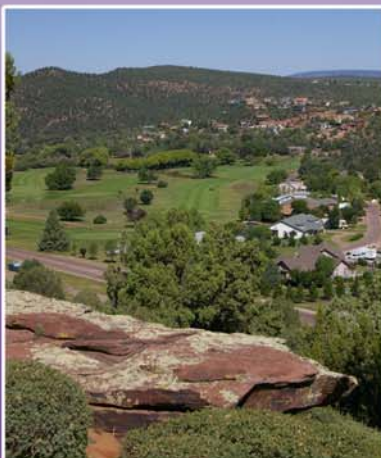




COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010



TOWN OF PAYSON, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010

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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

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(928) 472-6449 TDD
(928) 474-4610 Fax
www.ci.payson.az.us

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, AZ (the Town), for the fiscal year ended June 30, 2010 is submitted herewith.

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

LarsonAllen LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Town of Payson's financial statements for the fiscal year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. 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, (Town) incorporated in 1973, is located at the intersection of State Routes 87 and 260, 90 miles north of Phoenix, Arizona. The Town's boundaries enclose 19.5 square miles in northern Gila County and serve a population of 17,281. 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 and the Town Council.

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, among other things, passing ordinances, resolutions and adopting the Town's annual budget. They also appoint committees and hire the Town Manager and Town Attorney. The Town Manager is responsible for carrying out the policies, ordinances and resolutions of the Town Council, and for overseeing the day-to-day operations of the Town. The Council is elected on a nonpartisan "at large" basis. Council members are elected to four-year staggered terms with three Council members selected every two years. The qualified electors of the Town directly elect the Mayor for a two-year term.

The Town of Payson provides a full range of services, including police, fire, and emergency medical services; planning, zoning, and building code enforcement; the construction maintenance of streets and other infrastructure; recreational activities and cultural events; and airport and a library. In addition, the Town of Payson operates a municipal water utility that presently serves 7,827 customers.

The Council is required to adopt a tentative budget on or before the third Monday in July. Public hearings are held on the proposed budget with adoption of the final budget 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 of Payson's financial planning and control. The budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Department heads may transfer resources within a department with approval from the Town Manager. Transfers between funds, however, needs approval from the Town Council.

LOCAL ECONOMY

In its early years, Payson's economy was based upon logging, ranching, and tourism. Recently, 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, Payson continued to experience an unfavorable economic environment during fiscal year 2009-2010. Over the last ten years, the population increased an average of 3.1% per year. The Arizona Department of Economic Security estimates Payson's current population at 17,281. The Town's unemployment rate, as of June 2010 was 7.9 percent. This is an increase of .6% from last year, and compares with the State's rate of 10 percent and the county's rate of 11 percent. The region (which includes Payson, another town and the surrounding non-incorporated areas within the County) has an employed labor force of approximately 6,332 that has increased significantly over the last fifteen years.

LONG-TERM FINANCIAL PLANNING

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

Payson has been and will continue to be very proactive in encouraging quality community and organizational development. 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 constituent's needs. The CSP operationalizes the Town's mission statement and its General Plan by specifying objectives and strategies for achieving them. Funding is allocated during the subsequent budgeting process.

RELEVANT FINANCIAL POLICIES

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Payson 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 within 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 measurable, and expenditures being recorded when the services of goods are received and the liabilities are incurred. Accounting records for the Town's water and sewer utility and other proprietary activities are maintained on 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 reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be re-appropriated and honored the subsequent fiscal year.

The annual budget serves as the foundation for the Town of Payson's financial planning and control. All agencies of the Town of Payson are required to submit requests for appropriation to Financial Services by April 1 each year. These requests are used to develop a proposed budget. In early July, the Tentative Budget is adopted and a public hearing is held on the State Expenditure Limitation document. In early August, 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. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Transfer of appropriations within a department and within funds may be made with approval from the Town Manager. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

MAJOR INITIATIVES

Although the tough economic climate of the past couple years, has slowed down the progress of some of the strategic objectives of the Town, several initiatives were undertaken in fiscal year 2009/2010.

- To fill an unmet need, the Town began an in-house economic development function. By June 2010, more than 10 businesses started, expanded or relocated to Payson. Over 100 new jobs were created.
- In the fall of 2009, the Town secured a \$10.6 million loan from the Water Infrastructure Financing Authority (WIFA) of Arizona. \$4 million of the total was an American Recovery and Reinvestment Act (ARRA) loan. These funds will be used to construct the 14.5 mile water pipeline from the C.C. Cragin reservoir to the town. In fiscal year 2009/2010, the environmental assessment and infrastructure planning and design began.
- Planning and construction of a round-about at Airport Road began in fiscal year 2009/2010.

AWARDS AND ACKNOWLEDGEMENTS

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Payson for the comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the twelfth consecutive year that the government achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized comprehensive annual financial report (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 the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for the annual budget document for fiscal year 2009/2010. In order to qualify for the Distinguished Budget Presentation 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 twelfth consecutive year that the government achieved this prestigious award.

Acknowledgements. The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. We wish to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must 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



Hope Cribb
Finance Manager

TOWN OF PAYSON, ARIZONA TOWN OFFICIALS

TOWN COUNCIL

Kenny J. Evans
Mayor

Fred Carpenter
John R. Wilson
Su Connell

Ed Blair
Richard Croy
Michael Hughes, Vice Mayor

TOWN MANAGER

Debra A. Galbraith

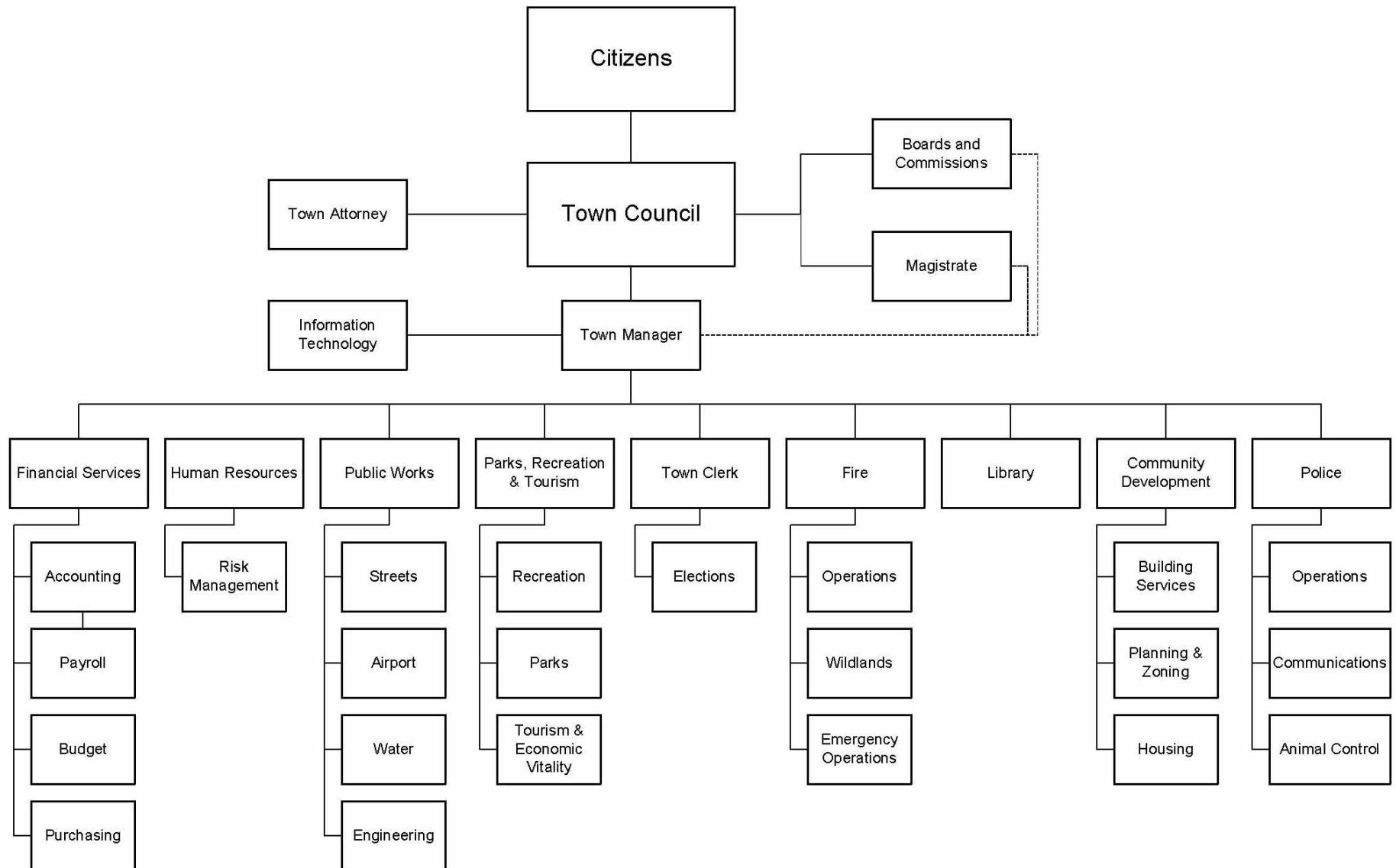
DEPARTMENT DIRECTORS

Town Clerk
Town Attorney
Magistrate
Police Chief
Fire Chief
Librarian
Public Works/Town Engineer
Community Development
Parks, Recreation and Tourism

Silvia Smith
Samuel I. Streichman
Dorothy Little
Don Engler
Marty DeMasi
Terry A. Morris
LaRon Garrett
Ray Erlandsen, Acting
Cameron Davis

Town of Payson

ORGANIZATION FY2008-2009



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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

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, 2010 which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Highway User Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2011 on our consideration of the City'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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The management's discussion and analysis on pages 13 - 23 and the Public Safety Personnel Retirement System and Other Postemployment Benefits Schedule of Funding Progress on page 66 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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 express no opinion on them.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
April 6, 2011

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010. 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 years' 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 \$130,565,315 (net assets). Of this amount \$7,357,261 (unrestricted net assets) may be used to meet the Town's ongoing 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 \$5,416,953, an increase of \$779,291 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$826,978 or 7 percent of total General Fund expenditures.
- ◆ General Fund revenues (on a budgetary basis) were less than budgeted revenues by \$977,588 for fiscal year 2010. Additionally, budgetary basis expenditures were 94% (\$1,088,112 (8%) in savings) of the final budget in the General Fund.
- ◆ General Fund revenues were less than expenditures by \$460,750; a variance of \$110,524 from the final budget.
- ◆ In August 2009, the Town entered into a \$10.6 million loan agreement with the Water Infrastructure Authority of Arizona for completion of Phase I of the pipeline and for required repairs and replacements to the existing system. As of June 30, 2010, the Town has drawn down \$806,724 of the loan.
- ◆ The Town issued \$1,525,000 in general obligation bonds which was the remainder of the 2003 authorization for public safety improvements.

Overview of the Financial Statements

The financial section of the Comprehensive Annual Financial Report (CAFR) for the Town of Payson, Arizona 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 major special revenue funds, and notes to the basic financial statements.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2010**

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Payson, Arizona's finances, in a manner similar to private-sector business.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. Changes in net assets 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 vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Payson, Arizona 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 of Payson, Arizona 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 26 - 27 of this report.

Fund financial statements. Also presented are the fund financial statements for governmental funds. 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 of Payson, Arizona, 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 of Payson, Arizona can be divided into two categories: governmental funds and proprietary 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, expenses 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, 2010**

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, Highway Users Revenue Fund (HURF), Debt Service Fund and Public Safety Bond Project 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 28 - 34 of this report.

Proprietary funds. The Town of Payson, Arizona 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 of Payson, Arizona uses enterprise funds to account for its operations of its water services. *Internal service funds* are an accounting device used to accumulate and allocate costs among the Town of Payson, Arizona's various functions. The Town of Payson, Arizona uses an internal service fund to account for its self-funded 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 35 - 38 of this report.

Notes to the basic financial statements. The notes to the basic financial statements (pages 39 - 64) 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 pension funds. The Town has disclosed this information in Note 4.D. and in the Required Supplementary Information on page 66 of this report.

Government-Wide Financial Analysis

Net assets may serve over time as useful indicators of a government's financial position. The following table reflects the condensed Statement of Net Assets of the Town for June 30, 2010 showing that assets exceeded liabilities by \$130,565,315.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2010**

Town of Payson, Arizona
Condensed Statement of Net Assets
June 30, 2010 and 2009

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and Other Assets	\$ 9,012,719	\$ 7,800,492	\$ 8,246,669	\$ 9,810,782	\$ 17,259,388	\$ 17,611,274
Capital Assets						
Non-depreciable	12,656,418	12,222,878	4,972,679	3,135,955	17,629,097	15,358,833
Depreciable (net)	96,951,264	98,418,810	11,285,047	12,159,545	108,236,311	110,578,355
Total Assets	<u>118,620,401</u>	<u>118,442,180</u>	<u>24,504,395</u>	<u>25,106,282</u>	<u>143,124,796</u>	<u>143,548,462</u>
Liabilities						
Current Liabilities	1,015,847	982,555	723,106	700,717	1,738,953	1,683,272
Noncurrent Liabilities						
Due Within One Year	1,556,227	1,786,387	405,531	313,551	1,961,758	2,099,938
Due in More Than One Year	7,641,800	5,618,711	1,216,970	559,259	8,858,770	6,177,970
Total Liabilities	<u>10,213,874</u>	<u>8,387,653</u>	<u>2,345,607</u>	<u>1,573,527</u>	<u>12,559,481</u>	<u>9,961,180</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	103,809,445	105,561,440	15,195,051	14,720,036	119,004,496	120,281,476
Restricted	3,137,935	3,971,451	1,065,623	4,921,901	4,203,558	8,893,352
Unrestricted	1,459,147	521,636	5,898,114	3,890,818	7,357,261	4,412,454
Total Net Assets	<u>\$ 108,406,527</u>	<u>\$ 110,054,527</u>	<u>\$ 22,158,788</u>	<u>\$ 23,532,755</u>	<u>\$ 130,565,315</u>	<u>\$ 133,587,282</u>

Net assets consist of three components. The largest portion of the Town of Payson, Arizona's net assets (91%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, water system, and vehicles, machinery and equipment), less any outstanding related debt used to acquire those assets. The Town of Payson, Arizona uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Payson, Arizona'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 of Payson, Arizona's net assets (3%) represents resources that are subject to external restrictions. The remaining balance of unrestricted net assets (\$7,357,261) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Payson, Arizona is able to report positive balances in all three categories of net assets for the government as a whole.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2010**

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

**Changes in Net Assets
Fiscal Years Ended June 30, 2010 and 2009**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
REVENUES						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 1,727,955	\$ 1,880,839	\$ 3,678,173	\$ 3,666,635	\$ 5,406,128	\$ 5,547,474
Operating Grants and Contributions	1,840,478	2,079,200	-	-	1,840,478	2,079,200
Capital Grants and Contributions	448,191	248,512	117,124	-	565,315	248,512
General Revenues:						
Sales Taxes	5,919,923	6,624,711	-	-	5,919,923	6,624,711
Property Taxes	1,002,536	856,237	-	-	1,002,536	856,237
Franchise Taxes	349,061	339,802	-	-	349,061	339,802
State Shared Revenues	3,124,512	3,535,715	-	-	3,124,512	3,535,715
Auto Lieu Taxes	863,732	937,748	-	-	863,732	937,748
Investment Earnings (Loss)	(39,885)	68,680	(40)	107,222	(39,925)	175,902
Total Revenues	15,236,503	16,571,444	3,795,257	3,773,857	19,031,760	20,345,301
EXPENSES						
General Government	3,133,909	4,323,958	-	-	3,133,909	4,323,958
Public Safety	8,164,357	8,376,425	-	-	8,164,357	8,376,425
Highways and Streets	3,070,365	2,856,499	-	-	3,070,365	2,856,499
Culture and Recreation	1,575,542	1,714,675	-	-	1,575,542	1,714,675
Public Works	284,563	445,095	-	-	284,563	445,095
Community Development	1,119,712	1,051,931	-	-	1,119,712	1,051,931
Health and Welfare	273,394	289,710	-	-	273,394	289,710
Interest on Long-Term Debt	267,661	275,659	-	-	267,661	275,659
Water	-	-	4,164,224	4,797,060	4,164,224	4,797,060
Total Expenses	17,889,503	19,333,952	4,164,224	4,797,060	22,053,727	24,131,012
CHANGE IN NET ASSETS BEFORE TRANSFERS	(2,653,000)	(2,762,508)	(368,967)	(1,023,203)	(3,021,967)	(3,785,711)
Transfers	1,005,000	-	(1,005,000)	-	-	-
CHANGE IN NET ASSETS	(1,648,000)	(2,762,508)	(1,373,967)	(1,023,203)	(3,021,967)	(3,785,711)
Net Assets - Beginning of Year	110,054,527	112,817,035	23,532,755	24,555,958	133,587,282	137,372,993
NET ASSETS - END OF YEAR	<u>\$ 108,406,527</u>	<u>\$ 110,054,527</u>	<u>\$ 22,158,788</u>	<u>\$ 23,532,755</u>	<u>\$ 130,565,315</u>	<u>\$ 133,587,282</u>

Governmental activities. Total governmental revenues declined significantly over the prior year with a net decrease of \$1,334,941 (8.0%).

Program revenues decreased \$191,927 over the prior fiscal year. The decrease was the net result of an 8.1% decrease in fees, fines and charges for services, 11.5% decrease in operating grants and contributions and an 80.3% increase in capital grants and contributions. The decrease in charges for services and operating grants and contributions was due to non-renewal of the contract for Police services to a neighboring town and decreases in development fee revenue while the increase in capital grants was the result of monies received to complete the Environmental Assessment for Airport capital projects and the implementation of a program to purchase capital equipment for all law enforcement agencies in the state.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2010**

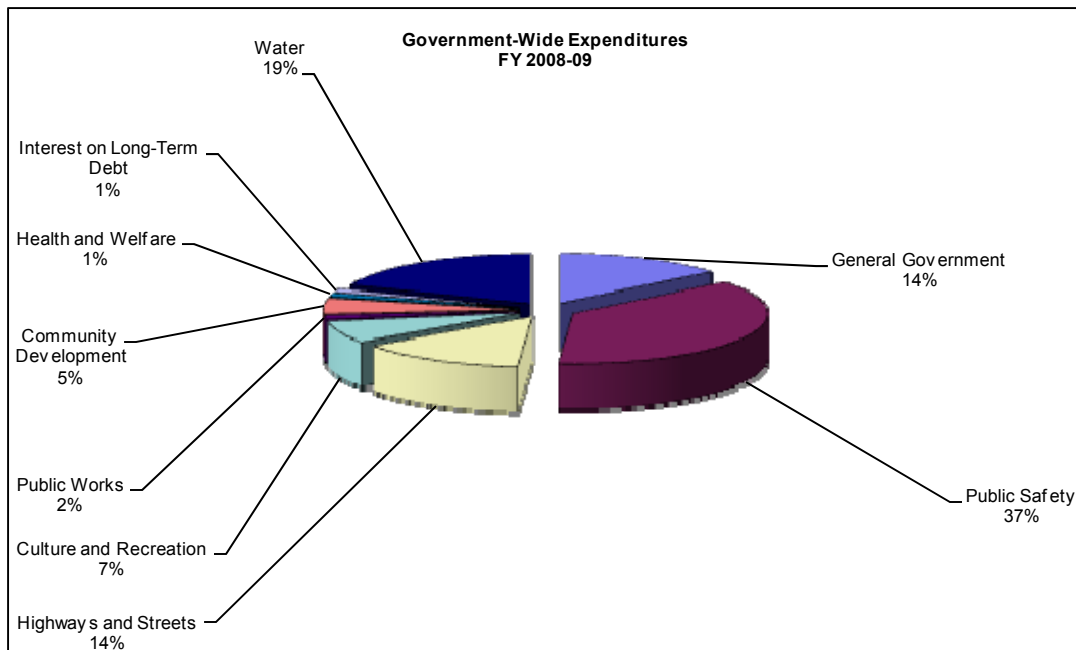
General revenues decreased \$1,143,014. Major factors contributing to this decrease included a 10.6% (\$704,788) decline in sales tax and 11.6% (\$411,203) decline in state shared sales tax. The decline in sales tax and state shared sales tax was due to current economic conditions that has caused a decrease in local spending and continued State budget problems that caused a decrease in the amount of state sales tax that the was distributed to cities and towns. State shared revenues are collected by the State and "shared" based on population. Sales taxes are generated directly from consumers. Property taxes offset the over decline in general revenues, increasing 17.1% (\$146,299) over the prior fiscal year due to council action to raise the amount the property taxes we could collect to the legal limit as authorized by the state.

Expenses generally decreased, with the exception of an increase of \$213,866 increase in highways and streets and an increase of \$67,781 in community development. The overall decrease in expenses was due to a Town mandated 24 day furlough plan for all employees. The increase in highways and streets and community development was due to increased maintenance on existing roadways in the current year and operating grant expenses for housing rehabilitation.

Business-type activities. Water revenues remained relatively unchanged over the prior fiscal year, with the exception of a \$117,124 increase in capital grants and contributions and a \$107,262 decrease in investment earnings. The capital grant was received as part of the Water Infrastructure Authority of Arizona forgivable loan. Investment earnings decreased due to less cash, a loss in the adjustment of investments to market and lower interest rates on cash and investments.

The 13.2% (\$632,836) decrease in expenses was significant during the year and due to a purchase last year of Water Credits that did not happen this year and a reduction in the depreciation expense.

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 assets.



**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2010**

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, unreserved 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, Debt Service Funds and Capital Project Funds.

As of the end of the current fiscal year the Town's governmental funds reported combined ending fund balances of \$5,416,953, an increase of \$779,291 in comparison with the prior year. Approximately 16% of this total amount (\$841,623) constitutes General Fund balance, which is available for contribution to the designated, undesignated and reserved fund balance. At fiscal year-end 2009-2010 fund balances were as follows:

Fund	Balance	Increase (Decrease) From 2008-09
General Fund	\$ 841,623	\$ 40,932
HURF Fund	268,194	(295,987)
Debt Service Fund	1,202,290	(213,822)
Public Safety Bond Project Fund	1,666,549	1,368,050
Nonmajor Governmental Funds	1,438,297	(119,882)

The General Fund is the chief operating fund of the Town of Payson, Arizona. As a measure of the General Fund's liquidity, it may be useful to compare both the General Fund balance and total fund balance to total fund expenditures. The unreserved General Fund fund balance represents 7% of total General Fund expenditures, while total unreserved fund balance represents 31% of total fund expenditures.

The change in fund balance in the General Fund was primarily due to a transfer of funds from the Water Fund to the General Fund. The transfer was recorded to provide operating funds. General Fund revenues declined over the prior year by approximately \$1.3 million. Local sales taxes and state shared sales taxes are largely recorded in the General Fund. The decline in local sales tax and state shared sales tax, previously discussed, accounted for approximately \$1.0 million of the decline in revenue.

The Highway User Revenue Fund decreased \$295,987 due to increased spending for pavement preservation and the construction of the Airport Roundabout.

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 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 \$213,822 due to two bond issues, airport hangars and Water bonds, were paid off.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2010**

The Public Safety Bond Project Fund increased \$1.4 million. The increase in the Capital Projects Fund was due to a \$1.5 million bond issuance and a \$310,638 transfer from the Debt Service Fund. The transfer from the Debt Service Fund was recorded to the fire station #3 Construction fund for the land purchase and for the cost of bond issuance. The net change in fund balance was the result of utilizing the bond funds for various capital projects and to the pay the cost of issuance of the bonds.

The Nonmajor Governmental Funds decreased \$119,882. The decrease was largely due to construction related to the central Arizona project and use of the development fees for current projects.

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 32 - 34. 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. However, the economic decline continued at a rate higher than expected. The Town went into this decline a few years ago, with very little reserves as a cushion. The Spending Plans of the past two years, which entailed massive spending cuts and loss of employees, were not able to increase the reserves or provide needed funding for the continued decline. In this year, employees endured a 24 day furlough and a loan of \$1 million was obtained from the Enterprise funds to the General Fund.

General fund revenues of \$11,742,799 were less than budgeted revenues of \$12,720,387 by \$977,588 while expenditures of \$12,203,549 were 92% of budgeted expenditures (savings of \$1,088,112). Revenues were less than budgeted revenues primarily due to economic downturns. The expenditure savings were derived largely from unspent contingencies, vacancies savings, and furloughs.

Capital Assets

Due to the tremendous decline in revenues as a result of the economy, the Town continued to delay most capital improvements projects.

The Town's capital assets for its governmental activities as of June 30, 2010 totaled \$109,607,682 (net of accumulated depreciation), a decrease from the prior year of \$1,034,006. Business-type activities capital assets amounted to \$16,257,726 (net of accumulated depreciation), a net increase from the prior year of 6%. The increase in the Business-type activities was due to the beginning of the C.C Cragin Pipeline project. 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.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2010**

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 \$433,540 in additions to construction in progress. The construction in progress was for the construction of the fire station. The estimated cost to complete the fire station is \$846,429.

Business-Type Activities

The most significant change in capital assets in the Business Type Activities was \$1.0 million in current year depreciation expense and \$1.8 million in construction in progress additions for the continued construction on the CC Craigin Pipeline. The estimated cost to complete this phase of construction is \$7.3 million.

The following table provides a breakdown of the capital assets of the Town at June 30, 2010 and 2009.

Town of Payson, Arizona
Capital Assets (net)
June 30, 2010 and 2009

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 12,222,878	\$ 12,222,878	\$ 1,504,077	\$ 1,504,077	\$ 13,726,955	\$ 13,726,955
Construction in Progress	433,540	-	3,468,602	1,631,878	3,902,142	1,631,878
Infrastructure	85,757,694	86,409,086	-	-	85,757,694	86,409,086
Buildings	5,920,314	6,181,309	240,933	260,878	6,161,247	6,442,187
Improvements Other Than Buildings	2,437,978	2,788,518	10,809,882	11,616,606	13,247,860	14,405,124
Vehicles, Machinery and Equipment	2,835,278	3,039,897	234,232	282,061	3,069,510	3,321,958
Total Capital Assets	<u>\$ 109,607,682</u>	<u>\$ 110,641,688</u>	<u>\$ 16,257,726</u>	<u>\$ 15,295,500</u>	<u>\$ 125,865,408</u>	<u>\$ 125,937,188</u>

Long-Term Debt

At the end of the current fiscal year, the Town had total long-term obligations outstanding of \$10,820,528. Of the outstanding debt, \$3,273,633 (including \$9,438 of deferred amount on the refunding of the bonds and \$78,071 premium on the bonds) is general obligation bonds and \$1,062,675 is loans payable backed by the full faith and credit of the Town. An additional \$1,155,000 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.

During the fiscal year, the Town issued \$1.5 million in general obligation bonds in the governmental activities and drew down \$806,729 of the authorized \$10.6 million loan through the Water Infrastructure Authority of Arizona. Of the \$10.6 million, \$4.0 million is forgivable principal that will be recorded as a capital grant and \$6.6 million requires annual principal and semi-annual interest payments at 2.891%.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010 is \$11,005,510 in the 6% capacity and \$46,793,366 in the 20% capacity. Additional information on the debt limitations and capacities may be found in the statistical section of this report (pages 116 – 117).

The following schedule shows the outstanding debt of the Town (both current and long-term) as of June 30, 2010 and 2009. Further detail on the Town's outstanding debt may be found in Notes 3.D. and 3.E. on pages 52 - 57.

Town of Payson, Arizona
Outstanding Debt
June 30, 2010 and 2009

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 3,273,633	\$ 2,082,778	\$ -	\$ 25,000	\$ 3,273,633	\$ 2,107,778
Special Assessment Bonds	1,155,000	1,390,000	-	-	1,155,000	1,390,000
Revenue Bonds	860,000	940,000	-	115,000	860,000	1,055,000
Certificates of Participation	215,000	295,000	-	-	215,000	295,000
Notes Payable	-	-	1,062,675	300,464	1,062,675	300,464
Capital Leases	294,604	372,470	-	-	294,604	372,470
Compensated Absences	1,077,968	1,130,418	227,292	264,769	1,305,260	1,395,187
Other Postemployment Benefits	2,321,822	1,194,432	332,534	167,577	2,654,356	1,362,009
Total Outstanding Debt	<u>\$ 9,198,027</u>	<u>\$ 7,405,098</u>	<u>\$ 1,622,501</u>	<u>\$ 872,810</u>	<u>\$ 10,820,528</u>	<u>\$ 8,277,908</u>

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**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2010**

Economic Factors and Next Year's Budgets and Rates

The Town of Payson, Arizona, as well as all other Arizona cities, remains dependent on state shared revenues (31%) and local sales taxes for resources (47.5%). These revenue sources are highly sensitive to economic downturns and legislative appropriations. The Town expects the downturn of the economy to continue.

The Fiscal Year 2009-2010 budget preparation was influenced by the following factors:

- Reductions in every major operating fund due to revenue declines in town sales taxes, state shared tax revenues, highway user (gas tax) revenues, and building revenues
- Consideration of correspondingly reduced service levels in every department as a result of the reduction in personnel
- Consideration of the impact of the continued local market downturn and the safeguards needed to deal with additional projected declines
- The pursuit of federal stimulus and other grant dollars to enhance the local economy
- Realignment of core services within reduced budget parameters that maintain Council goals
- The continued implementation of electronic information sharing to facilitate transparency in service provision
- Assessment and funding of long range capital needs and their associated operational impacts
- Completion of projects approved through the 2004 public safety bond election including completion of the third fire station
- Planning efforts for issuing the remaining bond authorization of \$1,525,000 for public safety improvements
- Continued assessment of future water resource needs.

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 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>

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Basic Financial Statements

TOWN OF PAYSON, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 6,394,814	\$ 6,047,030	\$ 12,441,844
Receivables, Net			
Accounts Receivable	159,166	468,969	628,135
Intergovernmental Receivables	865,092	602,937	1,468,029
Special Assessments Receivable	937,791	-	937,791
Notes Receivable	-	127,913	127,913
Prepaid Items	18,514	20,000	38,514
Deferred Charges	157,121	-	157,121
Restricted Cash and Investments	480,221	919,393	1,399,614
Other Assets	-	60,427	60,427
Capital Assets			
Non-Depreciable	12,656,418	4,972,679	17,629,097
Depreciable (Net)	96,951,264	11,285,047	108,236,311
Total Assets	<u>118,620,401</u>	<u>24,504,395</u>	<u>143,124,796</u>
LIABILITIES			
Accounts Payable	371,256	199,452	570,708
Accrued Wages and Benefits	363,225	56,120	419,345
Interest Payable	100,459	-	100,459
Customer Deposits Payable	10,359	467,534	477,893
Claims Payable	166,675	-	166,675
Unearned Revenue	3,873	-	3,873
Noncurrent Liabilities			
Due Within One Year	1,556,227	405,531	1,961,758
Due in More Than One Year	7,641,800	1,216,970	8,858,770
Total Liabilities	<u>10,213,874</u>	<u>2,345,607</u>	<u>12,559,481</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	103,809,445	15,195,051	119,004,496
Restricted for			
Highways and Streets	268,194	-	268,194
Debt Service	2,140,081	-	2,140,081
Capital Outlay	729,660	1,065,623	1,795,283
Unrestricted	1,459,147	5,898,114	7,357,261
Total Net Assets	<u>\$ 108,406,527</u>	<u>\$ 22,158,788</u>	<u>\$ 130,565,315</u>

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental Activities							
General Government	\$ 3,133,909	\$ 656,861	\$ 149,090	\$ 148,124	\$ (2,179,834)		\$ (2,179,834)
Public Safety	8,164,357	626,728	194,552	168,692	(7,174,385)		(7,174,385)
Highways and Streets	3,070,365	4,482	1,485,246	-	(1,580,637)		(1,580,637)
Culture and Recreation	1,575,542	216,752	340	-	(1,358,450)		(1,358,450)
Public Works	284,563	87,476	-	131,154	(65,933)		(65,933)
Community Development	1,119,712	117,147	11,250	221	(991,094)		(991,094)
Health and Welfare	273,394	18,509	-	-	(254,885)		(254,885)
Interest on Long-Term Debt	267,661	-	-	-	(267,661)		(267,661)
Total Governmental Activities	17,889,503	1,727,955	1,840,478	448,191	(13,872,879)		(13,872,879)
Business-Type Activities							
Water	4,164,224	3,678,173	-	117,124	-	\$ (368,927)	(368,927)
Totals	<u>\$ 22,053,727</u>	<u>\$ 5,406,128</u>	<u>\$ 1,840,478</u>	<u>\$ 565,315</u>	(13,872,879)	(368,927)	(14,241,806)
General Revenues:							
Taxes							
Sales Taxes					5,919,923	-	5,919,923
Property Taxes					1,002,536	-	1,002,536
Franchise Taxes					349,061	-	349,061
State Sales Tax Revenue Sharing - Unrestricted					3,124,512	-	3,124,512
Auto Lieu Tax Revenue Sharing - Unrestricted					863,732	-	863,732
Investment Earnings (Loss)					(39,885)	(40)	(39,925)
Transfers					1,005,000	(1,005,000)	-
Total General Revenues and Transfers					12,224,879	(1,005,040)	11,219,839
Change in Net Assets					(1,648,000)	(1,373,967)	(3,021,967)
Net Assets - Beginning					110,054,527	23,532,755	133,587,282
Net Assets - Ending					<u>\$ 108,406,527</u>	<u>\$ 22,158,788</u>	<u>\$ 130,565,315</u>

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General	HURF	Debt Service	Public Safety Bond Project	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and Investments	\$ 582,837	\$ 194,189	\$ 1,298,761	\$ 1,743,057	\$ 908,772	\$ 4,727,616
Restricted Cash and Investments	-	-	-	-	480,221	480,221
Accounts Receivable	152,552	-	119	-	6,443	159,114
Intergovernmental Receivable	623,825	135,448	-	-	105,819	865,092
Special Assessments Receivable	-	-	937,791	-	-	937,791
Due from Other Funds	-	-	-	-	15,494	15,494
Prepaid Items	14,645	-	3,869	-	-	18,514
Total Assets	<u>\$ 1,373,859</u>	<u>\$ 329,637</u>	<u>\$ 2,240,540</u>	<u>\$ 1,743,057</u>	<u>\$ 1,516,749</u>	<u>\$ 7,203,842</u>
Liabilities and Fund Balance						
Liabilities						
Accounts Payable	\$ 211,762	\$ 31,858	\$ -	\$ 76,508	\$ 47,281	\$ 367,409
Accrued Wages and Benefits	307,946	29,585	-	-	13,973	351,504
Due to Other Funds	-	-	-	-	15,494	15,494
Interest Payable	-	-	100,459	-	-	100,459
Deferred Revenue	2,169	-	937,791	-	1,704	941,664
Customer Deposits Payable	10,359	-	-	-	-	10,359
Total Liabilities	<u>532,236</u>	<u>61,443</u>	<u>1,038,250</u>	<u>76,508</u>	<u>78,452</u>	<u>1,786,889</u>
Fund Balances						
Reserved for Prepaid Items	14,645	-	3,869	-	-	18,514
Unreserved	826,978	268,194	1,198,421	1,666,549	-	3,960,142
Unreserved, reporting in nonmajor						
Special Revenue Funds	-	-	-	-	645,656	645,656
Capital Projects Funds	-	-	-	-	792,641	792,641
Total Fund Balance	<u>841,623</u>	<u>268,194</u>	<u>1,202,290</u>	<u>1,666,549</u>	<u>1,438,297</u>	<u>5,416,953</u>
Total Liabilities and Fund Balance	<u>\$ 1,373,859</u>	<u>\$ 329,637</u>	<u>\$ 2,240,540</u>	<u>\$ 1,743,057</u>	<u>\$ 1,516,749</u>	<u>\$ 7,203,842</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 ASSETS
JUNE 30, 2010

Total Fund Balances for Governmental Funds	\$ 5,416,953
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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	137,445,861
Less Accumulated Depreciation	(27,838,179)
Capital Assets Used in Governmental Activities	109,607,682

Other long-term assets are not available to pay for current-period expenditures and are not susceptible to accrual.	937,791
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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	(3,205,000)
Special Assessment Bonds	(1,155,000)
Revenue Bonds Payable	(860,000)
Certificates of Participation	(215,000)
Deferred Amount on Premium	(78,071)
Capital Leases	(294,604)
Compensated Absences	(1,077,968)
Other Postemployment Benefits	(2,321,822)
Deferred Charges for Bond Issuance	157,121
Deferred Amount on Refunding	9,438
Arizona State Retirement Payable	(11,721)

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 assets.

	1,496,728
Total Net Assets of Governmental Activities	\$ 108,406,527

TOWN OF PAYSON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	HURF	Debt Service	Public Safety Bond Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes						
Sales Taxes	\$ 5,456,786	\$ -	\$ 327,407	\$ -	\$ 135,730	\$ 5,919,923
Property Taxes	522,676	-	250,630	-	229,230	1,002,536
Franchise Taxes	349,061	-	-	-	-	349,061
Intergovernmental	4,164,851	1,481,022	-	-	547,591	6,193,464
Fines and Forfeitures	205,968	-	-	-	15,555	221,523
Licenses and Permits	209,031	-	-	-	-	209,031
Charges for Services	654,470	4,482	-	-	278,684	937,636
Contributions and Donations	340	4,224	60,000	-	18,885	83,449
Development Impact Fees	-	29,640	-	-	35,475	65,115
Special Assessments	-	-	111,084	-	-	111,084
Investment Earnings (Loss)	(47,636)	(2,507)	8,214	886	1,158	(39,885)
Other	227,252	16,269	34,459	-	16,670	294,650
Total Revenues	11,742,799	1,533,130	791,794	886	1,278,978	15,347,587
Expenditures						
Current						
General Government	3,159,922	-	-	-	68,874	3,228,796
Public Safety	6,830,985	-	-	63,211	231,228	7,125,424
Highways and Streets	631,448	1,829,117	-	-	-	2,460,565
Culture and Recreation	412,995	-	-	-	545,964	958,959
Public Works	6,992	-	-	-	131,961	138,953
Community Development	889,011	-	-	-	9,960	898,971
Health and Welfare	272,196	-	-	-	-	272,196
Debt Service						
Principal Retirement	-	-	847,866	-	-	847,866
Interest on Long-Term Debt	-	-	241,063	-	-	241,063
Issuance Costs	-	-	38,000	17,233	-	55,233
Capital Outlay	-	-	-	433,540	482,240	915,780
Total Expenditures	12,203,549	1,829,117	1,126,929	513,984	1,470,227	17,143,806
Excess (Deficiency) of Revenues Over Expenditures	(460,750)	(295,987)	(335,135)	(513,098)	(191,249)	(1,796,219)
Other Financing Sources (Uses)						
Transfers In	1,005,000	-	431,951	310,638	287,685	2,035,274
Transfers Out	(503,318)	-	(310,638)	-	(216,318)	(1,030,274)
Issuance of Long-Term Debt	-	-	-	1,525,000	-	1,525,000
Premium on the Issuance of Long-Term Debt	-	-	-	45,510	-	45,510
Total Other Financing Sources (Uses)	501,682	-	121,313	1,881,148	71,367	2,575,510
Net Change in Fund Balance	40,932	(295,987)	(213,822)	1,368,050	(119,882)	779,291
Fund Balance						
Beginning of Year	800,691	564,181	1,416,112	298,499	1,558,179	4,637,662
End of Year	<u>\$ 841,623</u>	<u>\$ 268,194</u>	<u>\$ 1,202,290</u>	<u>\$ 1,666,549</u>	<u>\$ 1,438,297</u>	<u>\$ 5,416,953</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
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net Change in Fund Balances of Governmental Funds \$ 779,291

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	763,865
Less Current Year Depreciation	(1,797,871)
Excess Depreciation Over Capital Expenditures	(1,034,006)

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.

Special Assessments Recognized	(111,084)
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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 assets. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term debt on the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these items are deferred and amortized over the term of the long term debt in the statement of activities.

Principal Payments on Long-Term Debt	770,000
Issuance of Long-Term Debt	(1,570,510)
Principal Payments on Capital Leases	77,866
Bond Issuance Costs	55,233
Amortization of Issuance Costs	(31,253)
Amortization of Deferred Amount on Bond Premium	9,373
Amortization of Deferred Amount on Refunding	(4,718)

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 increase in Compensated Absences	52,450
Net increase in Other Postemployment Benefits	(1,127,390)
Arizona State Retirement Liability	(11,721)

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	498,469
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Change in Net Assets of Governmental Activities	\$ (1,648,000)
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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
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes	\$ 6,886,687	\$ 6,328,523	\$ (558,164)
Intergovernmental	4,497,900	4,164,851	(333,049)
Fines and Forfeitures	200,000	205,968	5,968
Licenses and Permits	169,500	209,031	39,531
Charges for Services	604,400	654,470	50,070
Contributions and Donations	136,300	340	(135,960)
Investment Earnings	15,000	(47,636)	(62,636)
Other	210,600	227,252	16,652
Total Revenues	<u>12,720,387</u>	<u>11,742,799</u>	<u>(977,588)</u>
Expenditures			
Current			
General Government			
General Government Administration	1,133,800	944,007	189,793
Town Clerk	280,800	263,858	16,942
Elections	84,900	37,629	47,271
Town Manager	164,900	177,708	(12,808)
Town Council	135,800	116,607	19,193
Human Resources	97,600	113,253	(15,653)
Computer Information Services	562,900	325,856	237,044
Financial Services	410,000	409,408	592
Courts	227,500	257,634	(30,134)
Attorney	504,900	513,962	(9,062)
Total General Government	<u>3,603,100</u>	<u>3,159,922</u>	<u>443,178</u>
Public Safety			
Police Department	4,489,829	4,272,034	217,795
Fire Department	2,872,500	2,558,951	313,549
Total Public Safety	<u>7,362,329</u>	<u>6,830,985</u>	<u>531,344</u>
Highways and Streets			
Streets	441,900	631,448	(189,548)
Culture and Recreation			
Park Operations	-	36,791	(36,791)
Recreation	285,600	246,611	38,989
Aquatics	103,400	64,935	38,465
Trails	70,800	64,658	6,142
Total Culture and Recreation	<u>459,800</u>	<u>412,995</u>	<u>46,805</u>
Public works			
Town Engineer	151,300	6,992	144,308

(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
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

(Concluded)

	Final Budget	Actual	Variance with Final Budget
Expenditures (Continued)			
Current (Continued)			
Community Development			
Planning and Zoning	\$ 463,400	\$ 421,720	\$ 41,680
Building Inspections	400,300	362,582	37,718
Tourism - Economic Vitality	116,000	104,709	11,291
Total Community Development	<u>979,700</u>	<u>889,011</u>	<u>90,689</u>
Health and Welfare			
Health and Welfare	138,000	123,350	14,650
Animal Control	155,532	148,846	6,686
Total Health and Welfare	<u>293,532</u>	<u>272,196</u>	<u>21,336</u>
Total Expenditures	<u>13,291,661</u>	<u>12,203,549</u>	<u>1,088,112</u>
Excess (Deficiency) of Revenues Over Expenditures	(571,274)	(460,750)	110,524
Other Financing Sources (Uses)			
Transfers In	1,005,000	1,005,000	-
Transfers Out	(741,130)	(503,318)	237,812
Total Other Financing Sources (Uses)	<u>263,870</u>	<u>501,682</u>	<u>237,812</u>
Net Change in Fund Balance	(307,404)	40,932	348,336
Fund Balance			
Beginning of Year	-	800,691	800,691
End of Year	<u>\$ (307,404)</u>	<u>\$ 841,623</u>	<u>\$ 1,149,027</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
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 1,499,000	\$ 1,481,022	\$ (17,978)
Charges for Services	40,000	4,482	(35,518)
Contributions and Donations	-	4,224	4,224
Development Impact Fees	60,000	29,640	(30,360)
Investment Earnings (Loss)	5,000	(2,507)	(7,507)
Other	14,000	16,269	2,269
Total Revenues	<u>1,618,000</u>	<u>1,533,130</u>	<u>(84,870)</u>
Expenditures			
Current			
Highways and Streets	<u>2,233,100</u>	<u>1,829,117</u>	<u>403,983</u>
Excess (Deficiency) of Revenues Over Expenditures	(615,100)	(295,987)	319,113
Other Financing Sources (Uses)			
Transfers In	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
Net Change in Fund Balance	(315,100)	(295,987)	19,113
Fund Balance			
Beginning of Year	-	564,181	564,181
End of Year	<u>\$ (315,100)</u>	<u>\$ 268,194</u>	<u>\$ 583,294</u>

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-Type Activities - Enterprise Funds	Governmental Activities Internal Service Funds
	Water	
Assets		
Current Assets		
Cash and Investments	\$ 6,047,030	\$ 1,667,198
Receivables, Net		
Accounts Receivable	468,969	52
Intergovernmental Receivable	602,937	-
Notes Receivable	127,913	-
Restricted Cash and Investments	919,393	-
Prepaid Items	20,000	-
Total Current Assets	<u>8,186,242</u>	<u>1,667,250</u>
Noncurrent Assets		
Other Assets	60,427	-
Capital Assets		
Non-Depreciable	4,972,679	-
Depreciable (net)	11,285,047	-
Total Noncurrent Assets	<u>16,318,153</u>	<u>-</u>
Total Assets	24,504,395	1,667,250
Liabilities		
Current Liabilities		
Accounts Payable	199,452	3,847
Accrued Wages and Benefits	56,120	-
Customer Deposits Payable	467,534	-
Claims Payable	-	166,675
Compensated Absences	111,404	-
Bonds and Notes Payable	294,127	-
Total Current Liabilities	<u>1,128,637</u>	<u>170,522</u>
Noncurrent Liabilities		
Compensated Absences	115,888	-
Other Postemployment Benefits	332,534	-
Bonds and Notes Payable	768,548	-
Total Noncurrent Liabilities	<u>1,216,970</u>	<u>-</u>
Total Liabilities	<u>2,345,607</u>	<u>170,522</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	15,195,051	-
Restricted for		
Capital Outlay	1,065,623	-
Unrestricted	5,898,114	1,496,728
Total Net Assets	<u>\$ 22,158,788</u>	<u>\$ 1,496,728</u>

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Business-Type Activities - Enterprise Funds	Governmental Activities Internal Service Funds
	Water	
Operating Revenues		
Charges for Services	\$ 3,467,986	\$ -
Contributions	-	2,334,049
Total Operating Revenues	3,467,986	2,334,049
Operating Expenses		
Cost of Sales and Services	3,121,955	371,003
Claims	-	1,468,484
Depreciation	1,031,191	-
Total Operating Expenses	4,153,146	1,839,487
Operating Income	(685,160)	494,562
Nonoperating Revenues (Expenses)		
Development Impact Fees	148,090	-
Investment Earnings (Loss)	(40)	3,907
Interest Expense	(11,078)	-
Miscellaneous Nonoperating Revenues	62,097	-
Total Nonoperating Revenue (Expenses)	199,069	3,907
Income Before Capital Contributions and Transfers	(486,091)	498,469
Capital Contributions	117,124	-
Transfers Out	(1,005,000)	-
Change in Net Assets	(1,373,967)	498,469
Net Assets		
Beginning of Year	23,532,755	998,259
End of Year	\$ 22,158,788	\$ 1,496,728

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Activities - Enterprise Funds	Governmental Activities Internal Service Funds
	Water	
Cash Flows from Operating Activities		
Receipts from Customers	\$ 3,415,908	\$ 2,333,997
Payments to Suppliers	(1,696,649)	(379,366)
Payments to Employees	(1,174,437)	-
Payments for Claims	-	(1,642,536)
Other Receipts	62,097	-
Customer Deposits Payable	20,875	-
Net Cash Flows from Operating Activities	<u>627,794</u>	<u>312,095</u>
Cash Flows from Noncapital Financing Activities		
Transfers Out	(1,005,000)	-
Development impact Fees	190,185	-
Net Cash Flows from Noncapital Financing Activities	<u>(814,815)</u>	<u>-</u>
Cash Flows from Capital and Financing Activities		
Purchases of Capital Assets	(1,993,417)	-
Principal Paid on Capital Debt	(319,518)	-
Issuance of Long-Term Debt	320,916	-
Interest Paid on Capital Debt	(17,953)	-
Net Cash Flows from Capital and Related Financing Activities	<u>(2,009,972)</u>	<u>-</u>
Cash Flows from Investing Activities		
Investment Earnings	<u>(40)</u>	<u>3,907</u>
Net Change in Cash and Cash Equivalents	(2,197,033)	316,002
Cash and Cash Equivalents, Beginning of Year	<u>9,163,456</u>	<u>1,351,196</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 6,966,423</u></u>	<u><u>\$ 1,667,198</u></u>
Reconciliation of cash and cash equivalents to the statement of net assets		
Cash and Investments	\$ 6,047,030	\$ 1,667,198
Restricted Cash and Investments	919,393	-
Total Cash and Cash Equivalents	<u><u>\$ 6,966,423</u></u>	<u><u>\$ 1,667,198</u></u>

(Continued)

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Activities - Enterprise Funds	Governmental Activities Internal Service Funds
(Concluded)	Water	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (685,160)	\$ 494,562
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,031,191	-
Nonoperating Receipts	62,097	-
Change in Assets/Liabilities:		
Receivables	(111,641)	(52)
Prepaid Items	(20,000)	-
Other Assets	59,563	
Accounts Payable	152,437	(8,363)
Accrued Wages and Benefits	(9,048)	-
Compensated Absences	(37,477)	-
Other Postemployment Benefits	164,957	-
Claims Payable	-	(174,052)
Customer Deposits Payable	20,875	-
Net Cash Provided (Used) for Operating Activities	<u>\$ 627,794</u>	<u>\$ 312,095</u>

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010

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 assets 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 and proprietary funds. 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, 2010

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.

The *Highway Users Revenue Fund (HURF)* accounts 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 *Public Safety Bond Project Fund* accounts for the revenues and related costs for police grants and seizure activity.

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

Additionally, the Town reports the following fund type:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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, health claims and 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, and Net Assets 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.

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

1. Deposits and Investments (Continued)

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.

2. Receivables

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

Gila County levies real 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. Inventories and Prepaid Items

Inventories are recorded as expenditures at the time of purchase in the governmental funds, and because the amounts on hand at June 30, 2010 were immaterial, they are not included in the government-wide and fund financial statements.

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.

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Restricted Assets

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 assets 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.

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

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 liability has been calculated based on the Town's compensated absence policy, in which accrued vacation and compensatory leave time is paid out 100% upon termination and accumulated sick leave is paid out at 50% of the employee's outstanding balance for all employees with one or more years of service. The Town does not have a limit on the amount of sick leave that can be accrued. 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 fund financial statements.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

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

9. Net Assets

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

The \$1,065,623 restricted net assets recorded in the Water Fund is for developer impact fees restricted by enabling legislation.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Town did not report any designated fund balances during the fiscal year.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010**

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 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, 2010**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the following funds:

	<u>Amount of Overexpenditure</u>
General Fund	
Town manager	\$ 12,808
Human resources	15,653
Courts	30,134
Attorney	9,062
Streets	189,548
Park Operations	36,791

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2010 consist of the following:

Deposits	
Cash on hand	\$ 1,355
Cash in bank	1,066,302
Investments	
State Treasurer's Investment Pool	11,708,178
Cash on deposit with trustee	<u>1,065,623</u>
Total Deposits and Investments	13,841,458
Restricted cash and investments	<u>(1,399,614)</u>
Total cash and investments, statement of net assets	<u><u>\$ 12,441,844</u></u>

Deposits - The Town had a carrying value of \$1,066,302 for cash on deposit with a local financial institution and a bank balance of \$2,168,368 at June 30, 2010. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,918,368 was covered by collateral held by the Town's custodial bank in the Town's name. The Town's deposits are not subject to custodial credit risk.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010**

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 J.P. Morgan. The funds held in trust are invested in money market funds, are valued at cost, and are invested in cash and cash equivalents and U.S. Treasury Bills. The funds are not subject to credit risk or interest rate risk.

Interest rate risk. 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. The average maturity of the State Treasurer's Investment Pool is less than one year.

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. The Town's investment in the State Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

2. Restricted Cash and Investments

Restricted assets at June 30, 2010 consisted of the following:

	Governmental Activities	Business-type Activities	Total
Central Arizona Project Trust	\$ 480,221	\$ -	\$ 480,221
Current debt service	-	409,940	409,940
Replacement and extension	-	41,919	41,919
Customer deposits	-	467,534	467,534
Total	<u>\$ 480,221</u>	<u>\$ 919,393</u>	<u>\$ 1,399,614</u>

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special Assessments Receivable (Debt Service Fund)	\$ 937,791	\$ -
Miscellaneous Deferred Revenue (General Fund)	-	2,169
(Nonmajor Governmental Funds)	-	1,704
Total	<u>\$ 937,791</u>	<u>\$ 3,873</u>

4. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 12,222,878	\$ -	\$ -	\$ 12,222,878
Construction in Progress	-	433,540	-	433,540
Total Capital Assets, Not Being Depreciated	<u>12,222,878</u>	<u>433,540</u>	<u>-</u>	<u>12,656,418</u>
Capital Assets, Being Depreciated:				
Infrastructure	100,522,532	47,100	-	100,569,632
Buildings	8,728,618	-	-	8,728,618
Improvements Other Than Buildings	6,908,664	-	-	6,908,664
Vehicles, Machinery and Equipment	8,338,389	283,225	(39,085)	8,582,529
Total Capital Assets, Being Depreciated	<u>124,498,203</u>	<u>330,325</u>	<u>(39,085)</u>	<u>124,789,443</u>
Accumulated Depreciation for:				
Infrastructure	(14,113,446)	(698,492)	-	(14,811,938)
Buildings	(2,547,309)	(260,995)	-	(2,808,304)
Improvements Other Than Buildings	(4,120,146)	(350,540)	-	(4,470,686)
Vehicles, Machinery and Equipment	(5,298,492)	(487,844)	39,085	(5,747,251)
Total Accumulated Depreciation	<u>(26,079,393)</u>	<u>(1,797,871)</u>	<u>39,085</u>	<u>(27,838,179)</u>
Total Capital Assets, Being Depreciated, Net	<u>98,418,810</u>	<u>(1,467,546)</u>	<u>-</u>	<u>96,951,264</u>
Governmental Activities Capital Assets, Net	<u>\$ 110,641,688</u>	<u>\$ (1,034,006)</u>	<u>\$ -</u>	<u>\$ 109,607,682</u>

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,504,077	\$ -	\$ -	\$ 1,504,077
Construction in Progress	1,631,878	1,836,724	-	3,468,602
Total Capital Assets, Not Being Depreciated	3,135,955	1,836,724	-	4,972,679
Capital Assets, Being Depreciated:				
Buildings	600,906	-	-	600,906
Improvements Other Than Buildings	23,630,458	125,665	-	23,756,123
Vehicles, Machinery and Equipment	1,504,497	31,028	(21,338)	1,514,187
Total Capital Assets, Being Depreciated	25,735,861	156,693	(21,338)	25,871,216
Accumulated Depreciation for:				
Buildings	(340,028)	(19,945)	-	(359,973)
Improvements Other Than Buildings	(12,013,852)	(932,389)	-	(12,946,241)
Vehicles, Machinery and Equipment	(1,222,436)	(78,857)	21,338	(1,279,955)
Total Accumulated Depreciation	(13,576,316)	(1,031,191)	21,338	(14,586,169)
Total Capital Assets, Being Depreciated, Net	12,159,545	(874,498)	-	11,285,047
Business-Type Activities Capital Assets, Net	<u>\$ 15,295,500</u>	<u>\$ 962,226</u>	<u>\$ -</u>	<u>\$ 16,257,726</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 106,146
Public Safety	438,440
Highways and Streets	674,056
Culture and Recreation	556,837
Public Works	1,293
Community Development	21,099
Total Depreciation Expense	<u>\$ 1,797,871</u>

Business-Type Activities:

Water	<u>\$ 1,031,191</u>
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**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Construction Commitments

The Town has active construction projects at June 30, 2010. At fiscal year end the Town's commitments with contractors were as follows:

		<u>Governmental Activities</u>	
	<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
	Fire Station #3	<u>\$ 433,540</u>	<u>\$ 846,429</u>
		<u>Business-type Activities</u>	
	<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
	CC Cragin Pipeline (Blue Ridge)	<u>\$ 3,245,124</u>	<u>\$ 7,339,876</u>

B. Interfund Receivable, Payables and Transfers

As of June 30, 2010, interfund receivables and payables were as follows:

		<u>Due From</u>
	<u>Due to</u>	<u>Nonmajor Governmental Fund</u>
	Nonmajor Governmental Funds	<u>\$ 15,494</u>

The above interfund receivables and payables reflects a short-term loan to the Grants Capital Project Nonmajor Governmental Fund.

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivable, Payables and Transfers (Continued)

Interfund transfers for the year ended June 30, 2010 consisted of the following:

Transfer Out	Transfer In				Total
	General Fund	Debt Service Fund	Public Safety Bond Project Fund	Nonmajor Governmental Fund	
General Fund	\$ -	\$ 253,400	\$ -	\$ 249,918	\$ 503,318
Debt Service Fund	-	-	310,638	-	310,638
Nonmajor Governmental Funds	-	178,551	-	37,767	216,318
Water Fund	1,005,000	-	-	-	1,005,000
Total	<u>\$ 1,005,000</u>	<u>\$ 431,951</u>	<u>\$ 310,638</u>	<u>\$ 287,685</u>	<u>\$ 2,035,274</u>

Transfers were made to fund various projects, primarily from the General Fund and for the annual debt service requirements on outstanding excise tax revenue bonds.

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 asset is capitalized in the government-wide statement of net assets.

The assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Vehicles, machinery and equipment	\$ 550,000
Less: accumulated depreciation	(258,227)
Total	<u>\$ 291,773</u>

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Obligations Under Leases (Continued)

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2010, were as follows:

	Governmental Activities
Year ending June 30,	
2011	\$ 114,351
2012	102,276
2013	102,276
Total minimum lease payments	318,902
Less: amount representing interest	(24,298)
Present value of minimum lease payments	<u>\$ 294,604</u>

D. Note Payable

The Town has entered into a note payable for the purchase of real property (Little Note Payable) and a Water Infrastructure Authority of Arizona loan for improvements to the water system. The WIFA loan is funded through federal ARRA dollars and has an available balance of \$10,585,000, of which \$4,000,000 is forgivable and \$6,585,000 is to be paid back at 2.891%. Revenues from the Water Fund are used for repayment of the note.

Description	Interest Rate	Maturity	Outstanding Principal June 30, 2010	Amount Due Within One Year
Business-type Activities:				
Little Note Payable	3.357%	7/1/10-15	\$ 255,946	\$ 46,332
Water Infrastructure Authority	2.891%	7/1/10-29	806,729	247,795
			<u>\$ 1,062,675</u>	<u>\$ 294,127</u>

Annual debt service requirements to maturity on the note payable at June 30, 2010 are summarized as follows:

	Business-type Activities	
Year Ending June 30,	Principal	Interest
2011	\$ 294,127	\$ 32,804
2012	303,177	22,666
2013	312,513	14,330
2014	93,875	4,702
2015	58,983	1,386
	<u>\$ 1,062,675</u>	<u>\$ 75,888</u>

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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. In addition, the Town must establish, maintain, and collect rates, fees and charges for all services supplied by its water utility sufficient to pay for the water revenue bond principal and interest. The excise tax revenue obligation bonds will be repaid from excise tax revenues of the Town and lease revenues from new airport hangars. The certificates of participation will be repaid from park development fees and is guaranteed by a land ground lease. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

The Town has pledged secondary property taxes to be levied on all of the taxable property located within the boundaries of the Town to repay \$1.1 million in governmental general obligation refunding bonds issued in 2006. Proceeds of the bonds were used to refund and refinance the outstanding General Obligation Permanent Bond, Series 1996 previously issued by the Town to construct a retention basin for treated sewage known as Green Valley Park. The bonds are payable solely from secondary property taxes and are payable through 2012. Annual principal and interest payments on the bonds are expected to require approximately 80 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$611,197. Principal and interest paid for the current year and total secondary property taxes were \$202,219 and \$250,630, respectively.

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 are payable through 2014. Annual principal and interest payments on the bonds are expected to require approximately 75% percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$985,487. Principal and interest paid for the current year and total special sales taxes were \$239,843 and \$327,407, respectively.

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 the 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% percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,889,391. Principal and interest paid for the current year and total special sales taxes were \$59,446 and \$327,407, respectively.

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

The Town has pledged assessed taxes for each of the homeowners within the District to repay \$2.1 million in governmental special assessments obligations issued in 1996. Proceeds of the bonds provided financing for improvements in the East Loop Road 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 2012. Annual principal and interest payments on the bonds are expected to require 100 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$468,350. Principal and interest paid for the current year and total assessed taxes were \$231,875 and \$111,084, respectively.

The Town has pledged assessed taxes for each of the homeowners within the 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 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,009,625. Principal and interest paid for the current year and total excise taxes were \$82,075 and \$111,084, 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 2.0 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,020,425. Principal and interest paid for the current year and total excise taxes were \$124,937 and \$7,785,523, respectively.

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

The Town has pledged park development fees to repay \$0.5 million in certificates of participation issued in 2005. Proceeds of the bonds provided financing for the installation and construction of fencing, lighting and synthetic turf for use as baseball and softball fields. The bonds are payable from park development fees and is guaranteed by a land ground lease. The bonds are payable through 2012. Annual principal and interest payments on the bonds are expected to require more than 100 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$229,693. Principal and interest paid for the current year and total park development fees were \$91,980 and \$23,975, respectively.

The Town has pledged net revenues from the operation of the Water System to repay \$6.6 million in business-type loans through the Water Infrastructure Authority of Arizona. Proceeds of the loan provide financing for the purchase of the water system now serving the Town and 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 2029; however, as of June 30, 2010, the Town has only drawn down \$0.8 million of the loan. Annual principal and interest payments on the bonds are expected to require less than 12.0 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$8,668,153, if the Town had drawn down all funds available. Principal and interest paid for the current year and total net revenues from the operation of the Water System were \$23,000 and \$3,795,257, respectively.

Purpose	Interest Rates	Maturity Date	Original Amount	Outstanding Amount
Governmental Activities:				
General Obligation Bonds				
General obligation bonds, Green Valley Park, Series 2006	4.0-4.125%	07/01/10-12	\$ 1,085,000	\$ 575,000
General obligation bonds, Series 2004	3.0-3.65	07/01/10-14	2,030,000	1,105,000
General obligation bonds, Series 2009	3.0-4.0	07/01/10-18	1,525,000	1,525,000
Total general obligation bonds			4,640,000	3,205,000
Special Assessment Bonds				
East Loop Road Improvement District, Series 1996	5.9	01/01/10-12	2,142,000	430,000
Westerly Drive Improvement District, Series 2005	5.5	01/01/10-22	875,000	725,000
Total special assessment bonds			3,017,000	1,155,000
Revenue Bonds				
Excise tax revenue obligations, Public Works, Series 2003A	3.75-4.625	10/01/10-17	860,000	860,000
Certificates of Participation				
Certificates of Participation, Series 2005	3.2-4.5	11/01/10-12	545,000	215,000
Total governmental activities			<u>\$ 9,502,000</u>	<u>\$ 5,435,000</u>

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended June 30, 2010 are as follows:

	July 1, 2009	Increases	Decreases	June 30, 2010	Due Within One Year
Governmental Activities					
Bonds and special assessments					
General obligation bonds	\$ 2,055,000	\$ 1,525,000	\$ (375,000)	\$ 3,205,000	\$ 385,000
Special assessment bonds	1,390,000	-	(235,000)	1,155,000	255,000
Revenue bonds	940,000	-	(80,000)	860,000	90,000
Certificates of participation	295,000	-	(80,000)	215,000	80,000
	<u>4,680,000</u>	<u>1,525,000</u>	<u>(770,000)</u>	<u>5,435,000</u>	<u>810,000</u>
Deferred amounts:					
Premium	41,934	45,510	(9,373)	78,071	-
Deferred amount on refunding	(14,156)	-	4,718	(9,438)	-
Total bonds and special assessments	<u>4,707,778</u>	<u>1,570,510</u>	<u>(774,655)</u>	<u>5,503,633</u>	<u>810,000</u>
Other liabilities:					
Capital leases	372,470	-	(77,866)	294,604	101,737
Compensated absences	1,130,418	573,269	(625,719)	1,077,968	644,490
Other Postemployment Benefits	1,194,432	1,543,237	(415,847)	2,321,822	-
Total other liabilities	<u>2,697,320</u>	<u>2,116,506</u>	<u>(1,119,432)</u>	<u>3,694,394</u>	<u>746,227</u>
Governmental activities long-term liabilities	<u>\$ 7,405,098</u>	<u>\$ 3,687,016</u>	<u>\$ (1,894,087)</u>	<u>\$ 9,198,027</u>	<u>\$ 1,556,227</u>
	July 1, 2009	Increases	Decreases	June 30, 2010	Due Within One Year
Business-type Activities					
Bonds payable	\$ 140,000	\$ -	\$ (140,000)	\$ -	\$ -
Notes payable	300,464	806,729	(44,518)	1,062,675	294,127
Compensated absences	264,769	54,530	(92,007)	227,292	111,404
Other Postemployment Benefits	167,577	225,802	(60,845)	332,534	-
Business-type activities long-term liabilities	<u>\$ 872,810</u>	<u>\$ 1,087,061</u>	<u>\$ (337,370)</u>	<u>\$ 1,622,501</u>	<u>\$ 405,531</u>

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Debt service requirements on long-term debt at June 30, 2010 are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2011	\$ 810,000	\$ 216,662
2012	855,000	180,489
2013	615,000	141,996
2014	385,000	122,173
2015	685,000	102,249
2016 - 2020	1,930,000	221,091
2021 - 2023	155,000	12,925
	<u>\$ 5,435,000</u>	<u>\$ 997,584</u>

In prior years, the Town defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2010, the amount of defeased debt outstanding but removed from the Town's financial statements was \$661,000.

NOTE 4 OTHER INFORMATION

A. Risk Management

The Town of Payson, Arizona, 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, of which the Town is a participating member. The Arizona Municipal Risk Retention Pool 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 Arizona Municipal Risk Retention Pool for its general insurance coverage. The agreement provides that Arizona Risk Retention Pool 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 Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligations. The Pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

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.

In a prior fiscal year, the Town established a Self-funded Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss related to health claims. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses allocated to specific claims. Estimated recoveries, for example, from salvage or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$50,000. Settlements did not exceed coverage for the past fiscal year. The claims outstanding at June 30, 2010 are expected to be paid in the next year.

Changes in the balances of claims liability during the past two years are as follows:

	Claims Liability at beginning of year	Current Year Claims and Changes in Estimates	Claims Payments	Claims Liability at end of year
2008-09	\$ 188,487	\$ 1,883,089	\$ 1,730,849	\$ 340,727
2009-10	340,727	1,468,484	1,642,536	166,675

B. Contingent Liabilities

Lawsuits - The Town is a defendant in various lawsuits. In the opinion of the Town's attorney, the outcome of these lawsuits is not presently determinable and an unfavorable outcome, if any, would be covered by the Town's insurance. The Town's exposure to a loss, if any, would be its deductible on a claims basis.

Ground Lease - In November 2005, the Town executed a ground lease. Under the lease agreement, the Town leased a portion of Rumsey Park related to the two new ball fields to the Trustee. The Trustee, in turn, leased the property back to the Town for seven years or until the certificates of participation are fully paid or defeased. Upon maturity of the certificates, the ground lease will terminate and the Town will become the sole and only owner of the property.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans

Arizona State Retirement System

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. The Arizona State Retirement System (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. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System 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, 2010, active plan members were required by statute to contribute at the actuarially determined rate of 9.45 percent (7.92 percent for retirement, 1.03 percent for health insurance premium, and 0.5 percent for long-term disability) of the members' annual covered payroll.

Arizona State Retirement System Contributions
Last Three Fiscal Years

<u>Years ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2010	\$ 325,151	\$ 25,731	\$ 15,595
2009	326,034	42,403	20,579
2008	440,201	57,433	27,352

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010**

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. The Public Safety Personnel Retirement System 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 E. 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 10.71% and 11.38% of annual covered payroll for Police and Fire, respectively.

Annual Pension Cost - During the year ended June 30, 2010 (the date of the most recent actuarial valuation), the Town of Payson, Arizona's annual pension cost of \$501,393 for police and \$298,108 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, 2010 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 8.5% per year compounded annually, (b) projected salary increases of 5.5% (including inflation at 5.0%) per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Funded Status and Funding Progress - As of June 30, 2010, the most recent actuarial valuation date, the plan was 52.5 percent funded for police and 74.0 percent funded for fire. The actuarial accrued liability for benefits was \$5.4 million for police and \$4.3 million for fire, and the actuarial value of assets was \$10.2 million for police and \$5.8 million for fire, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.9 million for police and \$1.5 million for fire. The covered payroll (annual payroll of active employees covered by the plan) was \$1.9 million for police and \$1.4 million for fire, and the ratio of the UAAL to the covered payroll was 262.1 percent for police and 104.0 percent for fire.

The schedule of funding progress, presented as 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 of Payson, Arizona's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The Town of Payson, Arizona's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at March 31, 2011, 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
2007	\$ 304,018	100.0 %	\$ -
2008	411,663	100.0	-
2009	501,393	100.0	-

**Three-Year Trend Information
Fire**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2007	\$ 151,112	100.0 %	\$ -
2008	207,971	100.0	-
2009	298,108	100.0	-

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010**

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 66.

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

During the fiscal year ended June 30, 2010, the Town complied with Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The Town engaged an actuary to determine the Town's liability for postemployment healthcare benefits other than pensions as of June 30, 2008.

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 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.

Currently, the plan has 148 active participants and 62 current retirees, beneficiaries and dependents. The Town makes average monthly contributions of \$355 for employee only plans and \$922 for employee and family plans.

Funding Policy - During the year ended June 30, 2010, the Town contributed \$476,692 for all eligible retirees.

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Postemployment Benefits Other Than Pension Benefits (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	\$ 1,769,039
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	<u>1,769,039</u>
Contributions Made	<u>(476,692)</u>
Increase in Net OPEB Obligation	1,292,347
Net OPEB Obligation-Beginning of Year	1,362,009
Net OPEB Obligation-End of Year	<u><u>\$ 2,654,356</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 2009:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2009	\$ 1,769,039	23.0%	\$ 1,362,009
06/30/2010	1,769,039	26.9%	2,654,356

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, 2010**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Postemployment Benefits Other Than Pension Benefits (Continued)

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, 2008 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 10%, reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2009, was 29 years.

REQUIRED SUPPLEMENTARY INFORMATION

**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
2007	\$ 5,537,075	\$ 10,625,595	52.1%	\$ 5,088,520	\$ 1,589,974	320.0%
2008	5,457,588	10,262,482	53.2%	4,804,894	1,768,119	271.8%
2009	5,360,800	10,217,612	52.5%	4,856,812	1,852,930	262.1%

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
2007	\$ 3,499,099	\$ 5,060,508	69.1%	\$ 1,561,409	\$ 1,531,000	102.0%
2008	4,014,540	5,489,079	73.1%	1,474,539	1,626,100	90.7%
2009	4,271,855	5,774,172	74.0%	1,502,317	1,444,264	104.0%

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
2008	\$ -	\$ 19,327,774	0.0%	\$ 19,327,774	N/A	N/A

The Town implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009. Information for prior years is not available.

**Combining and Individual Fund
Statements and Schedules**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Gifts and Grants - accounts for revenues that must be accounted for until completely expended. It includes such funding as the Green Valley Park Memorial Account, the DARE Program accounts, and similar accounts.

Wildlands Urban Program - accounts for costs associated with fighting fires as part of the Wildlands/Urban Fire Program.

Bed Tax - accounts for transient rental tax in the amount of 3% per transaction that is charged by the operator to any person who exercises occupancy or is entitled to occupancy by reason of concession, permit, right of access, license or other agreement for a period of less than thirty consecutive days. The purpose of the transient rental tax is for promotion, development, and enhancement of tourism industry, with all functions incidental and related thereto.

Library District Tax - 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.

Municipal Airport - accounts for all revenues and expenditures related to the operation of the Town's Municipal Airport.

Event Revenue - accounts for expenditures related to the Town's 36 acre Multi-event recreation center located on the south edge of town. User fees related to the various activities held during the year help fund the operation of the complex.

Police Grants and Seizure - accounts for all revenues and expenditures related to the operation of the Town's Grants and Seizures. Grants include various local enforcement grants and seizures include the sale of equipment obtained through seizures.

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

Capital Projects - accounts for the major projects funded by operating transfers from the General Fund and general bond financing. It includes all major projects except for the Water Fund, grant related projects, and other special revenue funds.

Equipment Replacement - accounts for funds set aside for equipment replacement as an alternative to other financing sources.

Grant Capital Projects - accounts for all major grant financed projects.

Development Fees - accounts for park and other development fees, not recorded in other funds (i.e. streets, water, etc.). The use of these fees is restricted by ordinance.

Green Valley Redevelopment - accounts for the various revenues and expenditures generated to accomplish long-range goals associated with the Green Valley Redevelopment Area Plan (Plan), which was approved and adopted by the Town Council by Resolution 1394. The purpose of the Plan is to identify and direct specific actions which will assist in the return of the Main Street area as a functional contributor to the Payson economy and the social well being of the residents.

Construction Excise Tax Revenue Obligations - accounts for bond proceeds of the Excise Tax Revenue Obligations, Series 2003A and Taxable Excise Tax Revenue Obligations, Series 2003B and their related expenditures.

Central Arizona Project Trust Fund - accounts for monies associated with an agreement the Town entered into in order to assign the Town's Central Arizona Project Water (CAP) allocation in exchange for monies placed in a trust fund. The Water Trust Fund monies are to be used for the purpose of defraying the expenditures associated with investigating, planning, constructing, acquiring and/or developing an alternative water supply to replace the CAP water assigned.

**TOWN OF PAYSON, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue					
	Gifts and Grants	Wildlands Urban Program	Bed Tax	Library District Tax	JCEF/FTG	Municipal Airport
Assets						
Cash and Investments	\$ 136,402	\$ 183,535	\$ 89,116	\$ 30,454	\$ 81,632	\$ 82,341
Restricted Cash and Investments	-	-	-	-	-	-
Accounts Receivable	-	4,776	-	1,667	-	-
Intergovernmental Receivable	9,960	-	-	-	-	46,948
Due from Other Funds	-	-	-	-	-	-
Total Assets	<u>\$ 146,362</u>	<u>\$ 188,311</u>	<u>\$ 89,116</u>	<u>\$ 32,121</u>	<u>\$ 81,632</u>	<u>\$ 129,289</u>
Liabilities and Fund Balance						
Liabilities						
Accounts Payable	\$ 450	\$ 287	\$ 8,948	\$ 6,671	\$ -	\$ 14,867
Accrued Wages and Benefits	-	802	-	12,068	-	-
Due to Other Funds	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-
Total Liabilities	<u>450</u>	<u>1,089</u>	<u>8,948</u>	<u>18,739</u>	<u>-</u>	<u>14,867</u>
Fund Balance						
Unreserved; Reported in						
Nonmajor						
Special Revenue Funds	145,912	187,222	80,168	13,382	81,632	114,422
Capital Projects Funds	-	-	-	-	-	-
Total Fund Balances	<u>145,912</u>	<u>187,222</u>	<u>80,168</u>	<u>13,382</u>	<u>81,632</u>	<u>114,422</u>
Total Liabilities and Balance	<u>\$ 146,362</u>	<u>\$ 188,311</u>	<u>\$ 89,116</u>	<u>\$ 32,121</u>	<u>\$ 81,632</u>	<u>\$ 129,289</u>

Special Revenue

Event Revenue	Police Grants and Seizures	Total
\$ 10,745	\$ 17,293	\$ 631,518
-	-	-
-	-	6,443
-	-	56,908
-	-	-
<u>\$ 10,745</u>	<u>\$ 17,293</u>	<u>\$ 694,869</u>

\$ 2,313	\$ -	\$ 33,536
1,103	-	13,973
-	-	-
1,704	-	1,704
<u>5,120</u>	<u>-</u>	<u>49,213</u>

5,625	17,293	645,656
-	-	-
<u>5,625</u>	<u>17,293</u>	<u>645,656</u>
<u>\$ 10,745</u>	<u>\$ 17,293</u>	<u>\$ 694,869</u>

**TOWN OF PAYSON, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Capital Projects				
	Capital Projects	Equipment Replacement	Grant Capital Projects	Development Fees	Green Valley Redevelop- ment
Assets					
Cash and Investments	\$ 27,326	\$ 1,887	\$ -	\$ 181,851	\$ 34,867
Restricted Cash and Investments	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Intergovernmental Receivable	-	-	48,911	-	-
Due from Other Funds	15,494	-	-	-	-
Total Assets	<u>\$ 42,820</u>	<u>\$ 1,887</u>	<u>\$ 48,911</u>	<u>\$ 181,851</u>	<u>\$ 34,867</u>
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$ 5,296	\$ -	\$ 4,795	\$ -	\$ -
Accrued Wages and Benefits	-	-	-	-	-
Due to Other Funds	-	-	15,494	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>5,296</u>	<u>-</u>	<u>20,289</u>	<u>-</u>	<u>-</u>
Fund Balance					
Unreserved; Reported in Nonmajor					
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	37,524	1,887	28,622	181,851	34,867
Total Fund Balances	<u>37,524</u>	<u>1,887</u>	<u>28,622</u>	<u>181,851</u>	<u>34,867</u>
Total Liabilities and Balance	<u>\$ 42,820</u>	<u>\$ 1,887</u>	<u>\$ 48,911</u>	<u>\$ 181,851</u>	<u>\$ 34,867</u>

Capital Projects			
Construction Excise Tax Revenue Obligations	Central Arizona Project Trust	Total	Total Nonmajor Governmental Funds
\$ -	\$ 31,323	\$ 277,254	\$ 908,772
-	480,221	480,221	480,221
-	-	-	6,443
-	-	48,911	105,819
-	-	15,494	15,494
<u>\$ -</u>	<u>\$ 511,544</u>	<u>\$ 821,880</u>	<u>\$ 1,516,749</u>
\$ -	\$ 3,654	\$ 13,745	\$ 47,281
-	-	-	13,973
-	-	15,494	15,494
-	-	-	1,704
<u>-</u>	<u>3,654</u>	<u>29,239</u>	<u>78,452</u>
-	-	-	645,656
-	507,890	792,641	792,641
<u>-</u>	<u>507,890</u>	<u>792,641</u>	<u>1,438,297</u>
<u>\$ -</u>	<u>\$ 511,544</u>	<u>\$ 821,880</u>	<u>\$ 1,516,749</u>

TOWN OF PAYSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Special Revenue				
	Gifts and Grants	Wildlands Urban Program	Bed Tax	Library District Tax	JCEF/FTG
Revenues					
Taxes					
Sales Taxes	\$ -	\$ -	\$ 135,730	\$ -	\$ -
Property Taxes	-	-	-	229,230	-
Intergovernmental Revenue	59,519	-	-	-	-
Fines and Forfeits	-	-	-	15,555	-
Charges for Services	-	37,889	-	-	-
Contributions and Donations	14,748	-	-	-	4,137
Development Impact Fees	-	-	-	-	-
Investment Earnings (Loss)	116	(255)	942	15	95
Other	-	-	-	16,670	-
Total Revenues	<u>74,383</u>	<u>37,634</u>	<u>136,672</u>	<u>261,470</u>	<u>4,232</u>
Expenditures					
Current					
General Government	-	-	68,874	-	-
Public Safety	58,897	22,112	-	-	-
Culture and Recreation	147	-	-	436,138	-
Public Works	-	-	-	-	-
Community Development	9,960	-	-	-	-
Debt Service					
Issuance Costs	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>69,004</u>	<u>22,112</u>	<u>68,874</u>	<u>436,138</u>	<u>-</u>
Excess (Deficiency) of Revenues Expenditures	5,379	15,522	67,798	(174,668)	4,232
Other Financing Sources (Uses)					
Transfers In	-	-	-	182,388	67,530
Transfers Out	-	-	(37,767)	-	-
Issuance of Long-Term Debt	-	-	-	-	-
Premium on the Issuance of Long-Term Debt	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(37,767)</u>	<u>182,388</u>	<u>67,530</u>
Net Change in Fund Balance	5,379	15,522	30,031	7,720	71,762
Fund Balance					
Beginning of Year	140,533	171,700	50,137	5,662	9,870
End of Year	<u>\$ 145,912</u>	<u>\$ 187,222</u>	<u>\$ 80,168</u>	<u>\$ 13,382</u>	<u>\$ 81,632</u>

Special Revenue

Municipal Airport	Event Revenue	Police Grants and Seizures	Total
\$ -	\$ -	\$ -	\$ 135,730
-	-	-	229,230
171,035	-	-	230,554
-	-	-	15,555
7,562	76,491	156,742	278,684
-	-	-	18,885
-	-	-	-
65	8	7,059	8,045
-	-	-	16,670
178,662	76,499	163,801	933,353
-	-	-	68,874
-	-	150,219	231,228
-	109,679	-	545,964
131,961	-	-	131,961
-	-	-	9,960
-	-	-	-
-	-	-	-
131,961	109,679	150,219	987,987
46,701	(33,180)	13,582	(54,634)
-	37,767	-	287,685
(82,000)	-	-	(119,767)
-	-	-	-
-	-	-	-
(82,000)	37,767	-	167,918
(35,299)	4,587	13,582	113,284
149,721	1,038	3,711	532,372
\$ 114,422	\$ 5,625	\$ 17,293	\$ 645,656

TOWN OF PAYSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Capital Projects				
	Capital Projects	Equipment Replacement	Grant Capital Projects	Development Fees	Green Valley Redevelop- ment
Revenues					
Taxes					
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-
Intergovernmental Revenue	-	-	317,037	-	-
Fines and Forfeits	-	-	-	-	-
Charges for Services	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Development Impact Fees	-	-	-	35,475	-
Investment Earnings (Loss)	35	1	-	(7,104)	28
Other	-	-	-	-	-
Total Revenues	35	1	317,037	28,371	28
Expenditures					
Current					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Public Works	-	-	-	-	-
Community Development	-	-	-	-	-
Debt Service					
Issuance Costs	-	-	-	-	-
Capital Outlay	7,859	-	319,120	-	-
Total Expenditures	7,859	-	319,120	-	-
Excess (Deficiency) of Revenues Expenditures	(7,824)	1	(2,083)	28,371	28
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	(95,100)	-
Issuance of Long-Term Debt	-	-	-	-	-
Premium on the Issuance of Long-Term Debt	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	(95,100)	-
Net Change in Fund Balance	(7,824)	1	(2,083)	(66,729)	28
Fund Balance					
Beginning of Year	45,348	1,886	30,705	248,580	34,839
End of Year	\$ 37,524	\$ 1,887	\$ 28,622	\$ 181,851	\$ 34,867

Capital Projects			
Construction Excise Tax Revenue Obligations	Central Arizona Project Trust	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 135,730
-	-	-	229,230
-	-	317,037	547,591
-	-	-	15,555
-	-	-	278,684
-	-	-	18,885
-	-	35,475	35,475
-	153	(6,887)	1,158
-	-	-	16,670
-	153	345,625	1,278,978
-	-	-	68,874
-	-	-	231,228
-	-	-	545,964
-	-	-	131,961
-	-	-	9,960
-	-	-	-
-	155,261	482,240	482,240
-	155,261	482,240	1,470,227
-	(155,108)	(136,615)	(191,249)
-	-	-	287,685
(1,451)	-	(96,551)	(216,318)
-	-	-	-
-	-	-	-
(1,451)	-	(96,551)	71,367
(1,451)	(155,108)	(233,166)	(119,882)
1,451	662,998	1,025,807	1,558,179
\$ -	\$ 507,890	\$ 792,641	\$ 1,438,297

TOWN OF PAYSON, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes			
Sales Taxes	\$ 300,000	\$ 327,407	\$ 27,407
Property Taxes	150,000	250,630	100,630
Contributions and Donations	60,000	60,000	-
Special Assessments	443,500	111,084	(332,416)
Investment Earnings	13,900	8,214	(5,686)
Other	300,000	34,459	(265,541)
Total Revenues	<u>1,267,400</u>	<u>791,794</u>	<u>(475,606)</u>
Expenditures			
Debt Service			
Principal Retirement	1,435,500	847,866	587,634
Interest on Long-Term Debt	678,100	241,063	437,037
Issuance Costs	-	38,000	-
Total Expenditures	<u>2,113,600</u>	<u>1,126,929</u>	<u>1,024,671</u>
Excess (Deficiency) of Revenues Over Expenditures	(846,200)	(335,135)	549,065
Other Financing Sources (Uses)			
Transfers In	480,051	431,951	(48,100)
Transfers Out	-	(310,638)	(310,638)
Total Other Financing Sources (Uses)	<u>480,051</u>	<u>121,313</u>	<u>(358,738)</u>
Net Change in Fund Balance	(366,149)	(213,822)	190,327
Fund Balance			
Beginning of Year	-	1,416,112	1,416,112
End of Year	<u>\$ (366,149)</u>	<u>\$ 1,202,290</u>	<u>\$ 1,606,439</u>

**TOWN OF PAYSON, ARIZONA
PUBLIC SAFETY BOND PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 3,800,000	\$ -	\$ (3,800,000)
Investment Earnings	2,800	886	(1,914)
Total Revenues	<u>3,802,800</u>	<u>886</u>	<u>(3,801,914)</u>
Expenditures			
Current			
Public Safety	250,000	63,211	186,789
Debt Service			
Issuance Costs	-	17,233	(17,233)
Capital Outlay	<u>5,325,000</u>	<u>433,540</u>	<u>4,891,460</u>
Total Expenditures	<u>5,575,000</u>	<u>513,984</u>	<u>5,061,016</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,772,200)	(513,098)	1,259,102
Other Financing Sources (Uses)			
Transfers In	-	310,638	310,638
Issuance of Long-Term Debt	1,525,000	1,525,000	-
Premium on the Issuance of Long-Term Debt	-	45,510	45,510
Total Other Financing Sources (Uses)	<u>1,525,000</u>	<u>1,881,148</u>	<u>356,148</u>
Net Change in Fund Balance	(247,200)	1,368,050	1,615,250
Fund Balance			
Beginning of Year	-	298,499	298,499
Increase (decrease) in reserves	-	-	-
End of Year	<u>\$ (247,200)</u>	<u>\$ 1,666,549</u>	<u>\$ 1,913,749</u>

**TOWN OF PAYSON, ARIZONA
GIFTS AND GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 777,600	\$ 59,519	\$ (718,081)
Contributions and Donations	121,000	14,748	(106,252)
Investment Earnings	1,300	116	(1,184)
Total Revenues	<u>899,900</u>	<u>74,383</u>	<u>(825,517)</u>
Expenditures			
Current			
Public Safety	818,500	58,897	759,603
Culture and Recreation	1,000	147	853
Community Development	100,000	9,960	90,040
Total Expenditures	<u>919,500</u>	<u>69,004</u>	<u>850,496</u>
Excess (Deficiency) of Revenues Over Expenditures	(19,600)	5,379	24,979
Other Financing Sources (Uses)			
Transfers In	<u>17,900</u>	<u>-</u>	<u>(17,900)</u>
Net Change in Fund Balance	(1,700)	5,379	7,079
Fund Balance			
Beginning of Year	-	140,533	140,533
End of Year	<u>\$ (1,700)</u>	<u>\$ 145,912</u>	<u>\$ 147,612</u>

**TOWN OF PAYSON, ARIZONA
WILDLANDS URBAN PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Charges for Services	\$ 85,600	\$ 37,889	\$ (47,711)
Investment Earnings (Loss)	-	(255)	(255)
Total Revenues	<u>85,600</u>	<u>37,634</u>	<u>(47,966)</u>
Expenditures			
Current			
Public Safety	<u>162,700</u>	<u>22,112</u>	<u>140,588</u>
Excess (Deficiency) of Revenues Over Expenditures	(77,100)	15,522	92,622
Other Financing Sources (Uses)			
Transfers In	<u>3,700</u>	<u>-</u>	<u>(3,700)</u>
Net Change in Fund Balance	(73,400)	15,522	88,922
Fund Balance			
Beginning of Year	-	171,700	171,700
End of Year	<u>\$ (73,400)</u>	<u>\$ 187,222</u>	<u>\$ 260,622</u>

**TOWN OF PAYSON, ARIZONA
BED TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes			
Sales Taxes	\$ 150,000	\$ 135,730	\$ (14,270)
Investment Earnings	1,000	942	(58)
Total Revenues	<u>151,000</u>	<u>136,672</u>	<u>(14,328)</u>
Expenditures			
Current			
General Government	<u>145,500</u>	<u>68,874</u>	<u>76,626</u>
Excess (Deficiency) of Revenues Over Expenditures	5,500	67,798	62,298
Other Financing Sources (Uses)			
Transfers Out	<u>-</u>	<u>(37,767)</u>	<u>(37,767)</u>
Net Change in Fund Balance	5,500	30,031	24,531
Fund Balance			
Beginning of Year	-	50,137	50,137
End of Year	<u>\$ 5,500</u>	<u>\$ 80,168</u>	<u>\$ 74,668</u>

**TOWN OF PAYSON, ARIZONA
LIBRARY DISTRICT TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes			
Property Taxes	\$ 229,200	\$ 229,230	\$ 30
Fines and Forfeitures	16,000	15,555	(445)
Investment Earnings	-	15	15
Other	15,000	16,670	1,670
Total Revenues	<u>260,200</u>	<u>261,470</u>	<u>1,270</u>
Expenditures			
Current			
Culture and Recreation	<u>462,500</u>	<u>436,138</u>	<u>26,362</u>
Excess (Deficiency) of Revenues Over Expenditures	(202,300)	(174,668)	27,632
Other Financing Sources (Uses)			
Transfers In	<u>204,000</u>	<u>182,388</u>	<u>(21,612)</u>
Net Change in Fund Balance	1,700	7,720	6,020
Fund Balance			
Beginning of Year	-	5,662	5,662
End of Year	<u>\$ 1,700</u>	<u>\$ 13,382</u>	<u>\$ 11,682</u>

TOWN OF PAYSON, ARIZONA
JCEF/FTG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Contributions and Donations	\$ 8,000	\$ 4,137	\$ (3,863)
Investment Earnings	100	95	(5)
Total Revenues	<u>8,100</u>	<u>4,232</u>	<u>(3,868)</u>
Expenditures			
Current			
General Government	<u>6,500</u>	<u>-</u>	<u>6,500</u>
Excess (Deficiency) of Revenues Over Expenditures	1,600	4,232	2,632
Other Financing Sources (Uses)			
Transfers In	<u>67,530</u>	<u>67,530</u>	<u>-</u>
Net Change in Fund Balance	69,130	71,762	2,632
Fund Balance			
Beginning of Year	-	9,870	9,870
End of Year	<u>\$ 69,130</u>	<u>\$ 81,632</u>	<u>\$ 12,502</u>

**TOWN OF PAYSON, ARIZONA
MUNICIPAL AIRPORT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 997,801	\$ 171,035	\$ (826,766)
Charges for Services	11,300	7,562	(3,738)
Investment Earnings	2,000	65	(1,935)
Total Revenues	<u>1,011,101</u>	<u>178,662</u>	<u>(832,439)</u>
Expenditures			
Current			
Public Works	<u>1,107,300</u>	<u>131,961</u>	<u>975,339</u>
Excess (Deficiency) of Revenues Over Expenditures	(96,199)	46,701	142,900
Other Financing Sources (Uses)			
Transfers Out	<u>-</u>	<u>(82,000)</u>	<u>(82,000)</u>
Net Change in Fund Balance	(96,199)	(35,299)	60,900
Fund Balance			
Beginning of Year	-	149,721	149,721
End of Year	<u>\$ (96,199)</u>	<u>\$ 114,422</u>	<u>\$ 210,621</u>

**TOWN OF PAYSON, ARIZONA
EVENT REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Charges for Services	\$ 103,100	\$ 76,491	\$ (26,609)
Investment Earnings	-	8	8
Total Revenues	<u>103,100</u>	<u>76,499</u>	<u>(26,601)</u>
Expenditures			
Current			
Culture and Recreation	<u>175,400</u>	<u>109,679</u>	<u>65,721</u>
Excess (Deficiency) of Revenues Over Expenditures	(72,300)	(33,180)	39,120
Other Financing Sources (Uses)			
Transfers In	<u>72,800</u>	<u>37,767</u>	<u>(35,033)</u>
Net Change in Fund Balance	500	4,587	4,087
Fund Balance			
Beginning of Year	-	1,038	1,038
End of Year	<u>\$ 500</u>	<u>\$ 5,625</u>	<u>\$ 5,125</u>

**TOWN OF PAYSON, ARIZONA
POLICE GRANTS AND SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 14,000	\$ -	\$ (14,000)
Charges for Services	750,000	156,742	(593,258)
Investment Earnings	100	7,059	6,959
Total Revenues	<u>764,100</u>	<u>163,801</u>	<u>(600,299)</u>
Expenditures			
Current			
Public Safety	<u>764,000</u>	<u>150,219</u>	<u>613,781</u>
Excess (Deficiency) of Revenues Over Expenditures	100	13,582	13,482
Fund Balance			
Beginning of Year	-	3,711	3,711
End of Year	<u>\$ 100</u>	<u>\$ 17,293</u>	<u>\$ 17,193</u>

**TOWN OF PAYSON, ARIZONA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 3,800,000	\$ -	\$ (3,800,000)
Investment Earnings	300	35	(265)
Other	10,000	-	(10,000)
Total Revenues	<u>3,810,300</u>	<u>35</u>	<u>(3,810,265)</u>
Expenditures			
Capital Outlay	<u>417,000</u>	<u>7,859</u>	<u>409,141</u>
Excess (Deficiency) of Revenues Over Expenditures	3,393,300	(7,824)	(3,401,124)
Other Financing Sources (Uses)			
Transfers In	207,000	-	(207,000)
Issuance of Long-Term Debt	3,225,000	-	(3,225,000)
Premium on the Issuance of Long-Term Debt	-	-	-
Total Other Financing Sources (Uses)	<u>3,432,000</u>	<u>-</u>	<u>(3,432,000)</u>
Net Change in Fund Balance	6,825,300	(7,824)	(6,833,124)
Fund Balance			
Beginning of Year	-	45,348	45,348
End of Year	<u>\$ 6,825,300</u>	<u>\$ 37,524</u>	<u>\$ (6,787,776)</u>

**TOWN OF PAYSON, ARIZONA
GRANT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 2,355,200	\$ 317,037	\$ (2,038,163)
Expenditures			
Capital Outlay	<u>2,400,000</u>	<u>319,120</u>	<u>2,080,880</u>
Excess (Deficiency) of Revenues Over Expenditures	(44,800)	(2,083)	42,717
Other Financing Sources (Uses)			
Transfers In	<u>12,200</u>	<u>-</u>	<u>(12,200)</u>
Net Change in Fund Balance	(32,600)	(2,083)	30,517
Fund Balance			
Beginning of Year	-	30,705	30,705
End of Year	<u>\$ (32,600)</u>	<u>\$ 28,622</u>	<u>\$ 61,222</u>

**TOWN OF PAYSON, ARIZONA
DEVELOPMENT FEES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Development Impact Fees	\$ 80,000	\$ 35,475	\$ (44,525)
Investment Earnings (Loss)	2,200	(7,104)	(9,304)
Total Revenues	<u>82,200</u>	<u>28,371</u>	<u>(53,829)</u>
Expenditures			
Current			
Capital Outlay	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Excess (Deficiency) of Revenues Over Expenditures	68,200	28,371	(39,829)
Other Financing Sources (Uses)			
Transfers Out	<u>(95,100)</u>	<u>(95,100)</u>	<u>-</u>
Net Change in Fund Balance	(26,900)	(66,729)	(39,829)
Fund Balance			
Beginning of Year	-	248,580	248,580
End of Year	<u>\$ (26,900)</u>	<u>\$ 181,851</u>	<u>\$ 208,751</u>

**TOWN OF PAYSON, ARIZONA
GREEN VALLEY REDEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 315,000	\$ -	\$ (315,000)
Investment Earnings	200	28	(172)
Total Revenues	<u>315,200</u>	<u>28</u>	<u>(315,172)</u>
Expenditures			
Capital Outlay	<u>332,600</u>	<u>-</u>	<u>332,600</u>
Excess (Deficiency) of Revenues Over Expenditures	(17,400)	28	17,428
Other Financing Sources (Uses)			
Transfers In	<u>17,400</u>	<u>-</u>	<u>(17,400)</u>
Net Change in Fund Balance	-	28	28
Fund Balance			
Beginning of Year	-	34,839	34,839
End of Year	<u>\$ -</u>	<u>\$ 34,867</u>	<u>\$ 34,867</u>

**TOWN OF PAYSON, ARIZONA
CENTRAL ARIZONA PROJECT TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Investment Earnings	\$ 10,000	\$ 153	\$ (9,847)
Other	6,500	-	(6,500)
Total Revenues	<u>16,500</u>	<u>153</u>	<u>(16,347)</u>
Expenditures			
Capital Outlay	<u>1,329,700</u>	<u>155,261</u>	<u>1,174,439</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,313,200)	(155,108)	1,158,092
Fund Balance			
Beginning of Year	-	662,998	662,998
End of Year	<u>\$ (1,313,200)</u>	<u>\$ 507,890</u>	<u>\$ 1,821,090</u>

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 ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 23,036,377	\$ 23,208,623	\$ 21,506,684	\$ 22,328,708
Restricted	3,092,732	2,581,423	4,207,316	4,734,371
Unrestricted	2,280,224	3,353,871	5,479,255	5,103,790
Total governmental activities net assets	<u>\$ 28,409,333</u>	<u>\$ 29,143,917</u>	<u>\$ 31,193,255</u>	<u>\$ 32,166,869</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 11,860,887	\$ 11,741,865	\$ 11,933,965	\$ 13,142,519
Restricted	3,121,234	3,499,111	3,626,754	4,211,504
Unrestricted	1,523,468	2,172,170	3,174,456	3,821,585
Total business-type activities net assets	<u>\$ 16,505,589</u>	<u>\$ 17,413,146</u>	<u>\$ 18,735,175</u>	<u>\$ 21,175,608</u>
Primary government				
Invested in capital assets, net of related debt	\$ 34,897,264	\$ 34,950,488	\$ 33,440,649	\$ 35,471,227
Restricted	6,213,966	6,080,534	7,834,070	8,945,875
Unrestricted	3,803,692	5,526,041	8,653,711	8,925,375
Total primary government net assets	<u>\$ 44,914,922</u>	<u>\$ 46,557,063</u>	<u>\$ 49,928,430</u>	<u>\$ 53,342,477</u>

Source: The Town's Finance Department.

Note: 2002-03 was the Town's first year to prepare government-wide financial statements.

Fiscal Year			
2007	2008	2009	2010
\$ 101,360,121	\$ 106,049,982	\$ 105,561,440	\$ 103,809,445
5,448,557	4,310,080	3,971,451	3,137,935
4,590,792	2,456,973	521,636	1,459,147
<u>\$ 111,399,470</u>	<u>\$ 112,817,035</u>	<u>\$ 110,054,527</u>	<u>\$ 108,406,527</u>
\$ 12,283,170	\$ 14,363,974	\$ 14,720,036	\$ 15,195,051
4,681,554	4,909,657	4,921,901	1,065,623
4,707,319	5,282,327	3,890,818	5,898,114
<u>\$ 21,672,043</u>	<u>\$ 24,555,958</u>	<u>\$ 23,532,755</u>	<u>\$ 22,158,788</u>
\$ 113,643,291	\$ 120,413,956	\$ 120,281,476	\$ 119,004,496
10,130,111	9,219,737	8,893,352	4,203,558
9,298,111	7,739,300	4,412,454	7,357,261
<u>\$ 133,071,513</u>	<u>\$ 137,372,993</u>	<u>\$ 133,587,282</u>	<u>\$ 130,565,315</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 2,785,934	\$ 2,754,686	\$ 2,727,457	\$ 3,191,559
Public safety	5,178,837	5,338,874	6,239,687	7,375,276
Highways and streets	1,490,366	2,022,194	2,285,810	4,827,042
Culture and recreation	1,672,123	1,751,941	1,772,917	1,738,625
Public works	472,664	687,511	551,668	529,950
Community development	737,479	883,030	871,706	839,792
Health and welfare	193,539	220,005	242,892	256,498
Interest on long-term debt	253,284	272,222	239,528	315,645
Total governmental activities	12,784,226	13,930,463	14,931,665	19,074,387
Business-type activities				
Water	2,831,506	3,156,618	2,632,184	2,046,035
Total primary government expenses	15,615,732	17,087,081	17,563,849	21,120,422
Program Revenues				
Governmental activities:				
Fees, Fines, and Charges for Services				
General government	730,057	2,154,657	1,126,063	1,341,311
Public safety	-	-	404,194	386,291
Highways and streets	-	-	54,843	91,574
Culture and recreation	-	-	116,635	103,873
Public works	-	-	86,489	82,158
Community development	-	-	761,468	841,640
Health and welfare	-	-	10,920	11,104
Interest on long-term debt	-	-	-	-
Operating grants and contributions	165,353	2,063,070	2,689,186	3,941,550
Capital grants and contributions	1,894,936	517,499	453,218	338,142
Total governmental activities program revenues	3,790,346	4,735,226	5,703,016	7,137,643
Business-type activities				
Charges for services:				
Water	2,948,175	3,543,006	3,508,276	4,199,650
Operating grants and contributions	-	194,921	38,752	50,000
Capital grants and contributions	824,073	-	-	210,323
Total business-type activities program revenues	3,772,248	3,737,927	3,547,028	4,459,973
Total primary government program revenues	7,562,594	8,473,153	9,250,044	11,597,616
Net (expense)/revenue				
Governmental activities	(8,993,880)	(9,195,237)	(9,228,649)	(11,936,744)
Business-type activities	940,742	581,309	914,844	2,413,938
Total primary government net expense	\$ (8,053,138)	\$ (8,613,928)	\$ (8,313,805)	\$ (9,522,806)

Source: The Town's Finance Department.

Note: 2002-03 was the Town's first year to prepare government-wide financial statements.

Fiscal Year			
2007	2008	2009	2010
\$ 3,595,408	\$ 3,707,867	\$ 4,323,958	\$ 3,133,909
7,818,997	7,939,971	8,376,425	8,164,357
4,147,353	3,786,087	2,856,499	3,070,365
2,152,923	2,730,083	1,714,675	1,575,542
407,578	350,531	445,095	284,563
923,599	1,219,270	1,051,931	1,119,712
252,136	259,083	289,710	273,394
317,800	303,148	275,659	267,661
19,615,794	20,296,040	19,333,952	17,889,503
3,715,985	3,673,943	4,797,060	4,164,224
23,331,779	23,969,983	24,131,012	22,053,727
947,152	907,951	657,076	656,861
581,150	658,707	723,194	626,728
90,507	50,876	28,185	4,482
117,706	148,416	131,966	216,752
98,367	61,272	56,617	87,476
614,968	422,856	268,662	117,147
11,277	10,149	15,139	18,509
880,303	-	-	-
2,862,482	2,137,228	2,079,200	1,840,478
404,433	1,786,891	248,512	448,191
6,608,345	6,184,346	4,208,551	4,016,624
4,099,518	4,037,662	3,666,635	3,678,173
39,500	-	-	-
362,446	270,513	-	117,124
4,501,464	4,308,175	3,666,635	3,795,297
11,109,809	10,492,521	7,875,186	7,811,921
(13,007,449)	(14,111,694)	(15,125,401)	(13,872,879)
785,479	634,232	(1,130,425)	(368,927)
\$ (12,221,970)	\$ (13,477,462)	\$ (16,255,826)	\$ (14,241,806)

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

	Fiscal Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Sales taxes	\$ 5,184,889	\$ 5,434,673	\$ 5,936,919	\$ 7,314,067
Property taxes	618,838	646,156	727,678	784,437
Franchise taxes	300,495	304,226	336,881	336,399
Intergovernmental	3,871,733	2,373,960	2,513,814	3,851,170
Payments in lieu of taxes	810,736	852,815	964,324	-
Investment earnings	83,533	55,183	136,117	361,815
Transfers	45,440	42,350	254,790	262,470
Total governmental activities	10,915,664	9,709,363	10,870,523	12,910,358
Business-type activities:				
Investment earnings	(175,061)	44,156	117,928	288,965
Transfers	(45,440)	(42,350)	(254,790)	(262,470)
Total business-type activities	(220,501)	1,806	(136,862)	26,495
Total primary government	10,695,163	9,711,169	10,733,661	12,936,853
Change in Net Assets				
Governmental activities	1,921,784	514,126	1,641,874	973,614
Business-type activities	720,241	583,115	777,982	2,440,433
Total primary government	\$ 2,642,025	\$ 1,097,241	\$ 2,419,856	\$ 3,414,047

Fiscal Year			
2007	2008	2009	2010
\$ 7,503,852	\$ 7,396,678	\$ 6,624,711	\$ 5,919,923
834,521	907,545	856,237	1,002,536
348,166	349,043	339,802	349,061
4,194,575	4,602,546	4,473,463	3,988,244
-	-	-	-
403,108	287,474	68,680	(39,885)
312,470	437,734	-	1,005,000
13,596,692	13,981,020	12,362,893	12,224,879
447,258	253,312	107,222	(40)
(312,470)	(437,734)	-	(1,005,000)
134,788	(184,422)	107,222	(1,005,040)
13,731,480	13,796,598	12,470,115	11,219,839
589,243	(130,674)	(2,762,508)	(1,648,000)
920,267	449,810	(1,023,203)	(1,373,967)
\$ 1,509,510	\$ 319,136	\$ (3,785,711)	\$ (3,021,967)

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

	Fiscal Year				
	2001	2002	2003	2004	2005
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 2,000
Unreserved	1,341,188	1,495,468	1,854,581	2,141,833	2,649,209
Total General Fund	<u>\$ 1,341,188</u>	<u>\$ 1,495,468</u>	<u>\$ 1,854,581</u>	<u>\$ 2,141,833</u>	<u>\$ 2,651,209</u>
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	54,395	1,446,076	442,312	740,890	1,862,531
Debt service funds	458,608	598,259	633,999	697,199	1,123,656
Capital projects funds	3,853,520	2,506,894	3,328,898	2,262,426	3,811,793
Total all other governmental funds	<u>\$ 4,366,523</u>	<u>\$ 4,551,229</u>	<u>\$ 4,405,209</u>	<u>\$ 3,700,515</u>	<u>\$ 6,797,980</u>

Source: The Town's Finance Department.

Fiscal Year				
2006	2007	2008	2009	2010
\$ -	\$ 14,662	\$ -	\$ 14,729	\$ 14,645
3,428,794	2,934,445	1,052,084	785,962	826,978
<u>\$ 3,428,794</u>	<u>\$ 2,949,107</u>	<u>\$ 1,052,084</u>	<u>\$ 800,691</u>	<u>\$ 841,623</u>
\$ 6,226	\$ 250	\$ 250	\$ 250	\$ 3,869
2,080,199	2,191,308	1,183,909	1,096,303	913,850
877,863	1,164,787	1,553,209	1,416,112	1,198,421
<u>2,968,412</u>	<u>2,206,560</u>	<u>1,557,772</u>	<u>1,324,306</u>	<u>2,459,190</u>
<u>\$ 5,932,700</u>	<u>\$ 5,562,905</u>	<u>\$ 4,295,140</u>	<u>\$ 3,836,971</u>	<u>\$ 4,575,330</u>

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Revenues					
Taxes	\$ 5,659,008	\$ 5,783,380	\$ 6,104,222	\$ 6,080,829	\$ 7,001,478
Intergovernmental	5,507,066	5,402,043	6,254,690	5,666,760	6,500,510
Fines and forfeitures	193,495	204,346	206,062	250,868	285,048
Licenses and permits	697,483	733,158	422,956	697,611	575,256
Charges for services	717,790	904,408	1,040,039	959,342	931,057
Other	1,163,444	850,959	978,253	1,188,084	1,849,683
Total revenues	13,938,286	13,878,294	15,006,222	14,843,494	17,143,032
Expenditures					
General government and community development	3,302,640	3,059,005	3,268,647	3,359,597	3,428,453
Public safety	4,343,914	4,594,348	4,802,740	4,980,492	5,702,869
Public works & highways and streets	1,436,046	1,444,312	1,495,834	1,621,275	2,423,241
Health and welfare & culture and recreation	1,074,314	1,362,640	1,520,282	1,602,171	1,695,512
Capital outlay	3,857,060	3,519,421	4,542,267	2,906,359	1,936,984
Debt service					
Principal retirement	-	-	-	561,170	585,803
Interest on long-term debt	-	-	-	272,222	239,528
Other debt service	735,080	698,534	790,376	-	53,514
Total expenditures	14,749,054	14,678,260	16,420,146	15,303,286	16,065,904
Excess of revenues over (under) expenditures	(810,768)	(799,966)	(1,413,924)	(459,792)	1,077,128
Other financing sources (uses)					
Transfers in	2,760,948	1,969,885	1,867,050	1,627,291	2,113,691
Transfers out	(2,724,648)	(1,930,935)	(1,821,610)	(1,584,941)	(1,858,901)
Issuance of refunding debt	-	-	-	-	-
Issuance of long-term debt	190,214	1,100,000	1,300,000	-	2,048,723
Bond premium	-	-	-	-	-
Payment to refunded debt escrow agent	-	-	-	-	-
Proceeds from capital lease	112,270	-	281,577	-	226,200
Total other financing sources (uses)	338,784	1,138,950	1,627,017	42,350	2,529,713
Net change in fund balance	\$ (471,984)	\$ 338,984	\$ 213,093	\$ (417,442)	\$ 3,606,841
Debt service as a percentage of noncapital expenditures	6.75%	6.26%	6.65%	6.72%	6.22%

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				
2006	2007	2008	2009	2010
\$ 8,434,903	\$ 8,686,539	\$ 8,653,266	\$ 7,820,750	\$ 7,271,520
8,000,326	7,332,472	7,362,721	6,595,255	6,193,464
288,141	265,598	255,155	235,284	221,523
634,614	464,571	331,783	252,931	209,031
960,699	1,103,001	1,113,467	1,033,870	937,636
1,647,363	1,264,172	1,113,304	660,187	514,413
19,966,046	19,116,353	18,829,696	16,598,277	15,347,587
3,967,139	4,133,694	5,018,872	4,246,206	4,127,767
7,417,846	7,612,207	7,731,920	7,242,658	7,125,424
4,526,180	3,705,640	4,627,564	2,585,497	2,599,518
1,837,732	2,093,694	2,464,067	1,368,395	1,231,155
2,746,022	1,063,615	1,997,629	593,607	915,780
844,385	1,249,354	897,754	988,117	847,866
315,645	420,101	277,630	250,141	241,063
365,390	-	-	-	55,233
22,020,339	20,278,305	23,015,436	17,274,621	17,143,806
(2,054,293)	(1,161,952)	(4,185,740)	(676,344)	(1,796,219)
2,769,621	3,797,776	2,955,804	577,983	2,035,274
(2,507,151)	(3,485,306)	(2,518,070)	(577,983)	(1,030,274)
1,085,000	-	-	-	-
1,420,000	-	-	-	1,525,000
41,531	-	-	-	45,510
(1,020,403)	-	-	-	-
178,000	-	550,000	-	-
1,966,598	312,470	987,734	-	2,575,510
\$ (87,695)	\$ (849,482)	\$ (3,198,006)	\$ (676,344)	\$ 779,291
7.91%	8.69%	6.30%	8.02%	7.15%

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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>Other</u>	<u>Total</u>
2001	\$ 4,979,159	\$ 435,769	\$ 291,615	\$ 131,380	\$ 112,700	\$ -	\$ 5,950,623
2002	5,019,735	489,358	297,149	132,086	122,000	20,201	6,080,529
2003	5,035,165	468,588	300,495	149,724	150,250	-	6,104,222
2004	5,310,375	490,156	304,226	124,298	156,000	-	6,385,055
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

Source: The Town's Finance Department.

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Sales Category					
Retail trade	\$ 2,459,534	\$ 2,620,782	\$ 2,678,919	\$ 2,811,849	\$ 2,946,388
Construction	1,119,725	944,401	1,012,819	937,590	1,008,971
Restaurants and bars	402,246	436,178	428,498	436,403	547,906
Communications and utilities	367,708	385,100	373,978	328,722	510,765
Transportation & warehousing	-	-	-	3,658	11,028
Services	214,265	214,264	227,783	208,446	137,325
Manufacturing	81,114	85,559	80,935	108,286	138,382
Real estate, rental & leasing	157,789	173,825	180,204	205,040	280,826
Finance and insurance	-	-	-	4,513	12,269
Accommodations	225,826	223,638	244,273	191,561	287,731
Wholesale trade	55,566	41,907	41,326	40,188	51,102
Arts & entertainment	-	-	-	22,951	40,820
Other	5,016	4,553	6,562	129,324	136,390
Total	<u>\$ 5,088,789</u>	<u>\$ 5,130,207</u>	<u>\$ 5,275,297</u>	<u>\$ 5,428,531</u>	<u>\$ 6,109,903</u>
Town sales tax rate	8.60%	8.60%	8.60%	8.60%	8.72%

Source: Arizona Department of Revenue.

Fiscal Year				
2006	2007	2008	2009	2010
\$ 3,655,505	\$ 3,809,689	\$ 3,644,827	\$ 3,411,550	\$ 3,188,660
1,207,041	1,171,982	953,990	897,002	379,158
615,870	638,635	614,752	586,231	554,640
576,592	626,516	812,819	750,808	812,622
14,743	25,914	10,272	8,363	8,783
142,882	127,827	111,830	110,342	126,490
180,369	198,832	188,595	141,061	121,831
320,133	305,467	403,451	356,298	322,460
9,983	8,299	8,612	7,837	5,307
333,627	342,659	313,025	269,210	222,243
87,044	63,060	89,777	82,084	69,460
46,401	67,811	81,039	55,972	53,083
145,489	117,161	69,305	42,293	55,186
<u>\$ 7,335,679</u>	<u>\$ 7,503,852</u>	<u>\$ 7,302,294</u>	<u>\$ 6,719,051</u>	<u>\$ 5,919,923</u>
8.72%	8.72%	8.72%	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
2001	2.00 %	1.00 %	5.60 %	8.60 %
2002	2.00	1.00	5.60	8.60
2003	2.00	1.00	5.60	8.60
2004	2.00	1.00	5.60	8.60
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

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
2001	\$ 106,365,288	0.4014	\$ 740,321,287	14.37 %
2002	119,004,875	0.3949	847,000,464	14.05
2003	143,944,717	0.3407	945,809,543	15.22
2004	153,133,821	0.3481	1,144,148,351	13.38
2005	170,159,572	0.3444	1,251,385,801	13.60
2006	182,522,790	0.3502	1,383,662,572	13.19
2007	201,211,739	0.3447	1,500,887,154	13.41
2008	224,260,624	0.2813	1,745,155,468	12.85
2009	240,139,778	0.3201	2,071,174,745	11.59
2010	236,841,829	0.3150	2,875,030,889	8.24

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					Rate Total
	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	
2001	0.3166	0.0848	0.4014	0.7000	0.2425	0.1000	0.5123	3.9700	5.9262
2002	0.3019	0.0930	0.3949	0.7000	0.2000	0.1000	0.4974	4.4100	6.3023
2003	0.2754	0.0653	0.3407	0.7000	0.2000	0.1000	0.4717	4.4100	6.2224
2004	0.2867	0.0614	0.3481	0.7000	0.2000	0.1000	0.4560	4.4100	6.2141
2005	0.2752	0.0692	0.3444	0.7000	0.2000	0.1000	0.4358	4.4100	6.1902
2006	0.2640	0.0862	0.3502	0.7000	0.2000	0.1000	N/A	4.3488	5.6990
2007	0.2476	0.0971	0.3447	0.7000	0.2000	0.1000	N/A	4.1100	5.4547
2008	0.2215	0.0598	0.2813	0.7000	0.2000	0.1000	N/A	3.9200	5.2013
2009	0.2215	0.0986	0.3201	0.7000	0.2000	0.1000	0.3306	3.7500	5.4007
2010	0.2560	0.0590	0.3150	0.6000	0.2000	0.1000	0.3564	4.1900	5.7614

Source: The Gila County Treasurer's Office.

**TOWN OF PAYSON, ARIZONA
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2010 AND NINE YEARS PRIOR
(UNAUDITED)**

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service, Co.	\$ 10,257,631	1	4.27 %	\$ 4,239,625	1	3.56 %
Rim Golf Investors, LLC	3,969,677	2	1.65	-	-	-
Retail Trust III - Wal-Mart	1,978,818	3	0.82	2,108,575	2	1.77
Payson Village Center LLC	1,721,769	4	0.72	-	-	-
Chaparral Pines Investors LLC	1,672,558	5	0.7	-	-	-
Payson Regional Hospital	1,649,016	6	0.69	1,066,533	4	0.85
Qwest Corporation	1,517,602	7	0.63	1,941,967	3	1.63
Home Depot	1,065,323	8	0.44	-	-	-
Sawmill Crossing, LLC	1,044,043	9	0.43	-	-	-
Terra-Payson 65 LLC	731,013	10	0.3	-	-	-
	<u>\$ 25,607,450</u>		10.65 %	<u>\$ 9,356,700</u>		7.81 %

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	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
2001	\$ 436,800	\$ 427,637	97.90 %	\$ 8,132	\$ 435,769	99.76 %	\$ 1,031	0.24 %
2002	479,250	479,250	100.00	-	489,358	102.11	-	-
2003	480,280	463,376	96.48	16,904	468,588	97.57	-	-
2004	496,600	490,156	98.70	6,444	498,725	100.43	-	-
2005	522,310	522,310	100.00	-	569,828	109.10	-	-
2006	588,279	585,930	99.60	2,349	593,694	100.92	-	-
2007	641,740	639,190	99.60	2,550	634,241	98.83	-	-
2008	703,207	690,260	98.16	12,947	695,245	98.87	-	-
2009	647,200	621,858	96.08	25,342	629,861	97.32	-	-
2010	790,354	773,306	97.84	-	773,306	97.84	17,048	2.16

Source: The Gila County Treasurer's Office.

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

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

Fiscal Year	Governmental Activities						Business-type Activities		Total Primary Government	Percentage of Personal Income
	General Obligation Bonds	Certificates of Participation	Excise Tax Revenue Bonds	Special Assessment Bonds	Term Loans	Capital Leases	Water Revenue Bonds	Notes Payable		
2001	\$ 1,876,000	\$ -	\$ -	\$ 1,840,000	\$ 142,607	\$ 368,055	\$ 1,145,000	\$ -	\$ 5,371,662	1.33 %
2002	1,751,000	-	-	1,720,000	1,194,999	165,369	1,055,000	-	5,886,368	1.33
2003	1,621,000	-	1,300,000	1,590,000	1,043,192	321,661	960,000	-	6,835,853	1.19
2004	1,486,000	-	1,300,000	1,450,000	891,590	187,090	855,000	-	6,169,680	1.05
2005	3,371,000	-	1,235,000	1,305,000	787,385	286,695	750,000	-	7,735,080	1.27
2006	3,015,000	515,000	1,165,000	2,025,000	596,334	321,361	640,000	-	8,277,695	1.34
2007	2,825,000	445,000	1,095,000	1,830,000	-	193,341	525,000	-	6,913,341	1.03
2008	2,465,000	375,000	1,070,000	1,615,000	-	565,587	405,000	343,239	6,838,826	0.96
2009	2,055,000	295,000	940,000	1,390,000	-	372,470	140,000	300,464	6,352,934	0.90
2010	3,205,000	215,000	860,000	1,155,000	-	294,604	-	1,062,675	6,792,279	0.96

Source: The Town of Payson.

**TOWN OF PAYSON, ARIZONA
RATIOS 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
2001	\$ 1,876,000	\$ 847,000,464	0.22	%	13,665	\$ 137
2002	1,751,000	945,809,543	0.19		14,052	125
2003	1,621,000	1,144,148,351	0.14		14,819	109
2004	1,486,000	1,251,385,801	0.12		15,200	98
2005	3,371,000	1,383,662,572	0.24		15,375	219
2006	3,015,000	1,500,887,154	0.2		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

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

TOWN OF PAYSON, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2010
(UNAUDITED)

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
State of Arizona	Not Available	0.35%	\$ -
Gila County	\$ 1,110,000	43.80%	486,180
Gila Community College	None	43.80%	-
Northern Gila County Sanitary District	Not Available	100.00%	-
Payson Unified School District No. 10	33,845,000	74.42%	25,187,449
Town of Payson	3,205,000	100.00%	3,205,000
Total direct and overlapping debt			<u>\$ 28,878,629</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 2007-08.

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

6% Debt Limit

	Fiscal Year				
	2001	2002	2003	2004	2005
Debt limit	\$ 7,140,293	\$ 7,140,293	\$ 8,636,683	\$ 9,188,029	\$ 9,380,449
Total applicable to limit	-	-	-	-	2,030,000
Legal debt margin	<u>\$ 7,140,293</u>	<u>\$ 7,140,293</u>	<u>\$ 8,636,683</u>	<u>\$ 9,188,029</u>	<u>\$ 7,350,449</u>
Total net debt applicable to the limit as a percentage	N/A	N/A	N/A	N/A	21.64%

20% Debt Limit

	Fiscal Year				
	2001	2002	2003	2004	2005
Debt limit	\$ 25,808,015	\$ 25,808,015	\$ 28,938,425	\$ 30,626,764	\$ 31,268,162
Total applicable to limit	<u>1,876,000</u>	<u>1,751,000</u>	<u>1,621,000</u>	<u>1,486,000</u>	<u>1,341,000</u>
Legal debt margin	<u>\$ 23,932,015</u>	<u>\$ 24,057,015</u>	<u>\$ 27,317,425</u>	<u>\$ 29,140,764</u>	<u>\$ 29,927,162</u>
to the limit as a percentage of the debt limit	7.27%	6.78%	5.60%	4.85%	4.29%

Source: The Gila County Treasurer's Office.

Fiscal Year				
2006	2007	2008	2009	2010
\$ 10,413,736	\$ 12,669,820	\$ 12,669,820	\$ 14,408,387	\$ 14,210,510
1,930,000	1,740,000	1,545,000	1,305,000	3,205,000
<u>\$ 8,483,736</u>	<u>\$ 10,929,820</u>	<u>\$ 11,124,820</u>	<u>\$ 13,103,387</u>	<u>\$ 11,005,510</u>
18.53%	13.73%	12.19%	9.06%	22.55%

Fiscal Year				
2006	2007	2008	2009	2010
\$ 34,712,452	\$ 42,232,733	\$ 42,232,733	\$ 48,027,956	\$ 47,368,366
1,085,000	1,085,000	920,000	750,000	575,000
<u>\$ 33,627,452</u>	<u>\$ 41,147,733</u>	<u>\$ 41,312,733</u>	<u>\$ 47,277,956</u>	<u>\$ 46,793,366</u>
3.13%	2.57%	2.18%	1.56%	1.21%

**TOWN OF PAYSON, ARIZONA
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2010
(UNAUDITED)**

Net secondary assessed valuation	\$ 236,841,829
<hr/>	
Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds	
Debt limit - 20% of secondary net assessed valuation	\$ 47,368,366
Net debt applicable to limit	575,000
20% legal debt margin	46,793,366
<hr/>	
All other general obligation bonds	
Debt limit - 6% of secondary net assessed valuation	14,210,510
Net debt applicable to limit	3,205,000
6% legal debt margin	11,005,510
Total legal debt margin	\$ 57,798,876

Source: Gila County Assessor's Office.

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

Water Revenue Bonds and Notes Payable							Special Assessment Bonds			
Fiscal Year	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
2001	\$ 2,699,464	\$ 1,957,114	\$ 742,350	\$ 85,000	\$ 59,375	5.14	\$ 205,835	\$ 305,000	\$ 129,025	0.47
2002	3,122,537	2,039,046	1,083,491	90,000	54,744	7.49	280,935	120,000	108,560	1.23
2003	3,772,248	2,831,506	940,742	95,000	50,119	6.48	274,139	130,000	101,480	1.18
2004	3,601,365	2,351,811	1,249,554	105,000	45,119	8.32	292,236	140,000	46,905	1.56
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

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)**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Median Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Town of Payson Unemployment Rate</u>
2001	13,665	\$ 404,825,625	\$ 29,625	49.7	2,814	2.5%
2002	14,052	442,638,000	31,500	48.9	2,874	3.9
2003	14,819	573,687,947	38,713	48.9	2,800	3.8
2004	15,200	588,437,600	38,713	48.9	2,599	3.4
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

Source: The Town of Payson.

**TOWN OF PAYSON, ARIZONA
PRINCIPAL EMPLOYERS
JUNE 30, 2010 AND NINE YEARS PRIOR
(UNAUDITED)**

Employer	2010			2001		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Mazatzal Casino	354	1	14.53%	272	4	13.35%
Payson Regional Medical	340	2	13.95	300	3	14.72
Payson Unified School District	336	3	13.79	335	2	16.44
Wal-Mart	293	4	12.02	340	1	16.68
Gila County	176	5	7.22	158	5	7.75
Town of Payson	166	6	6.81	140	6	6.87
Rim Country Health	140	7	5.74	90	10	4.42
Payson Care Center	133	8	5.46	127	7	6.23
Safeway Supermarket	116	9	4.76	102	8	5.00
Home Depot	109	10	4.47	N/A	-	N/A
U.S. Forest Service	90	11	3.69	95	9	4.66
Chaparral Pines	80	12	3.28	N/A	-	N/A
Bashas' Supermarket	58	13	2.38	79	11	3.88
Rim Club	46	14	1.89	N/A	-	N/A
	<u>2,437</u>			<u>2,038</u>		

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government										
Town Manager	2	2	2	2	2	2	2	3	4	2
Town Clerks	5	5	5	5	5	5	5	5	4	4
Finance	5	5	5	5	5	5	5	5	7	6
Community Development	11	11	11	11	11	11	12	12	13	13
Legal	4	4	4	4	4	5	5	5	4.5	4
Human Resources	2	2	2	2	2	3	3	3	2	2
Information Services	2	2	2	2	2	2	2	2	0	0
Police Department	38	38	38	38	40	41	44	46	49	49
Fire Department	21	24	24	24	24	25	25	25	27	27
Airport	1	1	1	1	1	1	1	0	0	0
Engineering & Streets	16	16	16	16	16	16	17	17	22.5	22.5
Library	8	8	9	10	10	11	11	11	8	8
Parks and Recreation	10	11	11	11	11	11	10	10	7	7
Water	17	17	17	18	18	18	18	18	19	20
Total	142	146	147	149	151	156	160	162	167	165

Source: The Town of Payson.

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

Function/Program	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Building Permits						
Permits Issued	213	249	207	202	374(a)	283
Value of Buildings in \$	\$ 29,166,090	\$ 30,218,533	\$ 37,637,997	\$ 29,178,927	\$ 55,123,657	\$ 68,105,715
Police						
Average Response Time	-	-	5.57	6.56	6.28	5.54
Number of Sworn Officers	-	-	26	26	27	29
Total Calls	-	-	18,850	19,500	20,085	18,944
Calls per Sworn Officer	-	-	725	750	744	653
Officer per 1000 of Population	-	-	1.755	1.711	1.756	1.88
Total of Index Crimes	844	743	691	608	587	577
Index Crimes per Capital	0.062	0.053	0.047	0.04	0.038	0.037
Number of Drug Arrests	-	-	367	582	486	410
Drug Arrests per Capita	-	-	0.025	0.038	0.032	0.027
Fire						
Average Response Time	-	-	4.18	4.47	5.09	5.4
Total Calls	-	-	2,101	2,003	2,106	2,197
Calls per Capita	-	-	0.142	0.132	0.137	0.142
Fire Personnel per 1000 of Pop.	-	-	1.552	1.513	1.561	1.49
Fire Safety Inspections	-	-	580	401	486	453
Event Center						
Number of Events	-	-	-	-	-	28
Number of Days Used	-	-	-	-	-	77
Other Public Works						
Street Slurry sealed (miles)	-	-	-	-	-	15
Snow Removal (hours)	-	-	-	-	-	453
Parks and recreation						
Use of Facilities - Number of Activities	-	-	-	-	-	30
Program Registrations	-	-	-	-	-	2,040
Ramada Reservations	-	-	-	-	-	372
Swim Lessons	-	-	-	-	-	201
Pool Passes	-	-	-	-	-	2,498
Library						
Number of Patrons	-	-	12,148	13,950	15,257	17,136
Number of Internet Users	-	-	17,504	18,725	20,305	18,423
Number of New Cards Issued	-	-	1,684	1,731	1,605	1,562
Circulation per Capita	-	-	11.07	11.41	11.71	9.23
Patrons as % of Population	-	-	82	91.8	99.2	111.1
Water						
Number of Water Taps	6,572	6,758	6,948	7,122	7,399	7,609
Average daily consumption (thousand of gallons)	1,494.60	1,633.60	1,523.90	1,462.30	1,533.70	1,561.70
Peak daily consumption (thousand of gallons)	2,172.40	2,302.30	2,349.60	2,117.90	2,094.10	2,169.40
Elections						
Number of Registered Voters	8,197	8,983	9,272	7,117	7,117	8,828
Number Voting in Last Election	2,891	3,150	3,482	4,149	4,149	5,479
% of Participation of Voters	35.27%	35.07%	37.55%	58.30%	58.30%	62.06%

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				
	2007	2008	2009	2010
	201	103	115	37
\$	45,006,009	\$ 41,597,955	\$ 20,388,596	\$ 9,358,003
	3.47	9.2	7.23	5
	30	31	31	31
	24,398	20,726	24,233	26,233
	813	669	782	846
	1.875	1.938	1.824	1.824
	527	440	635	617
	0.031	0.026	0.037	0.036
	275	156	78	126
	0.016	0.009	0.005	0.007
	5.06	4.09	4.2	4.06
	2,236	2,280	3	2,387
	0.013	0.136	0.161	0.138
	1.434	1.374	1.562	1.562
	396	418	576	535
	22	21	25	30
	104	101	120	127
	13.6	14.2	0	0
	250	277	64	64
	39	90	115	118
	1,951	3,241	3,756	3,464
	232	276	250	264
	207	395	325	n/a
	2,420	2,450	2,500	n/a
	14,432	15,712	16,674	13,474
	15,095	15,342	15,532	14,838
	1,415	1,400	1,200	1,143
	9.07	9.07	9.71	9.53
	86.2	93.8	99.9	96.5
	7,728	7,777	7,827	7,854
	1,502.30	1,534.30	1,468.80	1,490.60
	2,055.10	2,384.20	2,467.50	2,044.30
	8,828	8,913	8,913	9,304
	5,479	5,123	5,123	5,123
	62.06%	57.48%	57.48%	55.06%

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

Function/Program	Fiscal Years									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	28	28	29	29	31	28	30	32	32	31
Patrol Vehicles	31	33	49	50	43	23	21	23	23	23
Fire										
Number of Firefighters	21	22	21	21	23	24	24	24	24	24
Number of Fire stations	2	2	2	2	2	2	2	2	2	2
Number of Municipal Employees (excluding Public safety)	91	87	81	94	92	98	102	102	102	102
Public Works										
Streets (miles)	100	100	104.7	105.5	105.9	105.9	105.9	105.9	105.9	105.9
Number of Water taps	6,572	6,758	6,948	7,122	7,399	7,609	7,728	7,777	7,827	7,854
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.