Payson
Arizona's Cool Mountain Town

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

TOWN OF PAYSON | 303 N. BEELINE HWY. | PAYSON, AZ 85541
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FISCAL YEAR ENDED JUNE 30, 2015

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TOWN OF PAYSON, ARIZONA
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INTRODUCTORY SECTION

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Town of Payson
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TOWN OF PAYSON
Finance Department
303 N. Beeline Hwy
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November 6, 2015

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

The Comprehensive Annual Financial Report (CAFR) of the Town of Payson, Arizona (the Town), for the fiscal year ended June 30, 2015 is submitted herewith.

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

CliftonLarsonAllen LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the Town of Payson's financial statements for the fiscal year ended June 30, 2015. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with this letter.

PROFILE OF THE GOVERNMENT

The Town of Payson, Arizona, incorporated in 1973, is located at the intersection of State routes 87 and 260, 90 miles north of Phoenix, Arizona. The Town's boundaries enclose 20.5 square miles in northern Gila County and serve a population of 15,551. Surrounded by the Tonto National Forest and the world's largest stand of virgin Ponderosa Pines, Payson is nestled just below Arizona's Mogollon Rim at an elevation of 4,982 feet and enjoys a moderate four season climate.

State statutes empower the Town to levy a primary real property tax on property within its boundaries and to levy secondary taxes for debt retirement and local improvement districts. Payson has the power by State statute to extend its corporate limits by annexation when deemed appropriate by a majority of the property owners in the potential annexation area and the Town Council.

The Town operates under the council-manager form of government. The Town council, which has policy-making and legislative authority, consists of a mayor and a six-member council. The Town Council is responsible for, among other things, passing ordinances and resolutions, and adopting the Town's annual budget. They also appoint committees and hire the Town Manager and Town Attorney. The Town Manager is responsible for carrying out the policies, ordinances and resolution of the Town Council, and for overseeing the day-to-day operations of the Town. The Council is elected on a nonpartisan "at large" basis. Council members are elected to four-year staggered terms with three Council members elected every two years. The qualified electors of the Town directly elect the Mayor for a two-year term.

The Town provides a full range of services, including police, fire, and emergency medical services; planning, zoning, and building code enforcement; the construction and maintenance of streets and other infrastructure; recreational activities and cultural events; an airport and a library. In addition, the Town operates a municipal water utility that presently serves 8,094 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's financial planning and control. The budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Department heads may transfer resources within a department with approval of the Town Manager. Transfers between funds, however, need approval from the Council.

LOCAL ECONOMY

In its early years, Payson's economy was based on logging, ranching and tourism. Over the years, the economy has been shifting to provide housing and services for a growing retirement population relocating to the area for clean air, good climate, and a rural, small town quality of life. Tourism activity presently dominates the local economy. The Town's elected leadership desires to encourage economic development that will create good jobs, but not harm the environment.

Like the rest of the nation, and Arizona in particular, Payson began to experience a slight increase, approximately a 6%, in the economic environment during fiscal year 2014-2015. According to the 2010 Census, the population of the Town was 15,301. Over the last five years, the population increased 4.1%. The Town's unemployment rate, as of June 30, 2015 was 7.5%. This is 1.1% less than last year, and is higher than the State's rate of 6% and the same as the County's rate of 7.5%. The region (which includes Payson, another town and the surrounding non-incorporated areas within northern Gila County) has an employed labor force of approximately 6,602 that has increased significantly over the last fifteen years.

LONG-TERM PLANNING

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

Payson has and will continue to be very proactive in encouraging quality community and organizational development. Each three years, the Town Council and the management staff participate in a strategic planning process to update the Corporate Strategic Plan (CSP) to accommodate changes in the constituent's needs. The CSP operationalizes the Town's mission statement and the General Plan by specifying objectives and strategies for achieving them. Funding is allocated during the subsequent budgeting process.

RELEVANT FINANCIAL POLICIES

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town operates.

The Town's financial policies set forth the basic framework for the fiscal management of the Town. These include policies for accounting, budgeting, capital improvements, asset management, revenue management, risk management, and fund balance/reserve levels. These policies were developed with the parameters established by applicable provisions of Arizona Revised Statutes, Title 9 Cities and Towns, and the Town of Payson Code of Ordinances. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

The Town's accounting records for general governmental activities are maintained on a modified accrual basis, with revenues being recorded when available and measureable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the Town's water utility and other proprietary activities are maintained in the accrual basis.

Budgetary control is maintained at the fund level. Unused appropriations lapse at year-end, and must be re-appropriated or absorbed in the next year's operating budget. Appropriations for Capital Improvement Projects do not lapse at year-end, but are valid for the life of the project. Under the Town's budgetary process, outstanding encumbrances are reported as nonspendable fund balances and do not constitute expenditures or liabilities since the commitments will be re-appropriated and honored the subsequent fiscal year.

All agencies of the Town are required to submit requests for appropriation to Financial Services by April 1 each year. These requests are used to develop a proposed budget. By early June, the Tentative Budget is adopted and a public hearing is held on the Final Budget, which is then adopted by the Council. Within seven days of the Final Budget adoption, a public hearing is held on the proposed Primary tax rate where it is then adopted by ordinance. Upon adoption, it is certified to the County Treasurer.

MAJOR INITIATIVES

Although the tough economic climate of the past few years has slowed down the progress of some of the strategic objectives of the Town, a few initiatives were undertaken in fiscal year 2014-15.

- Construction of the C.C. Cragin pipeline project continues.
- Upgrades to water system infrastructure.
- Park enhancements including the installation of a Pickle ball Court.
- Airport upgrades to the runway and taxiways.

AWARDS AND ACKNOWLEDGEMENTS

Awards. The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Town for the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the 16th consecutive year that the Town achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Town began producing a Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2006 and has produced one every year since. The PAFR is a report based on the CAFR but specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance. The Town has received the GFOA Popular Annual Financial Report Award each year since 2006.

In addition, the government also received GFOA's Distinguished Budget Presentation Award for the annual budget document for fiscal year 2014-2015. In order to qualify for this award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device. This also was the 16th consecutive year that the government achieved this prestigious award.

Acknowledgements. The preparation of the report would not have been possible without the efficient and dedicated services of the entire staff of the Financial Services and Administration departments. We wish to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and members of the Town Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Payson's finances.

Respectfully submitted,

LaRon Garrett, PE
Town Manager

Hope Cribb
Finance Manager

TOWN OF PAYSON, ARIZONA
TOWN OFFICIALS

TOWN COUNCIL

Kenny J. Evans
Mayor

Michael Hughes, Vice Mayor
John R. Wilson, Council Member
Su Connell, Council Member
Chris Higgins, Council Member
Richard Croy, Council Member
Fred Carpenter, Council Member

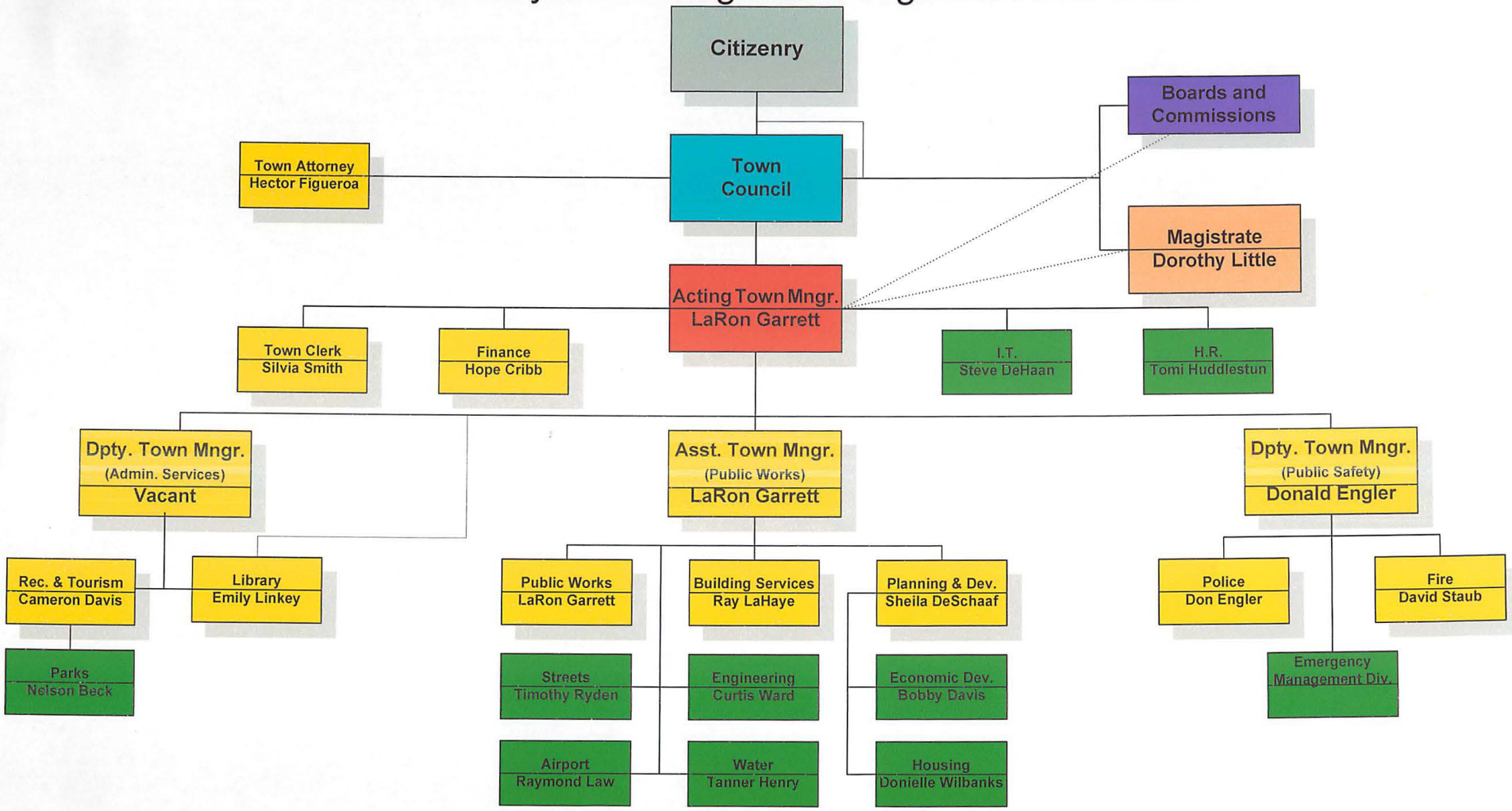
ADMINISTRATION

LaRon Garrett, Town Manager
Don Engler, Deputy Town Manager

DEPARTMENT DIRECTORS

Town Clerk	Silvia Smith
Town Attorney	Hector Figeroua
Magistrate Court	Dorothy Little
Finance Manager	Hope Cribb
Police Chief	Don Engler
Fire Chief	David Staub
Librarian	Emily Linkey
Public Works	LaRon Garrett
Recreation and Tourism	Cameron Davis

Town of Payson Management Organizational Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Payson

Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Payson, Arizona (Town), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Payson, Arizona as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison schedules of the General Fund and HURF Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2015, the Town of Payson, Arizona adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* As a result of the implementation of GASBs No. 68 and No. 71, the Town of Payson, Arizona reported a restatement for the change in accounting principle (see Note 3.G.) Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 10–19 and the pension schedules, and other postemployment benefits other than pensions on pages 72-79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, on our consideration of the Town of Payson, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Payson, Arizona's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
November 6, 2015

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REQUIRED SUPPLEMENTARY INFORMATION

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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, 2015. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes. This discussion will help determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impact on our debt and operations. When referring to prior year's data in this analysis we will be drawing upon information from last year's audited financial reports.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $107.7 million (net position). Due to the Town's pension and other post-employment benefit liabilities, the Town reports a deficit unrestricted net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $3.1 million, an increase of $0.4 million in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $1.7 million or 12 percent of total General Fund expenditures.
- General Fund revenues (on a budgetary basis) were less than budgeted revenues by $0.2 million for fiscal year 2015. Additionally, budgetary basis expenditures were 92% ($1.1 million (8%) in savings) of the final budget in the General Fund.
- General Fund revenues exceeded expenditures by $0.6 million; a positive variance of $1.0 million from the final budget.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused paid time off).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, highways and streets, culture and recreation, public works, community development and health and welfare. The business-type activities include only the operations of the water system.

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

Fund financial statements - Also presented are the fund financial statements. The fund financial statements focus on major funds of the Town, rather than fund type. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, HURF Fund and Debt Service Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements and schedules.

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

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

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

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

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

The Town has an agency fund; however, at June 30, 2015, the Town did not hold any assets in a fiduciary capacity and basic fiduciary fund financial statements are not presented. The Town received and disbursed funds in an agent capacity and therefore a combining statement of changes in assets and liabilities is presented on page 85.

Notes to the basic financial statements. The notes to the basic financial statements (pages 33 - 71) provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements and should be read in conjunction with the basic financial statements.

Required supplementary information other than MD&A. Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information following the notes to the basic financial statements. The Town has chosen to present these budgetary statements as part of the basic financial statements. Additionally, governments are required to disclose certain information about employee pensions and other postemployment benefits other than pensions. The Town has disclosed this information on pages 72- 79.

Government-Wide Financial Analysis

Net position may serve over time as useful indicators of a government's financial position. The following table reflects the condensed Statement of Net Position of the Town for June 30, 2015 showing that assets exceeded liabilities by $107.7 million.

Condensed Statement of Net Position
June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014 (Restated)	2015	2014 (Restated)	2015	2014 (Restated)
Assets						
Current and Other Assets	$ 4,891,660	$ 4,170,807	$ 10,758,989	$ 9,755,172	$ 15,650,649	$ 13,925,979
Capital Assets						
Non-depreciable	12,319,207	12,340,956	19,258,225	18,300,725	31,577,432	30,641,681
Depreciable (net)	95,184,646	94,994,459	7,734,069	8,626,692	102,918,715	103,621,151
Total Assets	112,395,513	111,506,222	37,751,283	36,682,589	150,146,796	148,188,811
Deferred Outflows of Resources	3,998,046	1,403,065	220,905	114,495	4,218,951	1,517,560
Liabilities						
Current Liabilities	1,109,393	816,264	842,915	824,705	1,952,308	1,640,969
Noncurrent Liabilities						
Due Within One Year	726,818	1,611,750	454,542	592,238	1,181,360	2,203,988
Due in More Than One Year	31,105,190	27,422,727	10,712,347	10,565,369	41,817,537	37,988,096
Total Liabilities	32,941,401	29,850,741	12,009,804	11,982,312	44,951,205	41,833,053
Deferred Inflows of Resources	1,440,868	-	307,200	-	1,748,068	-
Net Position						
Net Investment in Capital Assets	105,190,507	104,424,687	18,707,310	18,784,149	123,897,817	123,208,836
Restricted	1,519,013	1,338,294	762,942	548,453	2,281,955	1,886,747
Unrestricted	(24,698,230)	(22,704,435)	6,184,932	5,482,170	(18,513,298)	(17,222,265)
Total Net Position	$ 82,011,290	$ 83,058,546	$ 25,655,184	$ 24,814,772	$ 107,666,474	$ 107,873,318

Net position consists of three components. The largest portion of the Town's net position (115%) reflects its net investment in capital assets (e.g., land, intangible assets, buildings, infrastructure, water system, and vehicles, machinery and equipment), less any outstanding related debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (2.1%) represents resources that are subject to external restrictions. Due to the Town's pension and other post-employment benefit obligations, the Town reports a deficit unrestricted net position.

At the end of the current fiscal year, the Town was able to report positive balances in two of the three categories of net position for the government as a whole. The negative unrestricted net position, reported in the governmental activities, was largely due to the recognition of the other postemployment healthcare benefits and pension obligations in the current and prior years.

The pension liabilities and other postemployment healthcare liability recognized for services rendered through June 30, 2015 were estimated at $21.9 million and $9.2 million, respectively.

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

Changes in Net Position
Fiscal Years Ended June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program Revenues:						
Fees, Fines and Charges for Services	$ 1,941,191	$ 1,875,099	$ 5,069,019	$ 4,905,372	$ 7,010,210	$ 6,780,471
Operating Grants and Contributions	2,055,678	1,973,302	39,386	554,516	2,095,064	2,527,818
Capital Grants and Contributions	1,520,135	1,432,182	49,454	216,465	1,569,589	1,648,647
General Revenues:						
Sales Taxes	6,870,982	6,435,777	-	-	6,870,982	6,435,777
Property Taxes	925,329	901,723	-	-	925,329	901,723
Franchise Taxes	364,064	357,950	-	-	364,064	357,950
State Shared Revenues	3,250,620	3,037,332	-	-	3,250,620	3,037,332
Auto Lieu Taxes	874,316	857,218	-	-	874,316	857,218
Investment Earnings	1,481	658	3,145	8,071	4,626	8,729
Total Revenues	17,803,796	16,871,241	5,161,004	5,684,424	22,964,800	22,555,665
EXPENSES						
General Government	3,091,983	3,151,408	-	-	3,091,983	3,151,408
Public Safety	9,445,724	8,632,829	-	-	9,445,724	8,632,829
Highways and Streets	2,173,743	2,213,129	-	-	2,173,743	2,213,129
Culture and Recreation	1,281,108	1,229,920	-	-	1,281,108	1,229,920
Public Works	1,553,820	940,315	-	-	1,553,820	940,315
Community Development	950,372	843,007	-	-	950,372	843,007
Health and Welfare	232,944	223,846	-	-	232,944	223,846
Interest on Long-Term Debt	104,058	123,197	-	-	104,058	123,197
Water	-	-	4,337,892	4,487,156	4,337,892	4,487,156
Total Expenses	18,833,752	17,357,651	4,337,892	4,487,156	23,171,644	21,844,807
CHANGE IN NET POSITION BEFORE TRANSFERS	(1,029,956)	(486,410)	823,112	1,197,268	(206,844)	710,858
Transfers	(17,300)	(17,300)	17,300	17,300	-	-
CHANGE IN NET POSITION	(1,047,256)	(503,710)	840,412	1,214,568	(206,844)	710,858
Net Position - Beginning of Year (Restated)	83,058,546	83,562,256	24,814,772	23,600,204	107,873,318	107,162,460
NET POSITION - END OF YEAR	$ 82,011,290	$ 83,058,546	$ 25,655,184	$ 24,814,772	$ 107,666,474	$ 107,873,318

Governmental activities. Total governmental revenues increased over the prior year with a net increase of $0.9 million (5.5%).

Program revenues increased $0.2 million over the prior fiscal year. The increase was the result of a 4% increase in operating grants and contributions, 4% increase in fees, fines and charges for services, and a 6% increase in capital grants and contributions. The increase in operating grants and contributions was due to the Town receiving additional CDBG and Homeland Security Grant funding in the current year. The increase in capital grants and contributions was due to an increase in the Town's Airport Improvement Grant Program grant. The increase in fees, fines and charges for services was mainly due to an uptick in the amount of building related revenues, resuming operations of the swimming, and greater participation in recreational events.

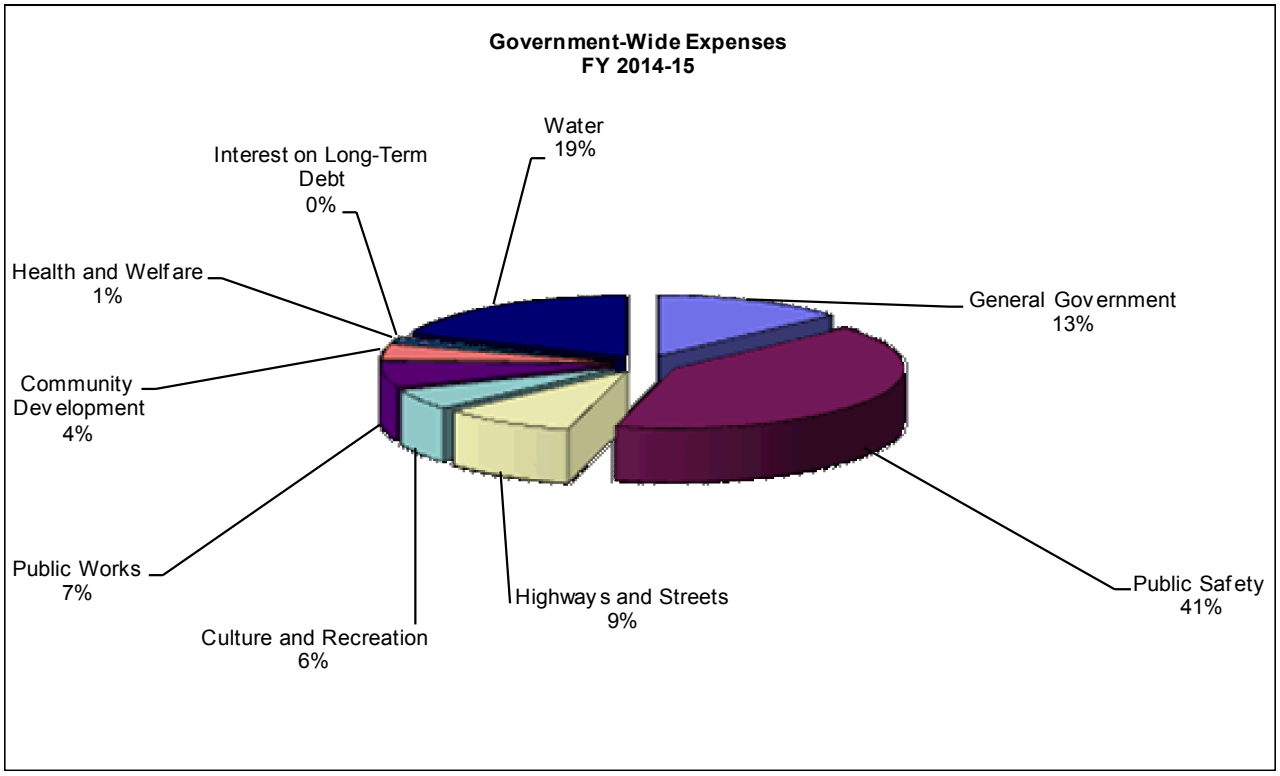
General revenues increased $0.7 million. The increase was largely due to an improvement in economic activity resulting in the Town's share of state sales tax and local sales tax increasing. The remaining changes in general revenues were not significant.

Overall, expenses increased $1.5 million from the prior year. The increase was largely due to the Town's Police department achieving almost full staffing during the year and a 15% increase in the PSPRS pension rate and related expense ($0.8 million). Large repair and maintenance costs at the airport ($0.9 million) were also contributing factors. The remaining changes in expenses was not significant

Business-type activities. Charges for services increased over the prior fiscal year by $0.2 million. The increase was due to increased rates that were implemented during the fiscal year 2013-14 for water usage and in effect for all of the 2014-15 fiscal year. Operating grants decreased $0.5 million over the prior fiscal year. The Town received a large reimbursement in the prior year from a local nonprofit related to construction of the C.C. Cragin Pipeline. No such reimbursement was received in the current year.

The decrease in expenses was not significant.

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



Financial Analysis of the Town's Funds

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

As of the end of the current fiscal year the Town's governmental funds reported combined ending fund balances of $3.1 million, an increase of $0.4 million in comparison with the prior year. Approximately 64% of this total amount ($2.0 million) constitutes General Fund balance, which is reported as either nonspendable, restricted, assigned or unassigned fund balance. At the end of fiscal year 2014-15, fund balances were as follows:

Fund	Balance	Increase (Decrease) From 2013-14
General Fund	$ 1,989,257	356,906
HURF Fund	336,242	257,668
Debt Service Fund	169,656	(72,137)
Nonmajor Governmental Funds	613,592	(106,669)

The General Fund is the chief operating fund of the Town. As a measure of the General Fund's liquidity, it may be useful to compare both the General Fund fund balance and total fund balance to total fund expenditures. The unassigned General Fund fund balance represents 12% of total General Fund expenditures, while total unassigned fund balance represents 9.9% of total fund expenditures.

The General Fund increase of $0.4 million was the result of a new revenue source, the 0.5 percent Gila County Tax that was instituted in January 2015. This increase in revenues was primarily the result of an increase in economic activity which leads to greater distributions to the state and local governments.

The HURF Fund increase of $0.3 million was the result of an increase in state shared revenues. This increase in revenues was primarily the result of an increase in economic activity which leads to greater distributions to the state and local governments.

The 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 sales tax and special assessment revenues; however, funds are transferred in from other funds to contribute to the debt service due on the general obligation bonds. The debt service fund decreased $72,137 due to the use of carryover funds from prior years for current debt service payments.

The $0.1 million decrease in Nonmajor governmental fund balance in the current year was not considered significant and was largely due to the use of carryover funds for capital 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 26 – 28. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis. The Town did not amend its budget during the fiscal year.

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

General Fund revenues of $14.5 million were less than budgeted revenues of $14.7 million by $0.2 million while expenditures of $13.9 million were 92% of budgeted expenditures (savings of $1.1 million). Revenues were less than budgeted revenues primarily due to lower than expected economic recovery. The expenditure savings were derived largely from unspent contingencies, and vacancies savings.

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

Capital Assets

The Town's capital assets for its governmental activities as of June 30, 2015 totaled $107.5 million (net of accumulated depreciation), an increase from the prior year of $0.2 million. Business-type activities capital assets amounted to $27.0 million (net of accumulated depreciation). Governmental fund financial statements record capital asset purchases as expenditures. See Note 3.A.4. in the Notes to the Basic Financial Statements for further information regarding capital assets.

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

Governmental Activities – The most significant change in capital assets in the Governmental Activities was $1.5 million in current year infrastructure capital additions representing various local street and right of way construction projects completed during the year. The Town also had $1.8 million in depreciation expense for governmental assets in the current year.

Business-Type Activities – The most significant change in capital assets in the Business Type Activities was $1.1 million in current year depreciation expense and $0.9 million in construction in progress additions for the continued construction of the CC Cragin Pipeline.

The following table provides a breakdown of the capital assets of the Town at June 30, 2015 and 2014.

Capital Assets (net)
June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	$ 12,238,995	$ 12,238,995	$ 1,590,144	$ 1,590,144	$ 13,829,139	$ 13,829,139
Construction in Progress	80,212	101,961	14,066,507	13,147,094	14,146,719	13,249,055
Pipeline Right of Way	-	-	3,601,574	3,563,487	3,601,574	3,563,487
Infrastructure	85,047,088	84,202,093	-	-	85,047,088	84,202,093
Buildings	6,287,054	6,582,668	282,622	305,731	6,569,676	6,888,399
Improvements Other Than Buildings	1,617,711	1,779,878	7,187,265	8,030,515	8,804,976	9,810,393
Vehicles, Machinery and Equipment	2,232,793	2,429,820	264,182	290,446	2,496,975	2,720,266
Total Capital Assets	$ 107,503,853	$ 107,335,415	$ 26,992,294	$ 26,927,417	$ 134,496,147	$ 134,262,832

Long-Term Debt

At the end of the current fiscal year, the Town had total long-term obligations outstanding of $21.1 million. Of the outstanding debt, $1.3 million (including $33,083 premium on the bonds) is general obligation bonds and $8.3 million are notes payable backed by the full faith and credit of the Town. An additional $0.5 million of special assessment bonds are backed by a guaranteed investment contract with the developer of the special assessment district property. All other outstanding debt is secured by pledges of specific revenue sources in the Town, including revenue bonds of $0.4 million.

The State imposes certain debt limitations on the Town of six percent (6%) and twenty percent (20%) of the outstanding secondary net assessed valuation of the Town. The Town's available debt margin at June 30, 2015 is $8.6 million in the 6% capacity and $32.7 million in the 20% capacity. Additional information on the debt limitations and capacities may be found in the statistical section of this report (pages 110 - 112).

The following schedule shows the outstanding debt of the Town (both current and long-term) as of June 30, 2015 and 2014. Further detail on the Town's outstanding debt may be found in Notes 3.C., 3.D. and 3.E. on pages 48 – 52.

Outstanding Debt
June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	$ 1,278,083	$ 1,565,583	$ -	$ -	$ 1,278,083	$ 1,565,583
Special Assessment Bonds	480,000	535,000	-	-	480,000	535,000
Revenue Bonds	360,000	470,000	-	-	360,000	470,000
Notes Payable	-	-	8,284,984	8,143,268	8,284,984	8,143,268
Capital Leases	195,263	340,145	-	-	195,263	340,145
Compensated Absences	1,158,088	1,187,582	188,484	220,745	1,346,572	1,408,327
Other Postemployment Benefits	8,218,092	7,091,489	936,679	833,402	9,154,771	7,924,891
Total Outstanding Debt	$ 11,689,526	$ 11,189,799	$ 9,410,147	$ 9,197,415	$ 21,099,673	$ 20,387,214

Economic Factors and Next Year's Budgets and Rates

The Town, as well as all other Arizona cities, remains dependent on state shared revenues (15%) and local sales taxes for resources (22%). These revenue sources are sensitive to economic downturns and legislative appropriations. While the local economy seems to be stabilizing slightly, the Town continues to spend conservatively and cautiously.

The Fiscal Year 2015-2016 budget preparation was influenced by the following factors:

- Anticipation of additional County shared sales tax revenue.
- Utilization of previously frozen staff positions as needed.
- Possible construction of the university campus.
- Continued reductions in some revenues due to little or no growth in state shared revenues, and/or highway user (gas tax) revenues.
- The pursuit of grants.
- Continued construction of the C.C. Cragin pipeline.
- Leasing several large capital expenditures: Soccer Field Turf, Field Lights, Street Sweeper, and a Backhoe Loader.

Financial Contact

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

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

Or visit our website at:

http://www.paysonaz.gov

Basic Financial Statements

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TOWN OF PAYSON, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	$ 2,763,372	$ 8,805,691	$ 11,569,063
Receivables, Net			
Accounts Receivable	250,301	573,320	823,621
Intergovernmental Receivables	841,039	24,386	865,425
Property Taxes Receivable	62,663	-	62,663
Special Assessments Receivable	586,636	-	586,636
Restricted Cash and Investments	387,649	1,324,865	1,712,514
Other Assets	-	30,727	30,727
Capital Assets			
Non-Depreciable	12,319,207	19,258,225	31,577,432
Depreciable (Net)	95,184,646	7,734,069	102,918,715
Total Assets	112,395,513	37,751,283	150,146,796
DEFERRED OUTFLOWS OF RESOURCES	3,998,046	220,905	4,218,951
LIABILITIES			
Accounts Payable	457,839	123,439	581,278
Accrued Wages and Benefits	320,874	41,666	362,540
Interest Payable	31,100	115,887	146,987
Customer Deposits Payable	19,580	561,923	581,503
Matured Debt Principal Payable	280,000	-	280,000
Noncurrent Liabilities			
Net Pension Liability	20,142,482	1,756,742	21,899,224
Due Within One Year	726,818	454,542	1,181,360
Due in More Than One Year	10,962,708	8,955,605	19,918,313
Total Liabilities	32,941,401	12,009,804	44,951,205
DEFERRED INFLOWS OF RESOURCES	1,440,868	307,200	1,748,068
NET POSITION			
Net Investment in Capital Assets	105,190,507	18,707,310	123,897,817
Restricted for			
Court Enhancement	91,257	-	91,257
Highways and Streets	336,242	-	336,242
Debt Service	756,292	676,870	1,433,162
Capital Outlay	335,222	86,072	421,294
Unrestricted	(24,698,230)	6,184,932	(18,513,298)
Total Net Position	$ 82,011,290	$ 25,655,184	$ 107,666,474

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental Activities							
General Government	$ 3,091,983	$ 1,073,001	$ 27,572	$ 361,771	$ (1,629,639)		$ (1,629,639)
Public Safety	9,445,724	316,033	194,554	51,270	(8,883,867)		(8,883,867)
Highways and Streets	2,173,743	6,832	1,833,552	1,026,084	692,725		692,725
Culture and Recreation	1,281,108	88,968	-	-	(1,192,140)		(1,192,140)
Public Works	1,553,820	189,654	-	-	(1,364,166)		(1,364,166)
Community Development	950,372	251,695	-	81,010	(617,667)		(617,667)
Health and Welfare	232,944	15,008	-	-	(217,936)		(217,936)
Interest on Long-Term Debt	104,058	-	-	-	(104,058)		(104,058)
Total Governmental Activities	18,833,752	1,941,191	2,055,678	1,520,135	(13,316,748)		(13,316,748)
Business-Type Activities							
Water	4,337,892	5,069,019	39,386	49,454	-	$ 819,967	819,967
Totals	$ 23,171,644	$ 7,010,210	$ 2,095,064	$ 1,569,589	(13,316,748)	819,967	(12,496,781)
General Revenues:							
Taxes							
Sales Taxes					6,870,982	-	6,870,982
Property Taxes					905,976	-	905,976
Franchise Taxes					364,064	-	364,064
Special Assessments					19,353	-	19,353
State Sales Tax Revenue Sharing - Unrestricted					3,250,620	-	3,250,620
Auto Lieu Tax Revenue Sharing - Unrestricted					874,316	-	874,316
Investment Earnings					1,481	3,145	4,626
Transfers					(17,300)	17,300	-
Total General Revenues and Transfers					12,269,492	20,445	12,289,937
Change in Net Position					(1,047,256)	840,412	(206,844)
Net Position - Beginning of Year, Restated					83,058,546	24,814,772	107,873,318
Net Position - Ending					$ 82,011,290	$ 25,655,184	$ 107,666,474

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	HURF Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	$ 1,576,141	$ 199,548	$ 483,506	$ 327,106	$ 2,586,301
Restricted Cash and Investments	81,521	-	-	306,128	387,649
Receivables, Net					
Taxes Receivable	62,663	-	-	-	62,663
Accounts Receivable	242,967	-	-	-	242,967
Intergovernmental Receivable	624,240	216,799	-	-	841,039
Special Assessments Receivable	-	-	586,636	-	586,636
Total Assets	$ 2,587,532	$ 416,347	$ 1,070,142	$ 633,234	$ 4,707,255
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 237,794	$ 54,422	$ 2,750	$ 11,651	$ 306,617
Accrued Wages and Benefits	287,200	25,683	-	7,991	320,874
Matured Principal Payable	-	-	280,000	-	280,000
Interest Payable	-	-	31,100	-	31,100
Customer Deposits Payable	19,580	-	-	-	19,580
Total Liabilities	544,574	80,105	313,850	19,642	958,171
Deferred Inflows of Resources					
Unavailable Revenues	53,701	-	586,636	-	640,337
Fund Balances					
Restricted	3,080	336,242	169,656	423,399	932,377
Assigned:					
Public Safety - Police	95,752	-	-	-	95,752
Culture and Recreation	226,482	-	-	-	226,482
Capital Outlay	-	-	-	190,193	190,193
Unassigned	1,663,943	-	-	-	1,663,943
Total Fund Balances	1,989,257	336,242	169,656	613,592	3,108,747
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,587,532	$ 416,347	$ 1,070,142	$ 633,234	$ 4,707,255

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Fund Balances for Governmental Funds	$ 3,108,747
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	143,806,003
Less Accumulated Depreciation	(36,302,150)
Capital Assets Used in Governmental Activities	107,503,853
Some revenues are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.	
Property Taxes	53,701
Special Assessment Revenue	586,636
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
General Obligation Bonds	(1,245,000)
Special Assessment Bonds	(480,000)
Revenue Bonds	(360,000)
Premium	(33,083)
Capital Leases	(195,263)
Compensated Absences	(1,158,088)
Other Postemployment Benefits	(8,218,092)
Net Pension Liability	(20,142,482)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources related to pensions	3,998,046
Deferred inflows of resources related to pensions	(1,440,868)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	33,183
Total Net Position of Governmental Activities	$ 82,011,290

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2015

	General	HURF Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Sales Taxes	$ 6,498,473	$ -	$ 372,509	$ -	$ 6,870,982
Property Taxes	656,899	-	-	218,880	875,779
Franchise Taxes	364,064	-	-	-	364,064
Intergovernmental	5,106,707	1,833,552	-	113,030	7,053,289
Fines and Forfeitures	174,961	-	-	19,116	194,077
Licenses and Permits	339,348	-	-	-	339,348
Charges for Services	853,798	6,832	-	-	860,630
Contributions and Donations	5,640	-	-	1,149	6,789
Special Assessments	-	-	57,488	-	57,488
Investment Earnings	1,484	-	-	-	1,484
Other	508,712	38,424	-	-	547,136
Total Revenues	14,510,086	1,878,808	429,997	352,175	17,171,066
EXPENDITURES					
Current					
General Government	3,306,134	-	-	-	3,306,134
Public Safety	7,362,613	-	-	-	7,362,613
Highways and Streets	-	1,621,140	-	-	1,621,140
Culture and Recreation	493,386	-	-	332,903	826,289
Public Works	1,560,185	-	-	-	1,560,185
Community Development	891,508	-	-	-	891,508
Health and Welfare	228,324	-	-	-	228,324
Debt Service					
Principal Retirement	58,206	-	584,477	-	642,683
Interest on Long-Term Debt	3,425	-	108,133	-	111,558
Capital Outlay	-	-	-	220,365	220,365
Total Expenditures	13,903,781	1,621,140	692,610	553,268	16,770,799
Excess (Deficiency) of Revenues Over Expenditures	606,305	257,668	(262,613)	(201,093)	400,267
OTHER FINANCING SOURCES (USES)					
Transfers In	806	-	190,476	95,230	286,512
Transfers Out	(303,006)	-	-	(806)	(303,812)
Proceeds from Capital Lease	52,801	-	-	-	52,801
Total Other Financing Sources (Uses)	(249,399)	-	190,476	94,424	35,501
Net Change in Fund Balances	356,906	257,668	(72,137)	(106,669)	435,768
FUND BALANCES					
Beginning of Year	1,632,351	78,574	241,793	720,261	2,672,979
End of Year	$ 1,989,257	$ 336,242	$ 169,656	$ 613,592	$ 3,108,747

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances of Governmental Funds	$ 435,768
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for Capital Assets	1,949,744
Less Current Year Depreciation	(1,781,306)
Excess Capital Expenditures Over Depreciation	168,438
Some revenues reported in the governmental funds that did not provide current financial resources in prior years have been recognized previously in the statement of activities and therefore are not reported as revenues in the statement of activities.	
Property Taxes	30,197
Special Assessments	(38,135)
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal on long-term debt reduces long-term debt on the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when the debt is first issued, whereas these items are amortized over the term of the long term debt in the statement of activities.	
Principal Payments on Long-Term Bonds	445,000
Proceeds on Capital Lease	(52,801)
Principal Payments on Capital Leases	197,683
Amortization of Bond Premium	7,500
Governmental funds report Town pension contributions as expenditures when made. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows or resources related to pensions, and the investment experience.	
Pension contributions	1,382,842
Pension expense	(2,526,533)
	(1,143,691)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Net Change in Compensated Absences	29,494
Net Change in Other Postemployment Benefits	(1,126,603)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues of the internal service fund is reported with governmental activities.	(106)
Change in Net Position of Governmental Activities	$ (1,047,256)

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2015

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	$ 6,792,900	$ 7,519,436	$ 726,536
Intergovernmental	5,901,300	5,106,707	(794,593)
Fines and Forfeitures	100,000	174,961	74,961
Licenses and Permits	906,000	339,348	(566,652)
Charges for Services	418,700	853,798	435,098
Contributions and Donations	-	5,640	5,640
Investment Earnings	500	1,484	984
Other	580,700	508,712	(71,988)
Total Revenues	14,700,100	14,510,086	(190,014)
EXPENDITURES			
Current			
General Government			
General Government Administration	1,044,500	1,075,798	(31,298)
Town Clerk	211,300	209,958	1,342
Elections	43,000	37,109	5,891
Town Manager	277,200	265,129	12,071
Town Council	107,000	89,841	17,159
Human Resources	227,600	230,805	(3,205)
Computer Information Services	614,800	550,103	64,697
Financial Services	353,500	320,399	33,101
Courts	213,100	174,792	38,308
Attorney	408,200	352,200	56,000
Total General Government	3,500,200	3,306,134	194,066
Public Safety			
Police Department	4,715,500	4,290,076	425,424
Fire Department	3,272,000	3,072,537	199,463
Total Public Safety	7,987,500	7,362,613	624,887
Culture and Recreation			
Recreation	273,600	267,886	5,714
Aquatics	50,400	56,859	(6,459)
Event Center	204,400	166,584	37,816
Trails	10,000	2,057	7,943
Total Culture and Recreation	538,400	493,386	45,014
Public Works			
Airport	1,257,700	989,428	268,272
Park Operations	539,600	567,221	(27,621)
Town Engineer	4,600	3,536	1,064
Total Public Works	1,801,900	1,560,185	241,715

(Continued)

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2015

	Original and Final Budget	Actual	Variance with Final Budget
EXPENDITURES (CONTINUED)			
Current (Continued)			
Community Development			
Planning and Zoning	$ 421,500	$ 359,135	$ 62,365
Building Inspections	334,500	312,828	21,672
Tourism - Economic Vitality	222,500	219,545	2,955
Total Community Development	978,500	891,508	86,992
Health and Welfare			
Health and Welfare	116,400	116,400	-
Animal Control	128,100	111,924	16,176
Total Health and Welfare	244,500	228,324	16,176
Debt Service			
Principal Retirement	-	58,206	(58,206)
Interest on Long-Term Debt	-	3,425	(3,425)
Total Expenditures	15,051,000	13,903,781	1,147,219
Excess (Deficiency) of Revenues Over Expenditures	(350,900)	606,305	957,205
OTHER FINANCING SOURCES (USES)			
Transfers In	-	806	806
Transfers Out	(304,700)	(303,006)	1,694
Proceeds From Capital Lease	-	52,801	52,801
Total Other Financing Sources (Uses)	(304,700)	(249,399)	55,301
Net Change in Fund Balance	(655,600)	356,906	1,012,506
FUND BALANCE			
Beginning of Year	1,635,431	1,632,351	(3,080)
End of Year	$ 979,831	$ 1,989,257	$ 1,009,426

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
HURF FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2015

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Intergovernmental	$ 2,053,200	$ 1,833,552	$ (219,648)
Charges for Services	145,000	6,832	(138,168)
Other	34,600	38,424	3,824
Total Revenues	2,232,800	1,878,808	(353,992)
EXPENDITURES			
Current			
Highways and Streets	2,299,100	1,621,140	677,960
Excess (Deficiency) of Revenues Over Expenditures	(66,300)	257,668	323,968
FUND BALANCE			
Beginning of Year	78,574	78,574	-
End of Year	$ 12,274	$ 336,242	$ 323,968

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Water Fund	Internal Service Funds
ASSETS		
Current Assets		
Cash and Investments	$ 8,805,691	$ 177,071
Receivables, Net		
Accounts Receivable	573,320	7,334
Intergovernmental Receivable	24,386	-
Restricted Cash and Investments	1,324,865	-
Total Current Assets	10,728,262	184,405
Noncurrent Assets		
Other Assets	30,727	-
Capital Assets		
Non-Depreciable	19,258,225	-
Depreciable (Net)	7,734,069	-
Total Noncurrent Assets	27,023,021	-
Total Assets	37,751,283	184,405
DEFERRED OUTFLOWS OF RESOURCES	220,905	-
LIABILITIES		
Current Liabilities		
Accounts Payable	123,439	151,222
Accrued Wages and Benefits	41,666	-
Interest Payable	115,887	-
Customer Deposits Payable	561,923	-
Compensated Absences	32,837	-
Notes Payable	421,705	-
Total Current Liabilities	1,297,457	151,222
Noncurrent Liabilities		
Compensated Absences	155,647	-
Other Postemployment Benefits	936,679	-
Net Pension Liability	1,756,742	-
Notes Payable	7,863,279	-
Total Noncurrent Liabilities	10,712,347	-
Total Liabilities	12,009,804	151,222
DEFERRED INFLOWS OF RESOURCES	307,200	-
NET POSITION		
Net Investment in Capital Assets	18,707,310	-
Restricted for		
Debt Service	676,870	-
Capital Outlay	86,072	-
Unrestricted	6,184,932	33,183
Total Net Position	$ 25,655,184	$ 33,183

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Water Fund	Internal Service Funds
Operating Revenues		
Charges for Services	$ 4,807,322	$ -
Contributions	-	1,801,857
Total Operating Revenues	4,807,322	1,801,857
Operating Expenses		
Cost of Sales and Services	3,269,026	1,801,963
Depreciation	1,068,845	-
Total Operating Expenses	4,337,871	1,801,963
Operating Income (Loss)	469,451	(106)
Nonoperating Revenues (Expenses)		
Intergovernmental	39,386	-
Development Impact Fees	187,419	-
Investment Earnings	3,145	-
Interest Expense	(21)	-
Miscellaneous Nonoperating Revenues	74,278	-
Total Nonoperating Revenues (Expenses)	304,207	-
Income Before Capital Contributions and Transfers	773,658	(106)
Capital Contributions	49,454	-
Transfers In	17,300	-
Total Capital Contributions and Transfers	66,754	-
Change in Net Position	840,412	(106)
Net Position		
Beginning of Year (As Restated)	24,814,772	33,289
End of Year	$ 25,655,184	$ 33,183

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds	Governmental Activities
	Water	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 4,898,953	$ 1,799,358
Payments to Suppliers	(1,916,921)	(1,650,741)
Payments to Employees	(1,285,090)	-
Customer Deposits Payable	22,825	-
Miscellaneous Revenue	74,278	-
Net Cash Flows from Operating Activities	1,794,045	148,617
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental Revenues	90,769	-
Transfers In	17,300	-
Development Impact Fees	187,419	-
Net Cash Flows from Noncapital Financing Activities	295,488	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(856,105)	-
Principal Paid on Capital Debt	(462,590)	-
Interest Paid on Capital Debt	(225,518)	-
Issuance of Long-Term Debt	604,306	-
Net Cash Flows from Capital and Related Financing Activities	(939,907)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	3,145	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,152,771	148,617
Cash and Cash Equivalents - Beginning of Year	8,977,785	28,454
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 10,130,556	$ 177,071
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and Investments	$ 8,805,691	$ 177,071
Restricted Cash and Investments	1,324,865	-
Total Cash and Cash Equivalents	$ 10,130,556	$ 177,071

(Continued)

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds	Governmental Activities
	Water	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ 469,451	$ (106)
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided by Operating Activities:		
Adjustments to Operating Activity:		
Depreciation	1,068,845	-
Nonoperating Receipts	74,278	-
Adjustment for Pension Expense	(2,660)	
Change in Assets/Liabilities:		
Receivables	91,631	(2,499)
Other Assets	5,940	-
Accounts Payable	(12,138)	151,222
Accrued Wages and Benefits	4,857	-
Customer Deposits Payable	22,825	-
Compensated Absences	(32,261)	-
Other Postemployment Benefits	103,277	-
Net Cash Provided by Operating Activities	$ 1,794,045	$ 148,617

Noncash Capital Financing Activities

During the fiscal year ended June 30, 2015, the Town received $49,454 in contributed assets and capitalized $228,163 in interest expenses incurred during the fiscal year.

See accompanying Notes to the Basic Financial Statements.

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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.

During the year ended June 30, 2015, the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68,* both of which provides financial reporting guidance for reporting pension liabilities and expenses.

A. Reporting Entity

The Town is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. Furthermore, there are no component units combined with the Town for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the Town's financial statements present only the funds of those entities for which its elected governing board is financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements and the proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences, debt service expenditures and claims and judgments, which are recorded only when payment is due.

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

The Town reports the following major governmental funds:

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

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

The *Debt Service Fund* accounts for the interest, principal and fees incurred due to general obligation and special assessment debt of the Town except those accounted for in the proprietary funds.

The Town reports the following major proprietary fund:

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Additionally, the Town reports the following fund types:

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for water services. The principal operating revenues of the Town's internal service fund are Town departmental contributions and charges to employees for health benefits. Operating expenses for the Internal Service Fund include the cost of administrative expenses and health insurance premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

1. Deposits and Investments

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

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Accounts Receivable and Property Tax Receivable

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

Gila County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

3. Intergovernmental Receivables

Intergovernmental receivables reported in the government-wide financial statements for the governmental activities include amounts due from the State for city sales tax ($399,767), state shared sales tax ($121,800), highway user revenue fuel tax ($139,057), vehicle license tax ($38,093), Gila County road tax extension ($67,425) and miscellaneous state and federal grants ($74,897) and for the business-type activities include amounts due from the State for a water quality assurance ($24,386).

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method in both government-wide and fund financial statements. At June 30, 2015, the Town did not report any prepaid items.

5. Restricted Cash and Investments

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

6. Capital Assets

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets (Continued)

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

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings	30 years
Improvements other than buildings	10-35 years
Infrastructure	35-50 years
Vehicles, furniture, machinery and equipment	5-15 years

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

7. Deferred Outflows of Resources

In the government-wide financial statements and proprietary fund financial statements, the Town recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB 68.

8. Compensated Absences

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Long-Term Obligations

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

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

10. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from ASRS/PSPRS's fiduciary net position have been determined on the same basis as they are reported by ASRS/PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Deferred Inflows of Resources

In the Government-wide financial statements, the Town recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB 68.

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the Town as of June 30, 2015 or within 60 days of fiscal year end. The deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Net Position

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

13. Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balances.

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Fund Balance Classifications (Continued)

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

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

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

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

It is the policy of the Town to maintain a fund reserve, if possible, for the general fund to pay expenditures caused by unforeseen emergencies, for shortfalls caused by revenue declines and to eliminate any short-term borrowing for cash flow purposes. This reserve shall be maintained at an amount that represents 5% of total General Fund operating budgeted revenues. Annual contributions will be budgeted from General Fund resources as available to maintain the target reserve level. This is in addition to the carryover balance discussed below.

The Town's General Fund will maintain a year-to-year "carryover balance", if possible, in an amount necessary to maintain adequate cash flow and to reduce the demand for short-term borrowing. The carryover balance will equal 90 days operating expenditures from the prior year.

All other funds would report a negative unassigned fund balance if the fund fell into a deficit.

Reserve funds in the Water utility operating fund should equal 5% of prior year total operating expenses and have a carry-over balance equal to 90 days of prior year operating expenses.

The Town has established an equipment reserve fund and when fiscal resources permit, appropriates funds to it annually to provide for the timely replacement of equipment.

All expenditures drawn from reserve accounts shall require prior Town Council approval unless previously specifically authorized by the Town Council for expenditures in the annual budget.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through a passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. By Arizona Constitution, expenditures may not legally exceed the expenditure limitation described below of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between departments. The adopted budget cannot be amended in any way without Town Council approval.
5. Legal budgets are adopted in accordance with generally accepted accounting principles for the General, Special Revenue, Debt Service and Capital Projects Funds (except for the JCEF/FTG Fund, in which the Town does not adopt a budget) on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

No supplementary budgetary appropriations were necessary during the year.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the following funds/departments:

	Amount of Overexpenditure
General Fund	
General Government	
General government administration	$ 31,298
Human resources	3,205
Public Works	
Park Operations	27,621
Culture and Recreation	
Aquatics	6,459
Debt Service	
Principal	58,206
Interest	3,425
Debt Service Fund	36,010

Cash was available to meet all the overexpenditures listed above.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2015 consist of the following:

Deposits	
Cash on hand	$ 1,685
Cash in bank	1,159,698
Investments	
State Treasurer's Investment Pool	11,594,789
Cash on deposit with trustee	525,405
Total Deposits and Investments	13,281,577
Less: Restricted cash and investments	(1,712,514)
Total cash and investments, statement of net position	$ 11,569,063

Deposits - The Town had a carrying value of $1,159,698 for cash on deposit with a local financial institution and a bank balance of $1,058,413 at June 30, 2015. Of the bank balance, $331,408 was insured by federal depository insurance through two different institutions, with the remaining $727,005 secured by pledged collateral.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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

Interest rate risk. Interest rate risk is the risk that changes in interest rates will affect the fair value of an investment. In accordance with its investment policy, the Town manages its exposure to declines in fair values by limiting the average maturity of investments to less than one year. Average maturity of the Town's investments is as follows:

	Maturity			
Investment	Less Than 1 Year	1-3 Years	> 3 Years	Total
U.S. Government Securities	$ 525,405	$ -	$ -	$ 525,405
State Treasurer's Investment Pool	11,594,789	-	-	11,594,789
	$ 12,120,194	$ -	$ -	$ 12,120,194

Credit risk. Credit risk is the risk that an issue or other counterparty to an investment will not fulfill its obligation to the holder of the investment. The Town does not have a formal policy with respect to credit risk. The Town's investment in U.S. Government Securities is backed by the full faith and credit of the federal government and the State Treasurer's Investment Pool 7 received a rating of AAA.

Custodial credit risk. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investment policy requires the Town to invest in obligations secured by the federal government; and, therefore is not subject to custodial credit risk.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a formal policy in regards to concentration of credit risk.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Restricted Cash and Investments

Restricted assets at June 30, 2015 consisted of the following:

	Governmental Activities	Business-type Activities	Total
Central Arizona Project Trust	$ 306,128	$ -	$ 306,128
Current Debt Service	-	676,870	676,870
Replacement and Extension	-	86,072	86,072
Customer Deposits	-	561,923	561,923
Court Deposits	81,521	-	81,521
Total	$ 387,649	$ 1,324,865	$ 1,712,514

3. Receivables and Deferred Inflows of Resources

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

	Unavailable
Property Tax Receivable	
General Fund	$ 53,701
Special Assessments Receivable	
Debt Service Fund	586,636
Total	$ 640,337

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 12,238,995	$ -	$ -	$ 12,238,995
Construction in Progress	101,961	427,980	(449,729)	80,212
Total Capital Assets, Not Being Depreciated	12,340,956	427,980	(449,729)	12,319,207
Capital Assets, Being Depreciated:				
Infrastructure	101,653,570	1,499,933	-	103,153,503
Buildings	10,464,942	-	-	10,464,942
Improvements Other Than Buildings	7,487,891	98,059	-	7,585,950
Vehicles, Machinery and Equipment	10,032,112	373,501	(123,212)	10,282,401
Total Capital Assets, Being Depreciated	129,638,515	1,971,493	(123,212)	131,486,796
Accumulated Depreciation for:				
Infrastructure	(17,451,477)	(654,938)	-	(18,106,415)
Buildings	(3,882,274)	(295,614)	-	(4,177,888)
Improvements Other Than Buildings	(5,708,013)	(260,226)	-	(5,968,239)
Vehicles, Machinery and Equipment	(7,602,292)	(570,528)	123,212	(8,049,608)
Total Accumulated Depreciation	(34,644,056)	(1,781,306)	123,212	(36,302,150)
Total Capital Assets, Being Depreciated, Net	94,994,459	190,187	-	95,184,646
Governmental Activities Capital Assets, Net	$ 107,335,415	$ 618,167	$ (449,729)	$ 107,503,853

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	$ 1,590,144	$ -	$ -	$ 1,590,144
Pipeline Right of Way	3,563,487	38,087	-	3,601,574
Construction in Progress	13,147,094	919,413	-	14,066,507
Total Capital Assets, Not Being Depreciated	18,300,725	957,500	-	19,258,225
Capital Assets, Being Depreciated:				
Buildings	750,714	-	-	750,714
Improvements Other Than Buildings	24,410,090	132,608	-	24,542,698
Vehicles, Machinery and Equipment	1,806,543	43,614	(43,797)	1,806,360
Total Capital Assets, Being Depreciated	26,967,347	176,222	(43,797)	27,099,772
Accumulated Depreciation for:				
Buildings	(444,983)	(23,109)	-	(468,092)
Improvements Other Than Buildings	(16,379,575)	(975,858)	-	(17,355,433)
Vehicles, Machinery and Equipment	(1,516,097)	(69,878)	43,797	(1,542,178)
Total Accumulated Depreciation	(18,340,655)	(1,068,845)	43,797	(19,365,703)
Total Capital Assets, Being Depreciated, Net	8,626,692	(892,623)	-	7,734,069
Business-Type Activities Capital Assets, Net	$ 26,927,417	$ 64,877	$ -	$ 26,992,294

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	$ 69,064
Public Safety	620,986
Highways and Streets	616,992
Culture and Recreation	457,443
Community Development	16,821
Total Depreciation Expense	$ 1,781,306
Business-Type Activities:	
Water	$ 1,068,845

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Construction Commitments

The Town has active construction projects at June 30, 2015. At fiscal year end, the Town's commitments with contractors were as follows:

	Governmental Activities	
Project	Spent-to-date	Remaining Commitment
Airport Infield Drainage	$ 5,870	$ 41,574

	Business-Type Activites	
Project	Spent-to-date	Remaining Commitment
CC Cragin Pipeline Project	$ -	$ 1,598,408
CC Cragin Raw Water Penstock Phase I	-	3,961,799
	$ -	$ 5,560,207

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2015 consisted of the following:

	Transfer In				
Transfer Out	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Water Fund	Total
General Fund	$ -	$ 190,476	$ 95,230	$ 17,300	$ 303,006
Nonmajor Governmental Funds	806	-	-	-	806
Total	$ 806	$ 190,476	$ 95,230	$ 17,300	$ 303,812

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Obligations Under Leases

Capital Leases

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Vehicles, machinery and equipment	$ 883,185
Less: accumulated depreciation	(670,795)
Total	$ 212,390

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2015, were as follows:

	Governmental Activities
Year ending June 30,	
2016	$ 119,890
2017	67,014
2018	14,142
Total minimum lease payments	201,046
Less: amount representing interest	(5,783)
Present value of minimum lease payments	$ 195,263

D. Notes Payable

The Town has entered into a note payable for the purchase of real property (Little Note Payable) and a Water Infrastructure Finance Authority of Arizona (WIFA) loan for improvements to the water system. The Water Enterprise Fund de-obligated $2,407,191 of the original Water Infrastructure Financing Authority (WIFA) loan of $6,585,000, leaving a balance of $4,177,809. Additionally, the Town entered into a $6,250,000 loan agreement and a $10,000,000 loan agreement with WIFA. The loans will be used to fund Phase II of the CC Cragin Reservoir Project. The loan will be drawn upon as funds are expended with semi-annual interest and annual principal payments due at 2.891% through fiscal year 2033.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Notes Payable (Continued)

Description	Interest Rate	Maturity	Outstanding Principal June 30, 2015	Amount Due Within One Year
Business-type Activities:				
Little Note Payable	3.357%	7/1/2015	$ 3,279	$ 3,279
Water Infrastructure Authority	2.891%	7/1/15-33	8,281,705	418,426
			$ 8,284,984	$ 421,705

Annual debt service requirements to maturity on the note payable at June 30, 2015 are summarized as follows:

	Business-type Activities	
	Principal	Interest
Year Ending June 30,		
2016	$ 421,705	$ 239,424
2017	430,295	226,804
2018	442,500	214,253
2019	455,051	201,345
2020	467,959	188,071
2021-2025	2,546,596	727,689
2026-2030	2,927,711	334,610
2031-2033	593,167	33,390
	$ 8,284,984	$ 2,165,586

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. Special assessments imposed on certain parcels of land within the assessment district are used to pay the Westerly Drive Improvement District bonds. The excise tax revenue obligation bonds will be repaid from excise tax revenues of the Town. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

The Town has pledged special sales taxes to repay $1.5 million in governmental general obligation bonds issued in 2009. Proceeds of the bonds provided financing for the construction of a new fire station. The bonds are payable solely from special sales taxes and are payable through 2089. Annual principal and interest payments on the bonds are expected to require approximately 100% of net revenues. The total principal and interest remaining to be paid on the bonds is $1,356,322. Principal and interest paid for the current year and total special sales taxes were $334,094 and $372,509 respectively.

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 improvement district to repay $0.9 million in governmental special assessments obligations issued in 1996. Proceeds of the bonds provided financing for improvements in the Westerly Drive Improvement District. The bonds are payable solely from special assessments levied against all privately owned lots, pieces and parcels of land lying within the boundaries of the District, all of which have been determined to be benefited by the Project. If there is no purchaser for any assessed parcel offered for sale, it will be struck off to the Town as the purchaser and the bonds will be payable by the General Fund or Debt Service Fund. If there is a deficiency in the funds collected from assessments to pay the principal and interest on the bonds, the Town may make good such deficiency by making a temporary loan from other available funds of the Town. The bonds are payable through 2022. Annual principal and interest payments on the bonds are expected to require more than 100% of net revenues. The total principal and interest remaining to be paid on the bonds is $577,625. Principal and interest paid for the current year and total excise taxes were $82,913 and 57,488, respectively.

The Town has pledged future excise taxes to repay $0.9 million in governmental excise tax revenue obligations issued in 2003. Proceeds of the bonds provided financing for a new public works building. The bonds are payable from excise taxes and are payable through 2017. Annual principal and interest payments on the bonds are expected to require less than 2% of net revenues. The total principal and interest remaining to be paid on the bonds is $385,069. Principal and interest paid for the current year and total excise taxes were $127,381 and 9,314,019 respectively.

The Town has pledged net revenues from the operation of the Water System to repay $20.4 million in business-type loans through the Water Infrastructure Finance Authority of Arizona. Proceeds of the loan provide financing to pay the costs of making improvements, extensions, renewals, replacements and repairs to the water system. The loans are payable solely from net revenues from the operation of the Water System and are payable through 2033; however, as of June 30, 2015, the Town has only drawn down $8.5 million of the loan. Annual principal and interest payments on the loans are expected to require less than 50% of net revenues. The total principal and interest remaining to be paid on the loan is $10,450,570. Principal and interest paid for the current year and total net revenues from the operation of the Water System were $635,069 and $1,655,105, respectively.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

The Town's long-term bonds and special assessments are as follows:

Purpose	Interest Rates	Maturity Date	Original Amount	Outstanding Amount
Governmental Activities:				
General Obligation Bonds				
General obligation bonds, Series 2009	3.0-4.0	07/01/16-18	$ 1,525,000	$ 1,245,000
Special Assessment Bonds				
Westerly Drive Improvement District, Series 2005	5.5	01/01/16-22	875,000	480,000
Revenue Bonds				
Excise tax revenue obligations, Public Works, Series 2003A	3.75-4.625	10/01/15-17	860,000	360,000
Total governmental activities			$ 3,260,000	$ 2,085,000

Changes in long-term obligations for the year ended June 30, 2015 are as follows:

	July 1, 2014	Increases	Decreases	June 30, 2015	Due Within One Year
Governmental Activities:					
Bonds and Special Assessments					
General Obligation Bonds	$ 1,525,000	$ -	$ (280,000)	$ 1,245,000	$ 295,000
Special Assessment Bonds	535,000	-	(55,000)	480,000	60,000
Revenue Bonds	470,000	-	(110,000)	360,000	115,000
	2,530,000	-	(445,000)	2,085,000	470,000
Deferred Amounts:					
Premium	40,583	-	(7,500)	33,083	7,500
Total Bonds and Special Assessments	2,570,583	-	(452,500)	2,118,083	477,500
Other Liabilities:					
Capital Leases	340,145	52,801	(197,683)	195,263	102,860
Compensated Absences	1,187,582	1,047,884	(1,077,378)	1,158,088	146,458
Other Postemployment Benefits	7,091,489	2,032,552	(905,949)	8,218,092	-
Total Other Liabilities	8,619,216	3,133,237	(2,181,010)	9,571,443	249,318
Governmental Activities Long-Term Liabilities	$ 11,189,799	$ 3,133,237	$ (2,633,510)	$ 11,689,526	$ 726,818

	July 1, 2014	Increases	Decreases	June 30, 2015	Due Within One Year
Business-type Activities:					
Notes Payable	$ 8,143,268	$ 604,306	$ (462,590)	$ 8,284,984	$ 421,705
Compensated Absences	220,745	151,850	(184,111)	188,484	32,837
Other Postemployment Benefits	833,402	186,326	(83,049)	936,679	-
Business-Type Activities Long-Term Liabilities	$ 9,197,415	$ 942,482	$ (729,750)	$ 9,410,147	$ 454,542

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Debt service requirements on long-term debt at June 30, 2015 are as follows:

	Governmental Activities	
	Principal	Interest
Year Ending June 30,		
2016	$ 470,000	$ 81,181
2017	485,000	62,719
2018	510,000	42,091
2019	395,000	22,725
2020	70,000	12,375
2021 - 2022	155,000	12,925
	$ 2,085,000	$ 234,016

F. Fund Balance Classifications

Fund balance classifications reported in the governmental funds include the following:

	General Fund	Highway User Revenue Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
Restricted:					
Highways and Streets	$ -	$ 336,242	$ -	$ -	$ 336,242
Public Safety	3,080	-	-	-	3,080
Court Enhancement	-	-	-	88,177	88,177
Debt Service	-	-	169,656	-	169,656
Capital Projects	-	-	-	335,222	335,222
Assigned:					
Public Safety	95,752	-	-	-	95,752
Culture and Recreation	226,482	-	-	-	226,482
Capital Projects	-	-	-	190,193	190,193
Unassigned	1,663,943	-	-	-	1,663,943
Total Fund Balance	$ 1,989,257	$ 336,242	$ 169,656	$ 613,592	$ 3,108,747

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Prior Period Adjustment

During the year ended June 30, 2015, the Town of Payson, Arizona adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Subsequent to the Measurement Date- an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the June 30, 2014, net position of the governmental activities, business-type activities and enterprise funds as shown as follows:

	Net Position as Previously Stated	Cummulative Affect of Application of GASB 68 Net Pension Liability	Cummulative Affect of Application of GASB 71 Deferred Outflow of Resources for Town Contributions Made During 2013-14	Net Position As Restated
Governmental Activities	$ 99,500,159	$ (17,844,678)	$ 1,403,065	$ 83,058,546
Business Type Activities/ Water Fund	26,660,469	(1,960,192)	114,495	24,814,772

NOTE 4 OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool (AMRRP), of which the Town is a participating member. The AMRRP is a public entity risk pool currently operating as a common risk management and insurance program for 70 member cities and towns. The Town pays an annual premium to AMRRP for its general insurance coverage. The agreement provides that AMRRP will be self-sustaining through member premiums. The limit for basic coverage is for $1,000,000 per occurrence on a claims made basis. Excess coverage is for an additional $8,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years. The AMRRP is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligations. The Pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations.

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

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Contingent Liabilities

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

C. Retirement Plans

Cost-Sharing and Agent Multiple Employer Pension Plans

The Town contributes to the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS) for police officers and firefighters. The plans are component units of the State of Arizona.

At June 30, 2015, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension Liabilities	$ 20,142,482	$ 1,756,742	$ 21,899,224
Deferred Outflows of Resources	3,998,046	220,905	4,218,951
Deferred Inflows of Resources	1,440,868	307,200	1,748,068
Pension Expense	2,526,533	119,554	2,646,087

The Town reported accrued payroll and employee benefits of $28,947 for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2015. Also, the Town reported $1,382,521 of pension expenditures in the governmental funds related to all pension plans to which it contributes

Arizona State Retirement System (ASRS)

Plan Descriptions – Town employees not covered by the other pension plans described on the following pages participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB); and a cost-sharing, multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement	
	Initial Membership Date	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 year age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percentage per year of service	2.1% to 2.3 %	2.1% to 2.3 %

* With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.60 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.60 percent (10.89 percent for retirement, 0.59 percent for the health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.51 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that would typically be filled by an employee who contributes to the ASRS. The Town's contributions to the pension plan for the year ended June 30, 2015, were $511,927. The Town's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Health Benefit Supplement Fund	Long-Term Disability Fund
2015	$ 27,735	$ 5,641
2014	21,816	8,726
2013	23,233	8,578

During the fiscal year ended June 30, 2015, the Town paid for ASRS pension and OPEB contributions as follows: 61 percent from the General Fund, 38 percent from major funds, and 1 percent from other funds.

Pension Liability – At June 30, 2015, the Town reported a liability of $7,219,220 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014.

The Town's reported liability at June 30, 2015, decreased by $837,468 from the Town's prior year liability of $8,056,688 because of changes in the ASRS' net pension liability and the Town's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

The Town's proportion of the net pension liability was based on the Town's FY 2014 contributions. The Town's proportion measured as of June 30, 2014, was 0.048790 percent, which was a decrease of 0.000327 percent from its proportion measured as of June 30, 2013.

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2015, the Town recognized pension expense for ASRS of $491,298. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 366,902	$ -
Net difference between projected and actual earnings on pension plan investments	-	1,262,419
Changes in proportion and differences between Town contributions and proportionate share of contributions	37,342	-
Town contributions subsequent to the measurement date	511,927	-
Total	$ 916,171	$ 1,262,419

The $511,927 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2016	$ (139,847)
2017	(139,847)
2018	(262,877)
2019	(315,604)

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial Valuation Date	June 30, 2013
Actuarial Roll Forward Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8%
Projected Salary Increases	3 - 6.75%
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012.

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return Arithmetic Basis
Equity	63%	7.03%
Fixed Income	25%	3.20%
Real Estate	8%	4.75%
Commodities	4%	4.50%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate.

	1% Decrease (7%)	Rate (8%)	1% Increase (9%)
Town's proportionate share of the net pension liability	$ 9,124,724	$ 7,219,220	$ 6,185,388

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Plan Descriptions—Town police employees and Town firefighters who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues publicly available financial reports that include its financial statements and required supplementary information. The reports are available on the PSPRS Web site at www.psprs.com.

Benefits Provided — The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as presented on the following page:

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

PSPRS	Initial Membership Date	
Retirement and Disability	Before January 1, 2012	On or After January 1, 2012
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percentage Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80-100% of retired member's pension benefit	
Active Members	80-100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member’s compensation for up to 12 months.

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Employees Covered by Benefit Terms – At June 30, 2015, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police	PSPRS Firefighters
Inactive employees or beneficiaries currently receiving benefits	20	8
Inactive employees entitled to but not yet receiving benefits	12	1
Active employees	25	31
Total	57	40

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police	PSPRS Firefighters
Active Members - Pension	11.05%	11.05%
Town		
Pension	40.23%	19.47%
Health Insurance Premium Benefit	1.91%	1.42%

The Town's contributions to the agent pension plan, annual OPEB cost and the health insurance premium benefit for the year ended June 30, 2015, were:

	PSPRS Police	PSPRS Firefighters
Pension		
Contributions Made	$ 633,668	$ 359,461
Health Insurance Premium Benefit		
Annual OPEB Cost	30,085	26,216
Contributions Made	30,085	26,216

During the fiscal year 2015, the Town paid for PSPRS pension and OPEB contributions 100 percent from the General Fund.

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Pension Liability– At June 30, 2015, the Town reported the following net pension liabilities:

	Net Pension Liability
PSPRS Police	$ 10,935,768
PSPRS Firefighters	3,744,236

The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

Pension Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability for PSPRS are as follows:

Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.85%
Projected Salary Increases	4.0%-8.0% for PSPRS
Inflation	4.0%
Permanent Benefit Increase	Included
Mortality Rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short Term Investments	2%	3.25%
Absolute Return	4%	6.75%
Risk Parity	4%	6.04%
Fixed Income	7%	4.75%
Real Assets	8%	5.96%
GTAA	10%	5.73%
Private Equity	11%	9.50%
Real Estate	11%	6.50%
Credit Opportunities	13%	8.00%
Non-U.S. Equity	14%	8.63%
U.S. Equity	16%	7.60%
Total	100%	

Pension Discount Rates – The following discount rates were used to measure the total pension liabilities:

	PSPRS Police	PSPRS Firefighters
Discount Rates	7.85%	7.85%

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Agent Plans Net Pension Liability– The following tables present changes in the Town's net pension liability for the PSPRS – Police and PSPRS – Fire pension plans as follows:

PSPRS - Police	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2014	$ 13,046,224	$ 4,520,498	8,525,726
Changes for the Year:			
Service Cost	308,406	-	308,406
Interest on the Total Pension Liability	1,002,703	-	1,002,703
Changes of Benefit Terms	433,204	-	433,204
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	86,689	-	86,689
Changes of Assumptions or Other Inputs	2,089,513		2,089,513
Contributions - Employer	-	664,804	(664,804)
Contributions - Employee	-	178,839	(178,839)
Net Investment Income	-	625,751	(625,751)
Benefit Payments, Including Refunds of Employee Contributions	(854,285)	(854,285)	-
Administrative Expenses	-	(5,040)	5,040
Other Changes	-	46,119	(46,119)
Net Changes	3,066,230	656,188	2,410,042
Balances as of June 30, 2015	$ 16,112,454	$ 5,176,686	$ 10,935,768

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

PSPRS - Firefighters	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2014	$ 8,076,587	$ 4,854,131	3,222,456
Changes for the Year:			
Service Cost	319,683	-	319,683
Interest on the Total Pension Liability	619,559	-	619,559
Changes of Benefit Terms	131,611	-	131,611
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(65,090)	-	(65,090)
Changes of Assumptions or Other Inputs	732,281	-	732,281
Contributions - Employer	-	382,165	(382,165)
Contributions - Employee	-	183,753	(183,753)
Net Investment Income	-	655,627	(655,627)
Benefit Payments, Including Refunds of Employee Contributions	(687,926)	(687,926)	-
Administrative Expenses	-	(5,281)	5,281
Other Changes	-	-	-
Net Changes	1,050,118	528,338	521,780
Balances as of June 30, 2015	$ 9,126,705	$ 5,382,469	$ 3,744,236

Sensitivity of the Town's Net Pension Liability to Changes in the Discount Rate – The following table presents the Town's net pension liabilities calculated using the discount rates noted above, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.85%	7.85%	8.85%
Net Pension Liability	$ 12,833,949	$ 10,935,768	$ 9,356,411
PSPRS Firefighters			
Rate	6.85%	7.85%	8.85%
Net Pension Liability	4,868,126	3,744,236	2,803,306

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Pension Plan Fiduciary Net Position – Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Pension Expense – For the year ended June 30, 2015, the Town recognized the following pension expense:

	Pension Expense
PSPRS Police	$ 1,629,412
PSPRS Firefighters	525,377

Pension Deferred Outflows/Inflows of Resources – At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 65,893	$ -
Changes of assumptions or other inputs	1,588,250	-
Net difference between projected and actual earnings on pension plan investments	-	208,709
Town contributions subsequent to the measurement date	633,668	-
Total	$ 2,287,811	$ 208,709

PSPRS - Firefighters	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 58,266
Changes of assumptions or other inputs	655,508	-
Net difference between projected and actual earnings on pension plan investments	-	218,674
Town contributions subsequent to the measurement date	359,461	-
Total	$ 1,014,969	$ 276,940

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	PSPRS Police	PSPRS Firefighters
2016	$ 469,882	$ 15,281
2017	469,882	15,281
2018	469,882	15,281
2019	35,788	15,281
2020	-	69,949
Thereafter	-	247,495

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits

Projections of benefits are based on (1) the plans as understood by the Town and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements, are presented on the following page.

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

PSPRS - OPEB Contribution Requirements	
Actuarial Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.5% - 8.5%
Wage Growth	4.50%

Agent Plan OPEB Trend Information – The table on the following page presents the annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Police			
2015	$ 30,085	100.00%	$ -
2014	28,205	100.00	-
2013	30,025	100.00	-
PSPRS Firefighters			
2015	$ 26,216	100.00%	$ -
2014	23,210	100.00	-
2013	22,787	100.00	-

Agent Plan OPEB Funded Status – The funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2014 is as follows:

	PSPRS Police	PSPRS Firefighters
Actuarial Value of Assets (a)	$ 258,408	$ 183,333
Actuarial Accrued Liability (b)	383,971	315,459
Unfunded Actuarial Accrued Liability (Funding Excess) (b) - (a)	125,563	132,126
Funded Ratio (a) / (b)	67.30%	58.12%
Annual Covered Payroll (c)	1,566,845	1,866,892
Unfunded Actuarial Accrued Liability (Funding Excess) as a Percentage of Covered Payroll (b) - (a) / (c)	8.01%	7.08%

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

The funded status of the all the PSPRS health insurance premium benefit plans in the June 30, 2014 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

PSPRS - OPEB Contribution Requirements	
Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.0% - 8.0%
Wage Growth	4.00%

Postemployment Benefits Other Than Pension Benefits (OPEB)

The Town's liability for postemployment healthcare benefits other than pensions as of June 30, 2015 is based on the actuarial performed as of July 1, 2015.

Plan Description - The Town provides postretirement health care benefits in accordance with the Town of Payson Personnel Rules and Procedures manual. An employee eligible for the Retirement Medical Benefits Insurance Package from the Town of Payson, Arizona shall meet the requirements of "Rule of 70" with a minimum of ten years of service to be eligible for retirement. An employee must obtain 70 points by computing his/her age and the number of years of continued service to the Town. A Council Member who was elected prior to 1998 and has served eight (8) consecutive years will be eligible for retirement Medical, Dental, Vision and Life Insurance benefits upon reaching sixty (60) years of age. No Council Member who was elected or appointed to the office in the year 1998 or later shall be eligible under any circumstances, for retirement Medical, Dental, Vision and Life Insurance benefits. The Town ended the retirement program and the postretirement health care benefit plan for employees hired after January 2010.

In 2010 the Town implemented a one-time Early Retirement Incentive Program (ERIP). One of the incentives for employees meeting the criteria was 100% medical insurance paid by the Town per the current postretirement health care benefit program. Eight employees accepted the ERIP.

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

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

Currently, the plan has 81 active participants and 47 current retirees, beneficiaries and dependents. The Town makes average monthly contributions of $266 for employee only health care benefits plans and $657 for employee and family health care benefit plans. The Town makes average monthly contributions of $557 for retiree only postretirement health care benefits plan and $1,204 for retiree and family postretirement health care benefits plans.

Funding Policy - During the year ended June 30, 2015, the Town contributed $502,477 for all eligible retirees.

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

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

Annual Required Contribution	$ 1,862,258
Interest on Net OPEB Obligation	356,620
Adjustment to Annual Required Contribution	(486,521)
Annual OPEB Cost (Expense)	1,732,357
Contributions Made	(502,477)
Increase in Net OPEB Obligation	1,229,880
Net OPEB Obligation-Beginning of Year	7,924,891
Net OPEB Obligation-End of Year	$ 9,154,771

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014 and 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	1,893,160	36.8%	6,616,720
June 30, 2014	1,773,398	28.3%	7,924,891
June 30, 2015	1,732,357	29.0%	9,154,771

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

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

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

The actuarial accrued liability for other postemployment benefits was $15.0 million and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of $15.0 million.

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

In the July 1, 2015 actuarial valuation, the entry age level dollar 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 7.0%, reduced by decrements to an ultimate rate of 5% over eight years. A general inflation rate was not factored into the actuarial assumptions as the other postemployment benefits actuarially determined liability are affected by healthcare trends rather than the general inflation rate. The UAAL is being amortized on a level dollar basis over a 30 year open period. The remaining amortization period at June 30, 2015, was 30 years.

D. Subsequent Events

Subsequent to June 30, 2015, the Town entered into a lease purchase agreement in the amount of $345,406 for the purchase of park lighting and a lease purchase agreement in the amount of $402,000 for the acquisition of street sweeper and a Caterpillar backhoe loader. The park lighting lease requires semi-annual principal and interest payments of $36,714 through August 2020 at a rate of 2.25 percent per annum. The street sweeper and backhoe require annual principal and interest payments of $50,000 through September 2025 at a rate of 4.95 percent per annum.

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

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TOWN OF PAYSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
COST SHARING PENSION PLANS

Arizona State Retirement System

		Reporting Year (Measurement Date) 2015 (2014)
Town's Proportion of the Net Pension Liability		0.048790%
Town's Proportionate Share of the Net Pension Liability	$	7,219,220
Town's Covered-Employee Payroll	$	5,200,910
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered -Employee Payroll		138.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		69.49%

See accompanying Notes to Pension Schedules.

TOWN OF PAYSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF CHANGES IN THE TOWN'S
NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
AGENT PENSION PLANS
JUNE 30, 2015

PSPRS Police	Reporting Year (Measurement Date) 2015 (2014)
Total Pension Liability	
Service Cost	$ 308,406
Interest on the Total Pension Liability	1,002,703
Changes of Benefit Terms	433,204
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	86,689
Changes of Assumptions or Other Inputs	2,089,513
Benefit Payments, Including Refunds of Employee Contributions	(854,285)
Net Change in Total Pension Liability	3,066,230
Total Pension Liability - Beginning	13,046,224
Total Pension Liability - Ending (a)	16,112,454
Plan Fiduciary Net Position	
Contributions - Employer	664,804
Contributions - Employee	178,839
Net Investment Income	625,751
Benefit Payments, Including Refunds of Employee Contributions	(854,285)
Administrative Expenses	(5,040)
Other Changes	46,119
Net Change in Plan Fiduciary Net Position	656,188
Plan Fiduciary Net Position - Beginning	4,520,498
Plan Fiduciary Net Position - Ending (b)	5,176,686
Town's Net Pension Liability (Asset) - Ending (a) - (b)	$ 10,935,768
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	32.13%
Covered-employee Payroll	$ 1,566,845
Town's Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	697.95%

See accompanying Notes to Pension Schedules.

TOWN OF PAYSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF CHANGES IN THE TOWN'S
NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
AGENT PENSION PLANS (CONTINUED)
JUNE 30, 2015

PSPRS Fire	Reporting Year (Measurement Date) 2015 (2014)
Total Pension Liability	
Service Cost	$ 319,683
Interest on the Total Pension Liability	619,559
Changes of Benefit Terms	131,611
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(65,090)
Changes of Assumptions or Other Inputs	732,281
Benefit Payments, Including Refunds of Employee Contributions	(687,926)
Net Change in Total Pension Liability	1,050,118
Total Pension Liability - Beginning	8,076,587
Total Pension Liability - Ending (a)	9,126,705
Plan Fiduciary Net Position	
Contributions - Employer	382,165
Contributions - Employee	183,753
Net Investment Income	655,627
Benefit Payments, Including Refunds of Employee Contributions	(687,926)
Administrative Expenses	(5,281)
Other Changes	-
Net Change in Plan Fiduciary Net Position	528,338
Plan Fiduciary Net Position - Beginning	4,854,131
Plan Fiduciary Net Position - Ending (b)	5,382,469
Town's Net Pension Liability (Asset) - Ending (a) - (b)	$ 3,744,236
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.97%
Covered-employee Payroll	$ 1,866,892
Town's Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	200.56%

See accompanying Notes to Pension Schedules.

TOWN OF PAYSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF TOWN PENSION CONTRIBUTIONS
JUNE 30, 2015

Arizona State Retirement System	Reporting Fiscal Year	
	2015	2014
Statutorily Required Contribution	$ 511,927	$ 460,032
Town's Contribution in Relation to the Statutorily Required Contribution	511,927	460,032
Town's Contribution Deficiency (Excess)	$ -	$ -
Town's Covered-Employee Payroll	$ 5,200,910	$ 4,040,907
Town's Contributions as a Percentage of Covered-Employee Payroll	9.84%	11.38%

PSPRS Police	Reporting Fiscal Year	
	2015	2014
Actuarially Determined Contribution	$ 633,668	$ 631,148
Town's Contribution in Relation to the Actuarially Determined Contribution	633,668	631,148
Town's Contribution Deficiency (Excess)	$ -	$ -
Town's Covered-Employee Payroll	$ 1,661,457	$ 1,566,845
Town's Contributions as a Percentage of Covered-Employee Payroll	38.14%	40.28%

PSPRS Fire	Reporting Fiscal Year	
	2015	2014
Actuarially Determined Contribution	$ 359,461	$ 348,309
Town's Contribution in Relation to the Actuarially Determined Contribution	359,461	348,309
Town's Contribution Deficiency (Excess)	$ -	$ -
Town's Covered-Employee Payroll	$ 2,008,692	$ 1,866,892
Town's Contributions as a Percentage of Covered-Employee Payroll	17.90%	18.66%

See accompanying Notes to Pension Schedules.

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS and CORP are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial Cost Method	Entry age normal
Amortization Level	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period as of the 2013 Actuarial Valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions:	
Investment Rate of Return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected Salary Increases	In the 2013 actuarial valuation, projected salary increases decreased from 5.0%-9.0% to 4.5%-8.5%
Wage Growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females

NOTE 2 INFORMATION PRIOR TO THE MEASUREMENT DATE

Information prior to the measurement date (June 30, 2014) was not available.

TOWN OF PAYSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
JUNE 30, 2015

Health Insurance Premium Benefits

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funding Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funding Excess) as a Percentage of Covered Payroll
PSPRS Police						
2014	$ 258,408	$ 383,971	$ 125,563	67.3%	$ 1,566,845	8.0%
2013	-	413,422	413,422	0.0%	1,588,546	26.0%
2012	-	373,890	373,890	0.0%	1,461,875	25.6%
PSPRS Fire						
2014	$ 183,333	$ 315,459	$ 132,126	58.1%	$ 1,866,892	7.1%
2013	-	318,034	318,034	0.0%	1,714,959	18.5%
2012	-	294,624	294,624	0.0%	1,482,525	19.9%

See accompanying Notes to Schedule of Agent OPEB Plans' Funding Progress.

NOTE 1 FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Beginning in Fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's pension fund to the new health insurance fund.

TOWN OF PAYSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF TOWN OPEB PLAN'S FUNDING PROGRESS
JUNE 30, 2015

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
2015	$ -	$ 15,047,084	0.0%	$ 15,047,084	N/A	N/A
2012	-	23,427,368	0.0%	23,427,368	N/A	N/A
2010	-	23,953,850	0.0%	23,953,850	N/A	N/A

Combining and Individual Fund Statements and Schedules

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Judicial Collection Enhancement (JCEF)/Municipal Court Fill the Gap (FTG) - accounts for a $12 penalty fee established by the State of Arizona to be imposed by the local courts in addition to other fines. The distribution of the fee was split two ways: $9.00 was remitted to the State Superior Court and $3.00 was retained by the local court. The use of the $3.00 fee is for the enhancement of the collection process. The State of Arizona established a 7% increase in surcharges on September 1, 1999 with Senate Bill 1013. A portion of the increase is distributed to Municipal Courts on a quarterly basis. The program is titled "Municipal Court Fill the Gap" or FTG. The monies collected by this program may be used for the same purposes for which local JCEF monies may be used.

CAPITAL PROJECTS FUNDS

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

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TOWN OF PAYSON, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Library	JCEF/FTG	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and Investments	$ 9,031	$ 88,177	$ 229,898	$ 327,106
Restricted Cash and Investments	-	-	306,128	306,128
Total Assets	$ 9,031	$ 88,177	$ 536,026	$ 633,234
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 1,040	$ -	$ 10,611	$ 11,651
Accrued Wages and Benefits	7,991	-	-	7,991
Total Liabilities	9,031	-	10,611	19,642
FUND BALANCES				
Restricted	-	88,177	335,222	423,399
Assigned	-	-	190,193	190,193
Total Fund Balances	-	88,177	525,415	613,592
Total Liabilities and Fund Balances	$ 9,031	$ 88,177	$ 536,026	$ 633,234

TOWN OF PAYSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2015

	Special Revenue		Capital Projects	
	Library	JCEF/FTG	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Taxes				
Property Taxes	$ 218,880	$ -	$ -	$ 218,880
Intergovernmental	-	-	113,030	113,030
Fines and Forfeitures	19,116	-	-	19,116
Contributions and Donations	-	1,149	-	1,149
Total Revenues	237,996	1,149	113,030	352,175
EXPENDITURES				
Current				
Culture and Recreation	332,903	-	-	332,903
Capital Outlay	-	-	220,365	220,365
Total Expenditures	332,903	-	220,365	553,268
Excess (Deficiency) of Revenues Over Expenditures	(94,907)	1,149	(107,335)	(201,093)
OTHER FINANCING SOURCES (USES)				
Transfers In	94,907	-	323	95,230
Transfers Out	-	-	(806)	(806)
Total Other Financing Sources (Uses)	94,907	-	(483)	94,424
Net Change in Fund Balances	-	1,149	(107,818)	(106,669)
FUND BALANCES				
Beginning of Year	-	87,028	633,233	720,261
End of Year	$ -	$ 88,177	$ 525,415	$ 613,592

TOWN OF PAYSON, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2015

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes			
Sales Taxes	$ 353,000	$ 372,509	$ 19,509
Special Assessments	57,600	57,488	(112)
Total Revenues	410,600	429,997	19,397
EXPENDITURES			
Debt Service			
Principal Retirement	584,477	584,477	-
Interest on Long-Term Debt	72,123	108,133	(36,010)
Total Expenditures	656,600	692,610	(36,010)
Excess (Deficiency) of Revenues Over Expenditures	(246,000)	(262,613)	(16,613)
OTHER FINANCING SOURCES (USES)			
Transfers In	303,500	190,476	(113,024)
Transfers Out	(105,700)	-	105,700
Total Other Financing Sources (Uses)	197,800	190,476	(7,324)
Net Change in Fund Balance	(48,200)	(72,137)	(23,937)
FUND BALANCE			
Beginning of Year	490,570	241,793	(248,777)
End of Year	$ 442,370	$ 169,656	$ (272,714)

TOWN OF PAYSON, ARIZONA
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2015

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Intergovernmental	$ 218,900	$ 218,880	$ (20)
Fines and Forfeitures	16,000	19,116	3,116
Total Revenues	234,900	237,996	3,096
EXPENDITURES			
Current			
Culture and Recreation	341,800	332,903	8,897
Excess (Deficiency) of Revenues Over Expenditures	(106,900)	(94,907)	11,993
OTHER FINANCING SOURCES (USES)			
Transfers In	106,900	94,907	(11,993)
Net Change in Fund Balance	-	-	-
FUND BALANCE			
Beginning of Year	-	-	-
End of Year	$ -	$ -	$ -

TOWN OF PAYSON, ARIZONA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2015

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Intergovernmental	$ 617,700	$ 113,030	$ (504,670)
EXPENDITURES			
Capital Outlay	1,198,700	220,365	978,335
Excess (Deficiency) of Revenues Over Expenditures	(581,000)	(107,335)	473,665
OTHER FINANCING SOURCES (USES)			
Transfers In	16,600	323	(16,277)
Transfers Out	-	(806)	(806)
Total Other Financing Sources (Uses)	16,600	(483)	(17,083)
Net Change in Fund Balance	(564,400)	(107,818)	456,582
FUND BALANCE			
Beginning of Year	629,847	633,233	3,386
End of Year	$ 65,447	$ 525,415	$ 459,968

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AGENCY FUND

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

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TOWN OF PAYSON, ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 2015

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Agency Fund				
Assets				
Cash and Investments	$ 720	$ 1,776,906	$ (1,777,626)	$ -
Liabilities				
Due to Other Entities	$ 720	$ 1,776,906	$ (1,777,626)	$ -

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STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities				
Net Investment in Capital Assets	$ 22,328,708	$ 101,360,121	$ 106,049,982	$ 105,561,440
Restricted	4,734,371	5,448,557	4,310,080	3,971,451
Unrestricted	5,103,790	4,590,792	2,456,973	521,636
Total governmental activities net position	$ 32,166,869	$ 111,399,470	$ 112,817,035	$ 110,054,527
Business-type activities				
Net Investment in Capital Assets	$ 13,142,519	$ 12,283,170	$ 14,363,974	$ 14,720,036
Restricted	4,211,504	4,681,554	4,909,657	4,921,901
Unrestricted	3,821,585	4,707,319	5,282,327	3,890,818
Total business-type activities net position	$ 21,175,608	$ 21,672,043	$ 24,555,958	$ 23,532,755
Primary government				
Net Investment in Capital Assets	$ 35,471,227	$ 113,643,291	$ 120,413,956	$ 120,281,476
Restricted	8,945,875	10,130,111	9,219,737	8,893,352
Unrestricted	8,925,375	9,298,111	7,739,300	4,412,454
Total primary government net position	$ 53,342,477	$ 133,071,513	$ 137,372,993	$ 133,587,282

Source: The Town's Finance Department.

Fiscal Year					
2010	2011	2012	2013	2013	2015
$ 103,809,445	$ 104,607,886	$ 104,528,536	$ 104,037,027	$ 104,424,687	$ 105,190,507
3,137,935	3,106,342	2,471,981	2,088,595	1,338,294	1,519,013
1,459,147	(2,639,291)	(4,492,672)	(6,121,753)	(6,262,822)	(24,698,230)
$ 108,406,527	$ 105,074,937	$ 102,507,845	$ 100,003,869	$ 99,500,159	$ 82,011,290
$ 15,195,051	$ 19,475,037	$ 19,448,774	$ 18,225,098	$ 18,784,149	$ 18,707,310
1,065,623	-	451,859	451,859	548,453	762,942
5,898,114	5,224,938	5,480,569	6,768,944	7,327,867	6,184,932
$ 22,158,788	$ 24,699,975	$ 25,381,202	$ 25,445,901	$ 26,660,469	$ 25,655,184
$ 119,004,496	$ 124,082,923	$ 123,977,310	$ 122,262,125	$ 123,208,836	$ 123,897,817
4,203,558	3,106,342	2,923,840	2,540,454	1,886,747	2,281,955
7,357,261	2,585,647	987,897	647,191	1,065,045	(18,513,298)
$ 130,565,315	$ 129,774,912	$ 127,889,047	$ 125,449,770	$ 126,160,628	$ 107,666,474

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

	Fiscal Year			
	2006	2007	2008	2009
Expenses				
Governmental activities:				
General government	$ 3,191,559	$ 3,595,408	$ 3,707,867	$ 4,323,958
Public safety	7,375,276	7,818,997	7,939,971	8,376,425
Highways and streets	4,827,042	4,147,353	3,786,087	2,856,499
Culture and recreation	1,738,625	2,152,923	2,730,083	1,714,675
Public works	529,950	407,578	350,531	445,095
Community development	839,792	923,599	1,219,270	1,051,931
Health and welfare	256,498	252,136	259,083	289,710
Interest on long-term debt	315,645	317,800	303,148	275,659
Total governmental activities	19,074,387	19,615,794	20,296,040	19,333,952
Business-type activities				
Water	2,046,035	3,715,985	3,673,943	4,797,060
Total primary government expenses	21,120,422	23,331,779	23,969,983	24,131,012
Program Revenues				
Governmental activities:				
Fees, Fines, and Charges for Services				
General government	1,341,311	947,152	907,951	657,076
Public safety	386,291	581,150	658,707	723,194
Highways and streets	91,574	90,507	50,876	28,185
Culture and recreation	103,873	117,706	148,416	131,966
Public works	82,158	98,367	61,272	56,617
Community development	841,640	614,968	422,856	268,662
Health and welfare	11,104	11,277	10,149	15,139
Interest on long-term debt	-	880,303	-	-
Operating grants and contributions	3,941,550	2,862,482	2,137,228	2,079,200
Capital grants and contributions	338,142	404,433	1,786,891	248,512
Total governmental activities program revenues	7,137,643	6,608,345	6,184,346	4,208,551
Business-type activities				
Charges for services:				
Water	4,199,650	4,099,518	4,037,662	3,666,635
Operating grants and contributions	50,000	39,500	-	-
Capital grants and contributions	210,323	362,446	270,513	-
Total business-type activities program revenues	4,459,973	4,501,464	4,308,175	3,666,635
Total primary government program revenues	11,597,616	11,109,809	10,492,521	7,875,186
Net (expense)/revenue				
Governmental activities	(11,936,744)	(13,007,449)	(14,111,694)	(15,125,401)
Business-type activities	2,413,938	785,479	634,232	(1,130,425)
Total primary government net expense	$ (9,522,806)	$ (12,221,970)	$ (13,477,462)	$ (16,255,826)

Source: The Town's Finance Department.

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 3,133,909	$ 3,984,961	$ 3,574,186	$ 4,075,873	$ 3,453,652	$ 3,091,983
8,164,357	8,645,178	8,845,884	8,977,125	8,632,829	9,445,724
3,070,365	2,765,928	2,632,098	2,479,031	2,725,747	2,173,743
1,575,542	1,466,906	1,453,416	1,252,833	1,229,920	1,281,108
284,563	324,660	212,155	195,693	115,453	1,553,820
1,119,712	1,228,298	880,320	982,040	853,007	950,372
273,394	259,854	267,331	264,900	223,846	232,944
267,661	249,925	224,074	147,677	123,197	104,058
17,889,503	18,925,710	18,089,464	18,375,172	17,357,651	18,833,752
4,164,224	4,229,154	4,373,128	4,531,525	4,487,156	4,337,892
22,053,727	23,154,864	22,462,592	22,906,697	21,844,807	23,171,644
656,861	669,803	741,260	1,046,540	1,041,851	1,073,001
626,728	404,286	361,472	318,429	310,052	316,033
4,482	-	4,831	-	50,646	6,832
216,752	138,524	164,088	63,198	60,943	88,968
87,476	103,004	81,098	107,266	168,781	189,654
117,147	124,893	150,149	158,449	227,567	251,695
18,509	19,152	18,276	18,192	15,259	15,008
-	-	-	-	-	-
1,840,478	2,237,241	2,661,413	2,946,035	1,973,302	2,055,678
448,191	862,801	675,204	296,246	1,432,182	1,520,135
4,016,624	4,559,704	4,857,791	4,954,355	5,280,583	5,517,004
3,678,173	3,961,028	4,268,103	4,569,601	4,905,372	5,069,019
-	-	75,000	-	554,516	39,386
117,124	3,100,474	826,370	-	216,465	49,454
3,795,297	7,061,502	5,169,473	4,569,601	5,676,353	5,157,859
7,811,921	11,621,206	10,027,264	9,523,956	10,956,936	10,674,863
(13,872,879)	(14,366,006)	(13,231,673)	(13,420,817)	(12,077,068)	(13,316,748)
(368,927)	2,832,348	796,345	38,076	1,189,197	819,967
$ (14,241,806)	$ (11,533,658)	$ (12,435,328)	$ (13,382,741)	$ (10,887,871)	$ (12,496,781)

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

	Fiscal Year			
	2006	2007	2008	2009
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Sales taxes	$ 7,314,067	$ 7,503,852	$ 7,396,678	$ 6,624,711
Property taxes	784,437	834,521	907,545	856,237
Franchise taxes	336,399	348,166	349,043	339,802
Intergovernmental	3,851,170	4,194,575	4,602,546	4,473,463
Payments in lieu of taxes	-	-	-	-
Investment earnings	361,815	403,108	287,474	68,680
Transfers	262,470	312,470	437,734	-
Total governmental activities	12,910,358	13,596,692	13,981,020	12,362,893
Business-type activities:				
Investment earnings	288,965	447,258	253,312	107,222
Transfers	(262,470)	(312,470)	(437,734)	-
Total business-type activities	26,495	134,788	(184,422)	107,222
Total primary government	12,936,853	13,731,480	13,796,598	12,470,115
Change in Net Position				
Governmental activities	973,614	589,243	(130,674)	(2,762,508)
Business-type activities	2,440,433	920,267	449,810	(1,023,203)
Total primary government	$ 3,414,047	$ 1,509,510	$ 319,136	$ (3,785,711)

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 5,919,923	$ 5,915,905	$ 6,047,629	$ 6,047,114	$ 6,435,777	$ 6,870,982
1,002,536	1,010,692	960,360	882,079	901,723	925,329
349,061	344,833	351,227	356,550	357,950	364,064
3,988,244	3,533,894	3,320,055	3,648,010	3,894,550	4,124,936
-	-	-	-	-	-
(39,885)	76,978	2,610	388	658	1,481
1,005,000	152,114	(17,300)	(17,300)	(17,300)	(17,300)
12,224,879	11,034,416	10,664,581	10,916,841	11,573,358	12,269,492
(40)	(14,082)	1,475	9,324	8,071	3,145
(1,005,000)	(152,114)	17,300	17,300	17,300	17,300
(1,005,040)	(166,196)	18,775	26,624	25,371	20,445
11,219,839	10,868,220	10,683,356	10,943,465	11,598,729	12,289,937
(1,648,000)	(3,331,590)	(2,567,092)	(2,503,976)	(503,710)	(1,047,256)
(1,373,967)	2,666,152	815,120	64,700	1,214,568	840,412
$ (3,021,967)	$ (665,438)	$ (1,751,972)	$ (2,439,276)	$ 710,858	$ (206,844)

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

	Fiscal Year				
	2006	2007	2008	2009	2010
General Fund					
Reserved	$ -	$ 14,662	$ -	$ 14,729	$ 14,645
Unreserved	3,428,794	2,934,445	1,052,084	785,962	826,978
Nonspendable					
Restricted					
Assigned					
Unassigned					
Total General Fund	$ 3,428,794	$ 2,949,107	$ 1,052,084	$ 800,691	$ 841,623
All other governmental funds					
Reserved	$ 6,226	$ 250	$ 250	$ 250	$ 3,869
Unreserved, reported in:					
Special revenue funds	2,080,199	2,191,308	1,183,909	1,096,303	913,850
Debt service funds	877,863	1,164,787	1,553,209	1,416,112	1,198,421
Capital projects funds	2,968,412	2,206,560	1,557,772	1,324,306	2,459,190
Restricted					
Assigned					
Total all other governmental funds	$ 5,932,700	$ 5,562,905	$ 4,295,140	$ 3,836,971	$ 4,575,330

Source: The Town's Finance Department.

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

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Fiscal Year				
2011	2012	2013	2014	2015
$ 7,629	$ 7,629	$ 7,692	$ 7,692	$ -
258,357	390,725	317,820	-	3,080
341,960	176,048	158,688	318,435	322,234
924,513	326,348	480,761	1,306,224	1,663,943
$ 1,532,459	$ 900,750	$ 964,961	$ 1,632,351	$ 1,989,257
$ 2,029,780	$ 1,387,149	$ 1,111,336	$ 713,523	$ 929,297
619,937	474,275	296,588	327,105	190,193
$ 2,649,717	$ 1,861,424	$ 1,407,924	$ 1,040,628	$ 1,119,490

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Revenues					
Taxes	$ 8,434,903	$ 8,686,539	$ 8,653,266	$ 7,820,750	$ 7,271,520
Intergovernmental	8,000,326	7,332,472	7,362,721	6,595,255	6,193,464
Fines and forfeitures	288,141	265,598	255,155	235,284	221,523
Licenses and permits	634,614	464,571	331,783	252,931	209,031
Charges for services	960,699	1,103,001	1,113,467	1,033,870	937,636
Other	1,647,363	1,264,172	1,113,304	660,187	514,413
Total revenues	19,966,046	19,116,353	18,829,696	16,598,277	15,347,587
Expenditures					
General government and community development	3,967,139	4,133,694	5,018,872	4,246,206	4,127,767
Public safety	7,417,846	7,612,207	7,731,920	7,242,658	7,125,424
Public works and highways and streets	4,526,180	3,705,640	4,627,564	2,585,497	2,599,518
Heath and welfare & culture and recreation	1,837,732	2,093,694	2,464,067	1,368,395	1,231,155
Capital outlay	2,746,022	1,063,615	1,997,629	593,607	915,780
Debt service					
Principal retirement	844,385	1,249,354	897,754	988,117	847,866
Interest on long-term debt	315,645	420,101	277,630	250,141	241,063
Other debt service	365,390	-	-	-	55,233
Total expenditures	22,020,339	20,278,305	23,015,436	17,274,621	17,143,806
Excess of revenues over (under) expenditures	(2,054,293)	(1,161,952)	(4,185,740)	(676,344)	(1,796,219)
Other financing sources (uses)					
Transfers in	2,769,621	3,797,776	2,955,804	577,983	2,035,274
Transfers out	(2,507,151)	(3,485,306)	(2,518,070)	(577,983)	(1,030,274)
Issuance of refunding debt	1,085,000	-	-	-	-
Issuance of long-term debt	1,420,000	-	-	-	1,525,000
Bond premium	41,531	-	-	-	45,510
Payment to refunded debt escrow agent	(1,020,403)	-	-	-	-
Proceeds from capital lease	178,000	-	550,000	-	-
Total other financing sources (uses)	1,966,598	312,470	987,734	-	2,575,510
Net change in fund balance	$ (87,695)	$ (849,482)	$ (3,198,006)	$ (676,344)	$ 779,291
Debt service as a percentage of noncapital expenditures	7.91%	8.69%	6.30%	8.02%	7.15%

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				
2011	2012	2013	2013	2015
$ 7,236,777	$ 7,330,207	$ 7,249,900	$ 7,663,172	$ 8,110,825
6,153,959	6,403,423	6,851,042	6,260,877	7,053,289
177,314	159,629	165,210	179,603	194,077
215,695	240,600	247,821	314,391	339,348
684,754	859,788	704,572	812,560	860,630
1,076,976	492,365	692,038	730,939	612,897
15,545,475	15,486,012	15,910,583	15,961,542	17,171,066
3,568,102	4,261,562	4,118,149	4,158,235	4,197,642
7,178,572	7,763,007	7,973,221	7,084,652	7,362,613
2,173,759	2,074,324	1,865,303	2,109,648	3,181,325
1,051,603	1,114,932	1,018,437	970,857	1,054,613
1,996,313	1,052,702	261,410	383,137	220,365
959,229	1,036,559	889,002	805,053	642,683
223,327	197,473	157,050	132,566	111,558
-	-	-	-	-
17,150,905	17,500,559	16,282,572	15,644,148	16,770,799
(1,605,430)	(2,014,547)	(371,989)	317,394	400,267
542,820	450,893	562,228	351,518	286,512
(390,706)	(468,193)	(579,528)	(368,818)	(303,812)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
218,539	611,845	-	-	52,801
370,653	594,545	(17,300)	(17,300)	35,501
$ (1,234,777)	$ (1,420,002)	$ (389,289)	$ 300,094	$ 435,768
7.15%	7.58%	6.30%	6.64%	5.09%

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

Fiscal Year	Sales Taxes	Property Taxes	Franchise Taxes	Bed Tax	Library District	Total
2006	$ 7,102,970	$ 593,694	$ 336,399	$ 211,097	$ 190,743	$ 8,434,903
2007	7,298,346	634,241	348,166	205,506	200,280	8,686,539
2008	7,214,023	695,245	349,043	182,655	212,300	8,653,266
2009	6,464,884	629,861	339,802	159,827	226,376	7,820,750
2010	5,784,193	773,306	349,060	135,730	229,230	7,271,519
2011	5,696,337	746,809	344,834	219,568	229,230	7,236,778
2012	5,827,059	702,121	351,227	220,570	229,230	7,330,207
2013	5,787,208	616,931	356,550	259,906	229,305	7,249,900
2014	6,170,051	639,045	357,950	265,726	230,400	7,663,172
2015	6,580,994	656,899	364,064	289,988	218,880	8,110,825

Source: The Town's Finance Department.

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Sales Category					
Retail trade	$ 3,655,505	$ 3,809,689	$ 3,644,827	$ 3,411,550	$ 3,188,660
Construction	1,207,041	1,171,982	953,990	897,002	379,158
Restaurants and bars	615,870	638,635	614,752	586,231	554,640
Communications and utilities	576,592	626,516	812,819	750,808	812,622
Transportation and warehousing	14,743	25,914	10,272	8,363	8,783
Services	142,882	127,827	111,830	110,342	126,490
Manufacturing	180,369	198,832	188,595	141,061	121,831
Real estate, rental and leasing	320,133	305,467	403,451	356,298	322,460
Finance and insurance	9,983	8,299	8,612	7,837	5,307
Accommodations	333,627	342,659	313,025	269,210	222,243
Wholesale trade	87,044	63,060	89,777	82,084	69,460
Arts and entertainment	46,401	67,811	81,039	55,972	53,083
Other	145,489	117,161	69,305	42,293	55,186
Total	$ 7,335,679	$ 7,503,852	$ 7,302,294	$ 6,719,051	$ 5,919,923
Town sales tax rate	8.72%	8.72%	8.72%	8.72%	8.72%

Source: Arizona Department of Revenue.

Fiscal Year				
2011	2012	2013	2014	2015
$ 3,190,013	$ 3,299,193	$ 3,323,438	$ 3,620,256	$ 3,894,612
372,588	411,290	335,958	372,355	410,803
529,279	551,843	567,341	592,086	677,165
787,188	894,790	805,044	791,127	770,122
9,090	9,682	8,740	-	-
134,700	108,859	120,009	144,166	162,380
132,780	70,963	122,048	120,359	121,401
294,262	266,915	288,228	303,055	288,687
5,547	6,288	6,221	7,314	8,162
300,769	309,848	333,205	348,656	383,681
75,675	61,747	45,678	48,541	41,326
54,470	50,796	52,012	50,295	56,382
29,544	5,415	39,192	37,567	56,261
$ 5,915,905	$ 6,047,629	$ 6,047,114	$ 6,435,777	$ 6,870,982
9.72%	9.72%	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
2006	2.12 %	1.00 %	5.60 %	8.72 %
2007	2.12	1.00	5.60	8.72
2008	2.12	1.00	5.60	8.72
2009	2.12	1.00	5.60	8.72
2010	2.12	1.00	5.60	8.72
2011	2.12	1.00	6.60	9.72
2012	2.12	1.00	6.60	9.72
2013	2.12	1.00	5.60	8.72
2014	2.12	1.00	5.60	8.72
2015	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
2006	$ 173,526,259	0.3444	$ 1,383,662,572	12.541 %
2007	185,691,636	0.3502	1,500,887,154	12.372
2008	211,163,665	0.3447	1,745,155,468	12.100
2009	250,890,669	0.2813	2,071,174,745	12.113
2010	262,113,724	0.3201	2,875,030,889	9.117
2011	245,707,080	0.3150	1,778,795,861	11.355
2012	203,431,006	0.3394	1,789,969,238	11.365
2013	178,737,829	0.3502	1,575,224,664	11.347
2014	165,958,361	0.3828	1,473,839,350	11.260
2015	163,633,443	0.3963	1,458,706,561	11.218

Source: The Gila County Assessor's Office.

TOWN OF PAYSON, ARIZONA
NET SECONDARY ASSESSED VALUATION BY PROPERTY CLASSIFICATION
JUNE 30, 2015
(UNAUDITED)

Description	Total Assessed Value	Exempt Amount	Net Secondary Assessed Valuation	As a % of the Town's Total Net Secondary Assessed Valuation
Mining, Utilities, Telecommunications, Commercial and Industry	$ 41,804,668	$ (637,018)	$ 41,167,650	25.16%
Vacant Land and Agriculture Real Property	22,738,293	(8,795,323)	13,942,970	8.52%
Agricultural and Personal Property	413,244	(388,057)	25,187	0.02%
Owner Occupied Residential Property	63,960,992	(672,599)	63,288,393	38.68%
Leased or Rented Residential Property	45,409,053	(202,772)	45,206,281	27.63%
Improvements on Government Property	2,962	-	2,962	0.00%
	$ 174,329,212	$ (10,695,769)	$ 163,633,443	98.60%

Source: The Gila County Assessor's Office.

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

	Town			Overlapping Rates					
Fiscal Year	Town of Payson Primary	Town of Payson Secondary	Total Town Rate	N. Gila Co. Sanitary District	Library District Secondary	Fire District Assistance Secondary	School Equalization Primary	Gila County Primary	Rate Total
2006	0.2752	0.0692	0.3444	0.7000	0.2000	0.1000	0.4358	4.4100	6.1902
2007	0.2640	0.0862	0.3502	0.7000	0.2000	0.1000	N/A	4.3488	5.6990
2008	0.2476	0.0971	0.3447	0.7000	0.2000	0.1000	N/A	4.1100	5.4547
2009	0.2215	0.0598	0.2813	0.7000	0.2000	0.1000	N/A	3.9200	5.2013
2010	0.2215	0.0986	0.3201	0.7000	0.2000	0.1000	0.3306	3.7500	5.4007
2011	0.2560	0.0590	0.3150	0.6000	0.2000	0.1000	0.3564	4.1900	5.7614
2012	0.3065	0.0329	0.3394	0.6000	0.2000	0.1000	0.4259	4.1900	5.8553
2013	0.3502	-	0.3502	0.6000	0.2000	0.1000	0.4717	4.1900	5.9119
2014	0.3828	-	0.3828	0.6000	0.2000	0.1000	0.5123	4.1900	5.9851
2015	0.3963	-	0.3963	0.6000	0.2000	0.1000	0.5089	4.1900	5.9952

Source: The Gila County Treasurer's Office.

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

	2015			2006		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service	$ 5,116,015	1	3.13%	$ 5,090,372	1	2.79%
Mogollon Health Alliance	1,855,927	2	1.13%	-	-	0.00%
Retail Trust III--Wal-Mart	1,743,245	3	1.07%	1,803,722	6	0.99%
Home Depot USA Inc	1,082,639	4	0.66%	1,232,284	7	0.67%
Sawmill Crossing LLC	999,393	5	0.61%	740,108	10	0.41%
Black Buffalo Golf LLC	934,585	6	0.57%	-	-	0.00%
Payson Village Center LLC	932,373	7	0.57%	-	-	0.00%
Buffalo Golf LLC	872,975	8	0.53%	-	-	0.00%
Rim Golf Investors LLC	862,535	9	0.53%	1,901,518	4	1.04%
Qwest Corporation/ CenturyLink	658,751	10	0.40%	1,962,298	3	1.08%
Payson Regional Hospital	-	-	-	1,814,258	5	0.99%
PLP Payson LLC	-	-	-	2,189,187	2	1.20%
Safeway Inc	-	-	-	806,781	8	0.44%
Cabletelevision of Payson	-	-	-	792,540	9	0.43%
	$ 15,058,438		9.20%	$ 18,333,068		10.04%

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
2006	$ 588,279	$ 585,930	99.60	$ 2,349	$ 588,279	100.00
2007	641,740	639,190	99.60	-	639,190	99.60
2008	703,207	690,260	98.16	4,985	695,245	98.87
2009	647,200	621,858	96.08	8,003	629,861	97.32
2010	790,354	760,451	96.22	29,495	789,946	99.95
2011	751,315	728,383	96.95	22,932	751,315	100.00
2012	680,975	674,978	99.12	5,997	680,975	100.00
2013	623,716	598,897	96.02	18,034	616,931	98.91
2014	633,680	628,885	99.24	4,795	633,680	100.00
2015	642,903	642,903	100.00	-	642,903	100.00

Source: The Gila County Treasurer's Office.

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

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

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

	Governmental Activities					
Fiscal Year	General Obligation Bonds	Certificates of Participation	Excise Tax Revenue Bonds	Special Assessment Bonds	Term Loans	Capital Leases
2006	$ 3,015,000	$ 515,000	$ 1,165,000	$ 2,025,000	$ 596,334	$ 321,361
2007	2,825,000	445,000	1,095,000	1,830,000	-	193,341
2008	2,465,000	375,000	1,070,000	1,615,000	-	565,587
2009	2,055,000	295,000	940,000	1,390,000	-	372,470
2010	3,205,000	215,000	860,000	1,155,000	-	294,604
2011	2,820,000	135,000	770,000	900,000	-	363,914
2012	2,415,000	45,000	675,000	635,000	-	794,200
2013	2,044,952	-	575,000	585,000	-	520,198
2014	1,565,583	-	470,000	535,000	-	340,146
2015	1,278,083	-	360,000	480,000	-	195,263

Source: The Town of Payson.

Business-type Activities				
Water Revenue Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
$ 640,000	$ -	$ 8,277,695	1.34	538
525,000	-	6,913,341	1.03	415
405,000	343,239	6,838,826	0.96	402
140,000	300,464	6,352,934	0.90	319
115,000	1,062,675	6,907,279	0.98	404
-	768,548	5,757,462	1.02	380
-	2,827,053	7,391,253	1.14	487
-	6,282,229	10,007,379	1.14	658
-	8,143,268	11,053,997	1.50	725
-	8,284,984	10,598,330	1.53	682

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

Fiscal Year	General Obligation Bonds	Taxable Assessed Value of Property	Percentage of Estimated Actual Value of Property	Population	Net General Obligation Bonded Debt Per Capita
2006	$ 3,015,000	$ 1,500,887,154	0.20	15,430	195
2007	2,825,000	1,745,155,468	0.16	16,742	169
2008	2,465,000	1,745,155,468	0.14	16,742	147
2009	2,055,000	2,071,174,745	0.10	17,281	119
2010	3,205,000	2,875,030,889	0.11	17,281	185
2011	2,820,000	1,778,795,861	0.16	15,301	184
2012	2,415,000	1,565,594,980	0.15	15,301	158
2013	1,995,000	1,575,224,664	0.13	15,215	131
2014	1,565,583	1,473,839,350	0.12	15,245	103
2015	1,278,083	1,458,706,561	0.09	15,551	82

Source: The Town of Payson and the Gila County Treasurer's Office and www.azstats.gov for population.

TOWN OF PAYSON, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2015
(UNAUDITED)

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
State of Arizona	Not Available	0.35%	$ -
Gila County	6,608,970	37.70%	2,491,582
Gila Community College	None	37.70%	-
Northern Gila County Sanitary District	370,000	100.00%	370,000
Payson Unified School District No. 10	30,345,000	70.01%	21,244,535
Total Overlapping Debt:			24,106,116
Town of Payson	2,313,346	100.00%	2,313,346
Total direct and overlapping debt			$ 26,419,462

Source: Gila County Treasurer's Office.

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

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

6% Debt Limit

	Fiscal Year				
	2006	2007	2008	2009	2010
Debt limit	$ 10,413,736	$ 12,669,820	$ 12,669,820	$ 14,408,387	$ 14,210,510
Total applicable to limit	1,930,000	1,740,000	1,545,000	1,305,000	3,205,000
Legal debt margin	$ 8,483,736	$ 10,929,820	$ 11,124,820	$ 13,103,387	$ 11,005,510
Total net debt applicable to the limit as a percentage of the debt limit	18.53%	13.73%	12.19%	9.06%	22.55%

20% Debt Limit

	Fiscal Year				
	2006	2007	2008	2009	2010
Debt limit	$ 34,712,452	$ 42,232,733	$ 42,232,733	$ 48,027,956	$ 47,368,366
Total applicable to limit	1,085,000	1,085,000	920,000	750,000	575,000
Legal debt margin	$ 33,627,452	$ 41,147,733	$ 41,312,733	$ 47,277,956	$ 46,793,366
Total net debt applicable to the limit as a percentage of the debt limit	3.13%	2.57%	2.18%	1.56%	1.21%

Source: The Gila County Treasurer's Office.

Fiscal Year				
2011	2012	2013	2014	2015
$ 12,119,281	$ 10,686,150	$ 10,686,150	$ 9,957,502	$ 9,818,007
2,430,000	2,215,000	2,215,000	1,525,000	1,245,000
$ 9,689,281	$ 8,471,150	$ 8,471,150	$ 8,432,502	$ 8,573,007
20.05%	20.73%	20.73%	15.32%	12.68%

Fiscal Year				
2011	2012	2013	2014	2015
$ 40,397,603	$ 35,620,500	$ 35,747,566	$ 33,191,672	$ 32,726,689
390,000	200,000	-	-	-
$ 40,007,603	$ 35,420,500	$ 35,747,566	$ 33,191,672	$ 32,726,689
0.97%	0.56%	0.00%	0.00%	0.00%

TOWN OF PAYSON, ARIZONA
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2015
(UNAUDITED)

Net secondary assessed valuation	$ 163,633,443
Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds	
Debt limit - 20% of secondary net assessed valuation	$ 32,726,689
Net debt applicable to limit	-
20% legal debt margin	32,726,689
All other general obligation bonds	
Debt limit - 6% of secondary net assessed valuation	9,818,007
Net debt applicable to limit	1,245,000
6% legal debt margin	8,573,007
Total legal debt margin	$ 41,299,695

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
2006	$ 4,101,235	$ 1,055,410	$ 3,045,825	$ 225,000	$ 16,000	12.64	$ 209,279	$ 155,000	$ 76,995	0.90
2007	4,116,226	2,599,177	1,517,049	120,000	39,657	9.50	160,928	195,000	124,530	0.50
2008	4,099,088	2,681,646	1,417,442	130,000	17,000	9.64	160,985	215,000	98,328	0.51
2009	3,725,307	3,557,361	167,946	135,000	10,375	1.16	121,577	225,000	85,508	0.39
2010	3,678,133	3,121,955	556,178	184,518	6,376	2.91	154,543	235,000	78,591	0.49
2011	3,946,946	3,195,508	751,438	184,518	11,709	3.83	154,239	255,000	57,813	0.49
2012	4,206,296	3,300,658	905,638	303,177	(3,145)	3.02	146,616	265,000	49,143	0.47
2013	4,488,194	-	1,284,961	312,513	135,576	2.87	57,930	50,000	33,550	0.69
2014	4,727,550	3,427,494	1,300,056	396,372	209,210	2.15	56,023	50,000	30,801	0.69
2015	4,924,131	3,269,026	1,655,105	462,590	228,184	2.40	57,488	55,000	27,913	0.69

Source: The Town of Payson.

(1): Utility service charges include charges for services, intergovernmental, investment earnings and miscellaneous revenues.
(2): Operating expenses do not include depreciation and interest expense.

TOWN OF PAYSON, ARIZONA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Population	Personal Income	Median Personal Income	Median Age	School Enrollment	Town of Payson Unemployment Rate
2006	15,430	616,783,390	$ 39,973	48.9	2,806	3.2%
2007	16,742	669,227,966	39,973	49.1	2,812	4.1
2008	16,965	678,141,945	39,973	50.5	2,712	4.6
2009	17,281	708,400,033	40,993	49.3	2,657	7.3
2010	17,281	708,400,033	40,993	49.3	2,352	7.9
2011	15,301	562,525,964	36,764	54.2	2,420	7.7
2012	15,301	647,874,942	42,342	53.1	2,225	9.6
2013	15,215	665,519,315	43,741	53.1	2,485	9.6
2014	15,245	663,691,075	43,535	52.9	2,485	7.5
2015	15,551	694,523,211	44,661	52.7	2,450	4.5

Source: The Town of Payson.

TOWN OF PAYSON, ARIZONA
PRINCIPAL EMPLOYERS
JUNE 30, 2015 AND NINE YEARS PRIOR
(UNAUDITED)

	2015			2006		
Employer	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Mazatzal Casino	300	1	12.84%	300	4	11.36%
Wal-Mart	300	2	12.84%	330	1	12.50%
Payson Unified School District	299	3	12.79%	324	2	12.27%
Payson Regional Medical Center	245	4	10.48%	320	3	12.12%
Gila County	170	5	7.27%	250	5	9.47%
Town of Payson	168	6	7.19%	156	7	5.91%
Rim Country Health/Manzanita Manor	156	7	6.68%	116	11	4.39%
Payson Care Center/Life Care Center	156	8	6.68%	130	10	4.92%
Home Depot	117	9	5.01%	115	12	4.35%
Chaparral Pines/Rim Club	117	10	5.01%	156	8	5.91%
Safeway Supermarket	124	11	5.31%	142	9	5.38%
US Forest Service	80	12	3.42%	167	6	6.32%
Bashas' Supermarket	71	13	3.04%	90	13	3.41%
Chapman Auto	34	14	1.45%	45	14	1.70%
	2,337			2,641		

Source: The Town of Payson.

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

	Full-time Equivalent Employees									
Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Town Manager	2.0	2.0	2.0	4.0	2.0	4.0	4.0	4.0	5.0	4.0
Town Clerks	5.0	7.0	6.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0
Central Services	-	-	-	-	-	-	-	1.5	1.5	1.0
Finance	8.0	6.0	7.0	7.0	6.0	6.0	6.0	7.0	7.0	7.0
Community Development	12.0	13.0	13.0	13.0	13.0	14.0	14.0	12.0	12.0	12.0
Legal	5.0	5.0	4.5	4.5	4.0	4.0	4.0	4.5	4.5	4.5
Human Resources	3.5	3.5	1.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0
Police Department	45.0	49.0	49.0	49.0	49.0	48.0	48.0	50.0	51.0	52.0
Fire Department	25.0	25.0	25.0	27.0	27.0	27.0	33.0	32.0	32.0	32.0
Airport	1.0	1.0	-	-	-	1.0	1.0	1.5	1.5	2.0
Public Works	16.5	17.0	17.0	22.5	22.5	22.0	22.0	22.0	22.0	24.0
Library	7.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.5
Parks and Recreation	11.5	11.5	11.5	7.0	7.0	6.5	6.5	6.5	6.5	6.0
Water	17.0	17.0	19.0	19.0	20.0	20.0	20.0	20.0	20.0	20.0
Total	158.5	165.0	163.0	167.0	164.5	167.5	173.5	175.0	177.0	178.0

Source: The Town of Payson.

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

	Fiscal Year					
Function/Program	2006	2007	2008	2009	2010	2011
Building Permits						
Permits Issued	283	201	103	115	37	34
Value of Buildings in $	$ 68,105,715	$ 45,006,009	$ 41,597,955	$ 20,388,596	$ 9,358,003	$ 19,087,366
Police						
Average Response Time	5.54	3.47	9.2	7.23	5	5.33
Number of Sworn Officers	29	30	31	31	31	30
Total Calls	18,944	24,398	20,726	24,233	26,233	28,259
Calls per Sworn Officer	653	813	669	782	846	942
Officer per 1000 of Population	1.88	1.875	1.938	1.824	1.824	1.961
Total of Index Crimes	577	527	440	635	617	675
Index Crimes per Capital	0.037	0.031	0.026	0.037	0.036	0.044
Number of Drug Arrests	410	275	156	78	126	95
Drug Arrests per Capita	0.027	0.016	0.009	0.005	0.007	0.006
Fire						
Average Response Time	5.4	5.06	4.09	4.2	4.06	4.47
Total Calls	2,197	2,236	2,280	3	2,387	2,588
Calls per Capita	0.142	0.013	0.136	0.161	0.138	0.169
Fire Personnel per 1000 of Pop.	1.49	1.434	1.374	1.562	1.562	1.765
Fire Safety Inspections	453	396	418	576	535	567
Event Center						
Number of Events	28	22	21	25	30	35
Number of Days Used	77	104	101	120	127	127
Other Public Works						
Street Slurry sealed (miles)	15	14	14	-	-	6
Snow Removal (hours)	453	250	277	64	64	-
Parks and recreation						
Use of Facilities - Number of Activities	30	39	90	115	118	122
Program Registrations	2,040	1,951	3,241	3,756	3,464	3,668
Ramada Reservations	372	232	276	250	264	302
Swim Lessons	201	207	395	325	n/a	n/a
Pool Passes	2,498	2,420	2,450	2,500	n/a	n/a
Library						
Number of Patrons	17,136	14,432	15,712	16,674	13,474	13,525
Number of Internet Users	18,423	15,095	15,342	15,532	14,838	18,388
Number of New Cards Issued	1,562	1,415	1,400	1,200	1,143	1,267
Circulation per Capita	9.23	9.07	9.07	9.71	9.53	11.34
Patrons as % of Population	111.1	86.2	93.8	99.9	96.5	88.4
Water						
Number of Water Taps	7,609	7,728	7,777	7,827	7,854	7,800
Average daily consumption (thousand of gallons)	1,561.70	1,502.30	1,534.30	1,468.80	1,490.60	1,493.40
Peak daily consumption (thousand of gallons)	2,169.40	2,055.10	2,384.20	2,467.50	2,044.30	2,050.40
Elections						
Number of Registered Voters	8,828	8,828	8,913	8,913	9,304	9,304
Number Voting in Last Election	5,479	5,479	5,123	5,123	5,123	5,123
% of Participation of Voters	62.06%	62.06%	57.48%	57.48%	55.06%	55.06%

Source: The Town of Payson.

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

Fiscal Year			
2012	2013	2014	2015
49	38	61	73
$ 12,652,967	$ 11,747,997	$ 19,350,791	$ 21,254,017
8.05	5.21	5.23	5.23
30	30	30	30
20,956	20,030	20,799	22,844
699	668	693	761
1.961	1972	1968	1968
655	674	735	680
0.043	0.044	0.048	0.045
137	39	39	238
0.009	0.003	0.003	0.16
4.42	4.36	4.36	4.24
2,625	2,680	2,884	2,863
0.172	0.176	0.189	0.188
2.157	2.169	2099	2099
398	453	154	153
42	49	51	36
134	185	190	145
-	-	-	-
-	-	-	-
122	93	101	102
3,235	3,366	4,723	4,758
265	247	310	291
n/a	n/a	n/a	325
n/a	n/a	n/a	32
14,784	15,708	15,485	15,288
10,269	12,128	12,128	-
1,259	1,131	1,139	1,019
10.68	8.85	9.46	8.88
96.62	1.03	1.01	1.00
7,838	7,886	7,966	8,065
1,448.20	1,473.00	1,438.00	1,406.00
2,057.00	2,522.00	2,362.00	2,258.00
9,921	9,921	9,141	8,964
3,146	3,146	3,146	4,361
31.71%	31.71%	34.42%	48.65%

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

	Fiscal Year									
Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Area - Square Miles	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	20.46
Police										
Number of Employees	28	30	32	32	31	31	31	31	30	30
Patrol Vehicles	23	21	23	23	23	22	20	21	20	20
Fire										
Number of Firefighters	24	24	24	24	24	27	33	32	31	31
Number of Fire stations	2	2	2	2	2	3	3	3	3	3
Number of Municipal Employees (excluding Public safety)	98	102	102	102	102	102.5	102.5	105.0	116.0	117.0
Public Works										
Streets (miles)	105.9	105.9	105.9	105.9	105.9	105.9	105.9	105.9	110.3	111.1
Number of Water taps	7,609	7,728	7,777	7,827	7,854	7,800	7,838	7,886	7,966	8,065
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.