

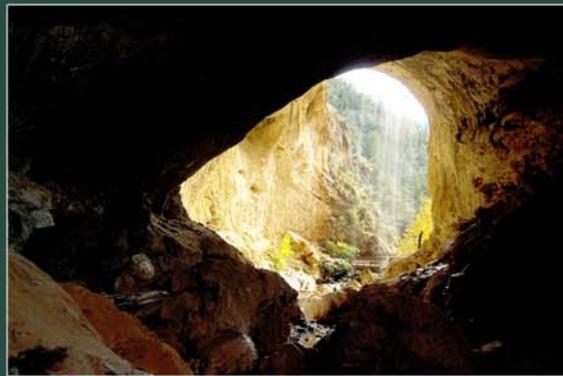
FOR FISCAL
YEAR
ENDED

JUNE 30, 2009



TOWN OF PAYSON
ARIZONA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



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TOWN OF PAYSON, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009

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**TOWN OF PAYSON, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009
TABLE OF CONTENTS**

INTRODUCTORY SECTION

Letter of Transmittal	1
List of Town Officials	5
Organization Chart	6
GFOA Certificate of Achievement	7

FINANCIAL SECTION

Independent Auditors' Report	11
Management's Discussion and Analysis	13

Basic Financial Statements

Statement of Net Assets	26
Statement of Activities	27
Balance Sheet – Governmental Funds	28
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	32
HURF Fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	34
Statement of Net Assets – Proprietary Funds	35
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	36
Statement of Cash Flows – Proprietary Funds	37

**TOWN OF PAYSON, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009
TABLE OF CONTENTS (CONTINUED)**

Notes to the Basic Financial Statements	39
Required Supplementary Information	
Schedules of Funding Progress	68
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Nonmajor Governmental Funds	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	74
Debt Service Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	76
Gifts and Grants Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	77
Wildlands Urban Program Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	78
Bed Tax Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	79
Library District Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	80
JCEF/FTG Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	81
Municipal Airport Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	82
Event Center Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	83
Police Reserve Academy Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	84
Capital Projects Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	85
Grant Capital Projects Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	86

**TOWN OF PAYSON, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2009
 TABLE OF CONTENTS (CONTINUED)**

Development Fees Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	87
Green Valley Redevelopment Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	88
Central Arizona Project Trust Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	89
Public Safety Bond Project Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	90

STATISTICAL SECTION

Financial Trends

Net Assets by Component	93
Changes in Net Assets	94
Fund Balances of Governmental Funds	97
Changes in Fund Balances of Governmental Funds	98

Revenue Capacity

General Government Tax Revenues by Source	100
Taxable Sales by Category	101
Direct and Overlapping Sales Tax Rates	102
Assessed Value and Estimated Actual Value of Taxable Property	103
Property Tax Rates – Direct and Overlapping Governments	104
Principal Property Taxpayers	105
Property Tax Levies and Collections	106

Debt Capacity

Ratio of Outstanding Debt by Type	107
Ratio of General Bonded Debt Outstanding	108
Direct and Overlapping Governmental Activities Debt	109
Legal Debt Margin Information	110
Calculation of Legal Debt Margin	111
Pledged-Revenue Coverage	112

**TOWN OF PAYSON, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009
TABLE OF CONTENTS (CONTINUED)**

Demographic and Economic Information

Demographic and Economic Statistics **113**

Principal Employers **114**

Operating Information

Full-time Equivalent Employees by Function **115**

Operating Indicators by Function **116**

Capital Assets Statistics by Function **118**

INTRODUCTORY SECTION

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

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

(928) 474-5242
(928) 472-6449 TDD
(928) 474-4610 Fax
www.ci.payson.az.us

February 4, 2010

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

The Comprehensive Annual Financial Report (CAFR) of the Town of Payson, AZ (the Town), for the
fiscal year ended June 30, 2009 is submitted herewith.

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

LarsonAllen LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the
Town of Payson's financial statements for the fiscal year ended June 30, 2009. 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 (Town) incorporated in 1973, is located at the intersection of State
Routes 87 and 260, 90 miles north of Phoenix, Arizona. The Town's boundaries enclose 19.5 square
miles in northern Gila County and serve a population of 17,281. Surrounded by the Tonto National
forest and the world's largest stand of virgin Ponderosa Pines, Payson is nestled just below Arizona's
Mogollon Rim at an elevation of 4,982 feet and enjoys a moderate four season climate.

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

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

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

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

LOCAL ECONOMY

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

Like the rest of the nation, Payson experienced an unfavorable economic environment during fiscal year 2008-2009. Over the last ten years, the population increased an average of 3.1% per year. The Arizona Department of Economic Security estimates Payson's current population at 17,281. The Town's unemployment rate, as of June 2009 was 7.3 percent. Despite a steep increase of 58.6% from last year, this compares favorably with the State's rate of 8.7 percent and the county's rate of 9.4 percent. The region (which includes Payson, another town and the surrounding non-incorporated areas within the County) has an employed labor force of approximately 6,332 that has increased significantly over the last fifteen years.

LONG-TERM FINANCIAL PLANNING

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

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

RELEVANT FINANCIAL POLICIES

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

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

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

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

The annual budget serves as the foundation for the Town of Payson's financial planning and control. All agencies of the Town of Payson are required to submit requests for appropriation to the Chief Fiscal Officer on or before April each year. These requests are used to develop a proposed budget. In early July, the Tentative Budget is adopted and a public hearing is held on the State Expenditure Limitation document. In early August, a public hearing is held on the Final Budget, which is then adopted by the Council. Within seven days of the Final Budget adoption, a public hearing is held on the proposed Primary and Secondary tax rates where they are then adopted by ordinance. Upon adoption, they are certified to the County Treasurer. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Transfer of appropriations within a department and within funds may be made with approval from the Chief Fiscal Officer or Town Manager. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

MAJOR INITIATIVES

The Town of Payson is completing several major capital projects funded through 1) excise tax revenue obligation, 2) improvement district improvement bonds, 3) general obligation refunding bonds, and 4) certificates of participation. In fiscal year 2003-04, the Town issued \$1.3 million in excise tax revenue obligations that were used to construct a new public works maintenance facility and airport hangar storage facilities. In October 2005, Improvement District Improvement Bonds were issued for the Westerly Drive Improvement District. The general obligation refunding bonds were issued June 2006 to repay the United States Department of Agriculture (USDA) for the Town of Payson's Green Valley Park Project. The Certificates of participation were issued November 2005 for the purpose of installing lighting, an 8-foot high fence, and synthetic turf on two new softball fields and the existing Little League fields. All of the aforementioned projects have been completed. In fiscal year 2008/2009, the town began the process of buying the right-of-way for the widening of Bonita Street. We completed a round-about on Mud Springs Road and are in the planning phase of constructing a round-about at Airport Road.

AWARDS AND ACKNOWLEDGEMENTS

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Payson for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the eleventh consecutive year that the government achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized comprehensive annual financial report (CAFR). This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated February 4, 2009. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. This also was the eleventh consecutive year that the government achieved this prestigious award.

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

Respectfully submitted,



Debra A. Galbraith, CGFM
Town Manager



Cindy L. Smith, CGFM
Chief Fiscal Officer

TOWN OF PAYSON, ARIZONA TOWN OFFICIALS

TOWN COUNCIL

Kenny J. Evans
Mayor

Mike Vogel, Vice Mayor
John R. Wilson
Su Connell

Ed Blair
Richard Croy
Michael Hughes

TOWN MANAGER

Debra A. Galbraith

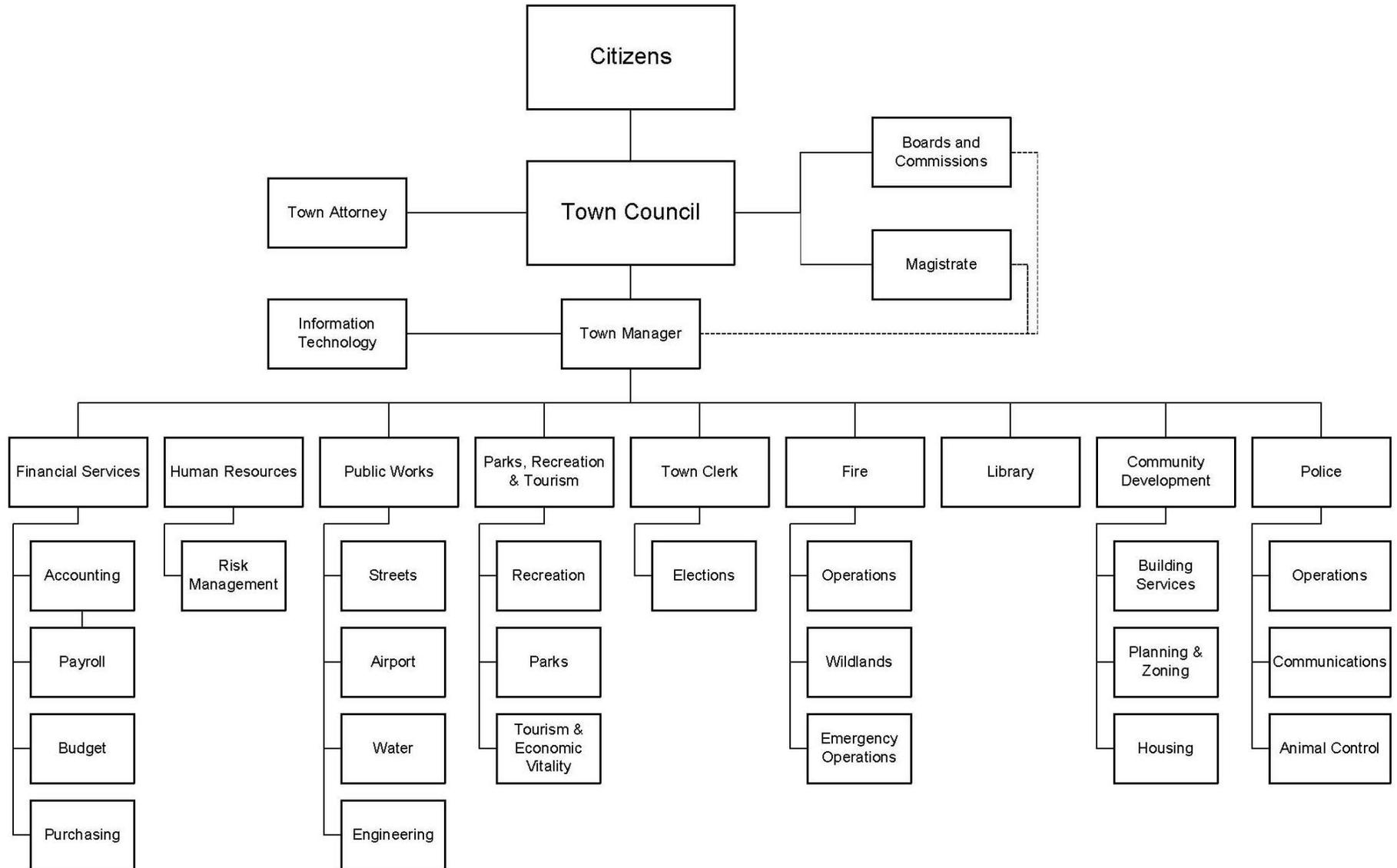
DEPARTMENT DIRECTORS

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

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

Town of Payson

ORGANIZATION FY2008-2009



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Payson
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



President

Executive Director

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Payson, Arizona (Town), as of and for the year ended June 30, 2009 which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Payson, Arizona, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Highway User Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4.C. the Town of Payson, Arizona implemented the provisions of GASB Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* during the fiscal year ended June 30, 2009. The provisions of this statement were implemented prospectively.

A prior period adjustment was reported in Note 3.A. to record infrastructure capital assets incurred, but not reported in the prior fiscal year.

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

The management's discussion and analysis on pages 13 - 23 and the Public Safety Personnel Retirement System and Other Postemployment Benefits Schedule of Funding Progress on page 68 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
February 4, 2010

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**

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, 2009. The intended purpose of the Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes. This discussion will help determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impact on our debt and operations. When referring to prior years' data in this analysis we will be drawing upon information from last year's audited financial reports.

Financial Highlights

- ◆ The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$133,587,282 (net assets). Of this amount \$4,412,454 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,637,662, a decrease of \$676,344 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$785,962 or 6 percent of total General Fund expenditures.
- ◆ General Fund revenues (on a budgetary basis) were less than budgeted revenues by \$1,350,733 for fiscal year 2009. Additionally, budgetary basis expenditures were 94% (\$786,403 (6%) in savings) of the final budget in the General Fund.
- ◆ General Fund revenues were higher than expenditures by \$230,129; a variance of \$564,330 from the final budget.
- ◆ A prior period adjustment was made to record infrastructure valued at \$1,650,540 for governmental activities and \$2,434,105 for business-type activities that were not recorded in the capital assets of governmental activities and business-type activities fund financial statements in the prior year.
- ◆ In August 2009, the Town entered into a \$10.6 million loan agreement with the Water Infrastructure Authority of Arizona for completion of Phase I of the pipeline and for required repairs and replacements to the existing system.
- ◆ The Town had a subsequent event in December 2009 when it issued \$1,525,000 in general obligation bonds which was the remainder of the 2004 authorization for public safety improvements.

Overview of the Financial Statements

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

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**

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

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

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

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

The government-wide financial statements can be found on pages 26 - 27 of this report.

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

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

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

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway Users Revenue Fund (HURF) 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 28 - 34 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 35 - 38 of this report.

Notes to the basic financial statements. The notes to the basic financial statements (pages 39 - 66) provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements and should be read in conjunction with the basic financial statements.

Required supplementary information other than MD&A. Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information following the notes to the basic financial statements. The Town has chosen to present these budgetary statements as part of the basic financial statements. Additionally, governments are required to disclose certain information about employee pension funds. The Town has disclosed this information in Note 4.D. and in the Required Supplementary Information on page 68 of this report.

Government-Wide Financial Analysis

Net assets may serve over time as useful indicators of a government's financial position. The following table reflects the condensed Statement of Net Assets of the Town for June 30, 2009 showing that assets exceeded liabilities by \$133,587,282.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**

Town of Payson, Arizona
Condensed Statement of Net Assets
June 30, 2009 and 2008

	Governmental Activities		Business-Type Activities		Total	
	2009	2008 (Restated)	2009	2008 (Restated)	2009	2008 (Restated)
Assets						
Current and Other Assets	\$ 7,800,492	\$ 8,792,096	\$ 9,810,782	\$ 10,946,118	\$ 17,611,274	\$ 19,738,214
Capital Assets						
Non-depreciable	12,222,878	14,255,683	3,135,955	1,958,534	15,358,833	16,214,217
Depreciable (net)	98,418,810	97,862,262	12,159,545	13,153,679	110,578,355	111,015,941
Total Assets	<u>118,442,180</u>	<u>120,910,041</u>	<u>25,106,282</u>	<u>26,058,331</u>	<u>143,548,462</u>	<u>146,968,372</u>
Liabilities						
Other Liabilities	982,555	995,883	700,717	672,282	1,683,272	1,668,165
Noncurrent Liabilities						
Due Within One Year	1,786,387	1,711,755	313,551	275,675	2,099,938	1,987,430
Due in More Than One Year	5,618,711	5,385,368	559,259	554,416	6,177,970	5,939,784
Total Liabilities	<u>8,387,653</u>	<u>8,093,006</u>	<u>1,573,527</u>	<u>1,502,373</u>	<u>9,961,180</u>	<u>9,595,379</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	105,561,440	106,049,982	14,720,036	14,363,974	120,281,476	120,413,956
Restricted	3,971,451	4,310,080	4,921,901	4,909,657	8,893,352	9,219,737
Unrestricted	521,636	2,456,973	3,890,818	5,282,327	4,412,454	7,739,300
Total Net Assets	<u>\$ 110,054,527</u>	<u>\$ 112,817,035</u>	<u>\$ 23,532,755</u>	<u>\$ 24,555,958</u>	<u>\$ 133,587,282</u>	<u>\$ 137,372,993</u>

Net assets consist of three components. The largest portion of the Town of Payson, Arizona's net assets (90%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, water system, and vehicles, machinery and equipment), less any outstanding related debt used to acquire those assets. The Town of Payson, Arizona uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Payson, Arizona's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Payson, Arizona's net assets (7%) represents resources that are subject to external restrictions. The remaining balance of unrestricted net assets (\$4,412,454) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**

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

**Changes in Net Assets
Fiscal Years Ended June 30, 2009 and 2008**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008 (Restated)	2009	2008 (Restated)	2009	2008 (Restated)
REVENUES						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 1,880,839	\$ 2,260,227	\$ 3,666,635	\$ 4,037,662	\$ 5,547,474	\$ 6,297,889
Operating Grants and Contributions	2,079,200	2,137,228	-	-	2,079,200	2,137,228
Capital Grants and Contributions	248,512	1,786,891	-	270,513	248,512	2,057,404
General Revenues:						
Sales Taxes	6,624,711	7,396,678	-	-	6,624,711	7,396,678
Property Taxes	856,237	907,545	-	-	856,237	907,545
Franchise Taxes	339,802	349,043	-	-	339,802	349,043
State Shared Revenues	3,535,715	3,589,542	-	-	3,535,715	3,589,542
Auto Lieu Taxes	937,748	1,013,004	-	-	937,748	1,013,004
Investment Earnings	68,680	287,474	107,222	253,312	175,902	540,786
Total Revenues	<u>16,571,444</u>	<u>19,727,632</u>	<u>3,773,857</u>	<u>4,561,487</u>	<u>20,345,301</u>	<u>24,289,119</u>
EXPENSES						
General Government	4,323,958	3,707,867	-	-	4,323,958	3,707,867
Public Safety	8,376,425	7,939,971	-	-	8,376,425	7,939,971
Highways and Streets	2,856,499	3,786,087	-	-	2,856,499	3,786,087
Culture and Recreation	1,714,675	2,730,083	-	-	1,714,675	2,730,083
Public Works	445,095	350,531	-	-	445,095	350,531
Community Development	1,051,931	1,219,270	-	-	1,051,931	1,219,270
Health and Welfare	289,710	259,083	-	-	289,710	259,083
Interest on Long-Term Debt	275,659	303,148	-	-	275,659	303,148
Water	-	-	4,797,060	3,673,943	4,797,060	3,673,943
Total Expenses	<u>19,333,952</u>	<u>20,296,040</u>	<u>4,797,060</u>	<u>3,673,943</u>	<u>24,131,012</u>	<u>23,969,983</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS	(2,762,508)	(568,408)	(1,023,203)	887,544	(3,785,711)	319,136
Transfers	-	437,734	-	(437,734)	-	-
CHANGE IN NET ASSETS	<u>(2,762,508)</u>	<u>(130,674)</u>	<u>(1,023,203)</u>	<u>449,810</u>		
Net Assets - Beginning of Year	112,817,035	112,947,709	24,555,958	24,106,148	137,372,993	137,053,857
NET ASSETS - END OF YEAR	<u>\$ 110,054,527</u>	<u>\$ 112,817,035</u>	<u>\$ 23,532,755</u>	<u>\$ 24,555,958</u>	<u>\$ 133,587,282</u>	<u>\$ 137,372,993</u>

Governmental activities. Total governmental revenues declined significantly over the prior year with a net decrease of \$3,165,188 (16.0%). A significant portion of this change is due to a decrease in capital grants and contributions of \$1,538,379 (86%). Capital grants in 2008 reflects \$1 million in donated infrastructure (asphalt, curbs and gutters, ribbon curbs, sidewalks, and right-of-ways) and \$400,000 in HURF exchange funds that did not occur in 2009 primarily due to the economic downturn and limited construction activity. Other declines in governmental revenues include a 16.8% (\$379,388) decrease in fees, fines and charges for services, a 2.7% (\$58,028) decrease in operating grants and contributions, and a 76% (\$218,794) decrease in investment earnings.

General revenues decreased \$1,180,393. Major factors contributing to this decrease included a 76% (\$218,794) decrease in investment earning and a 10.4% (\$771,967) decline in local sales tax. State

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**

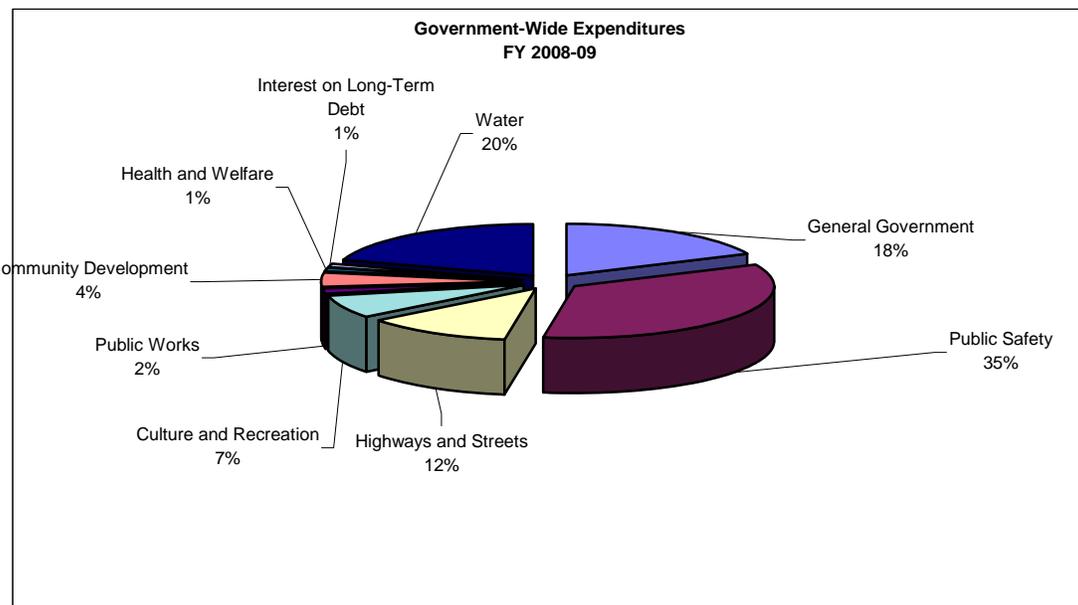
shared revenues decreased \$53,827 (1.5%). State shared revenues are collected by the State and "shared" based on population. Sales taxes are generated directly from consumers.

The most significant increases in expenses were recorded in the General Government and Public Safety functions. The increase was due to the implementation of a new financial system and the purchase of new CAD communications technology for the police and fire departments. The continued decline in the economy reduced the expenses in Highways and Streets as a result of the elimination of capital project work from the budget.

Business-type activities. Water revenue declined 17.2% (\$787,630) over last fiscal year due primarily to a decrease in capital grants and contributions of \$270,513, a decrease in investment earnings of \$146,090 (58%), as well as a slight decrease in charges for services of 9% (\$371,027).

The 31% (\$1,123,117) increase in expenses was significant during the year and due to the investment of over \$1 million dollars in the CC Cragin water pipeline project.

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



**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**

Financial Analysis of the Town's Funds

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

As of the end of the current fiscal year the Town's governmental funds reported combined ending fund balances of \$4,637,662, a decrease of \$676,344 in comparison with the prior year. The decline in fund balance is reflective of the continued decline of the economy and its impact on the Town. Approximately 17% of this total amount (\$800,691) constitutes General Fund balance, which is available for contribution to the designated, undesignated and reserved fund balance. At fiscal year-end 2008-2009 fund balances were as follows:

Fund	Balance	Increase (Decrease) From 2007-08
General Fund	\$ 800,691	\$ (251,393)
HURF Fund	564,181	22,517
Debt Service Fund	1,416,112	(137,097)
Nonmajor Governmental Funds	1,856,678	(310,371)

The General Fund is the chief operating fund of the Town of Payson, Arizona. As a measure of the General Fund's liquidity, it may be useful to compare both the General Fund balance and total fund balance to total fund expenditures. General Fund balance represents 6% of total General Fund expenditures, while total fund balance represents 27% of total fund expenditures.

The changes in fund balance in the General and Debt Service Funds was primarily due to a transfer of funds from the General Fund to the Debt Service Funds and other funds for debt service on outstanding debt and to subsidize other funds. Investment decreases are attributed to a lower amount of cash available for investing and a lower rate of return on investments.

The Highway User Revenue Fund increased slightly due to the increase in development impact fees of \$14,585 (16%).

The nonmajor Governmental Funds decreased largely due to capital projects. Major construction projects included the Central Arizona Project (CAP) and the airport. The reduction in the bed tax revenues and continued promotion of tourism in Payson also caused the decrease in the nonmajor Governmental Funds.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**

Budgetary Highlights

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 32 - 33. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis. Although the Town did not amend its budget, it did impose a spending plan in November 2008.

Dramatic declines in the national and regional economy caused projected revenues to be far less than planned. Departments voluntarily reduced expenditures to offset the tremendous decline in revenues but it was not enough. The spending plan incorporated further cuts in departmental expenditures (\$643,935), delayed capital projects (\$3,346,150), and reduced personnel costs (\$596,421). The reduction in personnel costs resulted from a hiring freeze, and layoffs of six employees affecting four departments.

General fund revenues of \$13,062,967, on a budgetary basis, were less than budgeted revenues of \$14,413,700 by \$1,350,733 while budgetary basis expenditures of \$12,832,838 were 94% of budgeted expenditures (savings of \$786,403). Revenues were less than budgeted revenues primarily due to economic downturns. The expenditure savings were derived largely from unspent contingencies, vacancies savings, and layoffs.

Capital Assets

Due to the tremendous decline in revenues as a result of the economy, and the implementation of the spending plan, the Town delayed its capital improvement projects.

The Town's capital assets for its governmental activities as of June 30, 2009 totaled \$110,641,688 (net of accumulated depreciation), a decrease from the prior year of \$1,476,257. Business-type activities capital assets amounted to \$15,295,500 (net of accumulated depreciation), a net increase from the prior year of 1%. Governmental fund financial statements record capital asset purchases as expenditures. See Note 3.B.4. in the Notes to the Basic Financial Statements for further information regarding capital assets.

A prior period adjustment for infrastructure not previously recorded in the financial statements was made for both governmental funds and business-type funds and is discussed below.

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

Governmental Funds

The most significant change in capital assets in the Governmental Activities was the prior period adjustment to record \$1,650,540 for infrastructure that was not recorded in the prior year financials. These assets include numerous local streets and a couple of parking lots. The cost of the local streets was \$2,242,050 with accumulated depreciation of \$750,632. The value of the parking lots is \$159,122. Other additions included the implementation of a new financial system and the investment in a new police and fire dispatch/communications system as noted previously.

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**

Business-Type Funds

A prior period adjustment of \$2,434,105 was also recorded in the business-type activities for infrastructure that was not recorded in the prior year financials. These assets were the result of the Terra-Star Valley well site, well capacity purchases, well construction and equipment costs, and pipeline activity from the Tower Well to Payson. In addition to the prior period adjustment, the Town continued to invest in the wells and CC Cragin water pipeline during the year.

The following table provides a breakdown of the capital assets of the Town at June 30, 2009 and 2008.

Town of Payson, Arizona
Capital Assets (net)
June 30, 2009 and 2008

	Governmental Activities		Business-Type Activities		Total	
	2009	2008 (Restated)	2009	2008 (Restated)	2009	2008 (Restated)
Land	\$ 12,222,878	\$ 12,047,106	\$ 1,504,077	\$ 1,504,077	\$ 13,726,955	\$ 13,551,183
Construction in Progress	-	2,208,577	1,631,878	454,457	1,631,878	2,663,034
Infrastructure	86,409,086	87,010,607	-	-	86,409,086	87,010,607
Buildings	6,181,309	6,434,015	260,878	280,821	6,442,187	6,714,836
Improvements other than Buildings	2,788,518	2,393,433	11,616,606	12,546,441	14,405,124	14,939,874
Vehicles, Machinery and Equipment	3,039,897	2,024,207	282,061	326,417	3,321,958	2,350,624
Total Capital Assets	\$ 110,641,688	\$ 112,117,945	\$ 15,295,500	\$ 15,112,213	\$ 125,937,188	\$ 127,230,158

Long-Term Debt

At the end of the current fiscal year, the Town had total long-term obligations outstanding of \$8,651,019. Of the outstanding debt, \$2,107,778 (including \$14,156 of deferred amount on the refunding of the bonds and \$41,934 premium on the bonds) is general obligation bonds and \$300,464 is loans payable backed by the full faith and credit of the Town. An additional \$1,390,000 of special assessment bonds are backed by a guaranteed investment contract with the developer of the special assessment district property. All other outstanding debt is secured by pledges of specific revenue sources in the Town.

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, 2009 is \$13,748,440 in the 6% capacity and \$49,428,134 in the 20% capacity. Additional information on the debt limitations and capacities may be found in the statistical section of this report (pages 110 – 111).

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**

The following schedule shows the outstanding debt of the Town (both current and long-term) as of June 30, 2009 and 2008. Further detail on the Town's outstanding debt may be found in Notes 3.E. and 3.F. on pages 53 - 59.

Town of Payson, Arizona
Outstanding Debt
June 30, 2009 and 2008

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 2,082,778	\$ 2,492,376	\$ 25,000	\$ 50,000	\$ 2,107,778	\$ 2,542,376
Special assessment bonds	1,390,000	1,615,000	-	-	1,390,000	1,615,000
Revenue bonds	940,000	1,020,000	115,000	225,000	1,055,000	1,245,000
Certificates of participation	295,000	375,000	-	-	295,000	375,000
Loan payable	-	-	300,464	343,239	300,464	343,239
Capital leases	372,470	565,587	-	-	372,470	565,587
Compensated absences	1,130,418	1,029,160	264,769	211,852	1,395,187	1,241,012
Other Postemployment Benefits	1,194,432	-	167,577	-	1,362,009	-
Total Outstanding Debt	<u>\$ 7,405,098</u>	<u>\$ 7,097,123</u>	<u>\$ 872,810</u>	<u>\$ 830,091</u>	<u>\$ 8,277,908</u>	<u>\$ 7,927,214</u>

Economic Factors and Next Year's Budgets and Rates

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

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

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

**TOWN OF PAYSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**

Financial Contact

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

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

Or visit our website at:

<http://www.ci.payson.az.us>

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Basic Financial Statements

TOWN OF PAYSON, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Investments	\$ 5,000,987	\$ 8,236,711	\$ 13,237,698
Receivables, Net			
Accounts Receivable	65,511	357,328	422,839
Intergovernmental Receivables	889,666	42,095	931,761
Special Assessments Receivable	1,048,875	-	1,048,875
Notes Receivable	-	127,913	127,913
Prepaid Items	14,979	-	14,979
Deferred Charges	133,141	-	133,141
Restricted Cash and Investments	647,333	926,745	1,574,078
Other Assets	-	119,990	119,990
Capital Assets			
Non-Depreciable	12,222,878	3,135,955	15,358,833
Depreciable (Net)	98,418,810	12,159,545	110,578,355
Total Assets	<u>118,442,180</u>	<u>25,106,282</u>	<u>143,548,462</u>
LIABILITIES			
Accounts Payable	179,948	47,015	226,963
Accrued Wages and Benefits	372,953	65,168	438,121
Interest Payable	79,442	6,875	86,317
Customer Deposits Payable	9,485	446,659	456,144
Claims Payable	340,727	-	340,727
Matured Debt Principal Payable	-	135,000	135,000
Noncurrent Liabilities			
Due Within One Year	1,786,387	313,551	2,099,938
Due in More Than One Year	5,618,711	559,259	6,177,970
Total Liabilities	<u>8,387,653</u>	<u>1,573,527</u>	<u>9,961,180</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	105,561,440	14,720,036	120,281,476
Restricted for			
Highways and Streets	564,181	-	564,181
Debt Service	942,283	-	942,283
Capital Outlay	2,464,987	4,921,901	7,386,888
Unrestricted	521,636	3,890,818	4,412,454
Total Net Assets	<u>\$ 110,054,527</u>	<u>\$ 23,532,755</u>	<u>\$ 133,587,282</u>

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
General Government	\$ 4,323,958	\$ 657,076	\$ 309,635	\$ 100,129	\$ (3,257,118)		\$ (3,257,118)
Public Safety	8,376,425	723,194	205,026	-	(7,448,205)		(7,448,205)
Highways and Streets	2,856,499	28,185	1,548,943	94,744	(1,184,627)		(1,184,627)
Culture and Recreation	1,714,675	131,966	14,516	100	(1,568,093)		(1,568,093)
Public Works	445,095	56,617	-	-	(388,478)		(388,478)
Community Development	1,051,931	268,662	1,080	53,539	(728,650)		(728,650)
Health and Welfare	289,710	15,139	-	-	(274,571)		(274,571)
Interest on Long-Term Debt	275,659	-	-	-	(275,659)		(275,659)
Total Governmental Activities	<u>19,333,952</u>	<u>1,880,839</u>	<u>2,079,200</u>	<u>248,512</u>	<u>(15,125,401)</u>		<u>(15,125,401)</u>
Business-Type Activities							
Water	4,797,060	3,666,635	-	-	-	\$ (1,130,425)	(1,130,425)
Total Business-Type Activities	<u>4,797,060</u>	<u>3,666,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,130,425)</u>	<u>(1,130,425)</u>
Totals	<u>\$ 24,131,012</u>	<u>\$ 5,547,474</u>	<u>\$ 2,079,200</u>	<u>\$ 248,512</u>	<u>(15,125,401)</u>	<u>(1,130,425)</u>	<u>(16,255,826)</u>
General Revenues:							
Taxes							
					6,624,711	-	6,624,711
					856,237	-	856,237
					339,802	-	339,802
					3,535,715	-	3,535,715
					937,748	-	937,748
					68,680	107,222	175,902
					<u>12,362,893</u>	<u>107,222</u>	<u>12,470,115</u>
					(2,762,508)	(1,023,203)	(3,785,711)
					<u>112,817,035</u>	<u>24,555,958</u>	<u>137,372,993</u>
					<u>\$ 110,054,527</u>	<u>\$ 23,532,755</u>	<u>\$ 133,587,282</u>

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General	HURF	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Investments	\$ 473,867	\$ 449,314	\$ 1,495,411	\$ 1,231,199	\$ 3,649,791
Restricted Cash and Investments	-	-	-	647,333	647,333
Accounts Receivable	33,899	28,185	143	3,284	65,511
Intergovernmental Receivable	716,880	132,053	-	40,733	889,666
Special Assessments Receivable	-	-	1,048,875	-	1,048,875
Due from Other Funds	3,981	-	-	-	3,981
Prepaid Items	14,729	-	-	250	14,979
Total Assets	\$ 1,243,356	\$ 609,552	\$ 2,544,429	\$ 1,922,799	\$ 6,320,136
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$ 119,851	\$ 8,663	\$ -	\$ 39,224	\$ 167,738
Accrued Wages and Benefits	322,674	34,708	-	15,571	372,953
Due to Other Funds	-	-	-	3,981	3,981
Interest Payable	-	-	79,442	-	79,442
Deferred Revenue	-	-	1,048,875	-	1,048,875
Customer Deposits Payable	140	2,000	-	7,345	9,485
Total Liabilities	442,665	45,371	1,128,317	66,121	1,682,474
Fund Balances					
Reserved for Prepaid Items	14,729	-	-	250	14,979
Unreserved	785,962	564,181	1,416,112	-	2,766,255
Unreserved, reporting in nonmajor					
Special Revenue Funds	-	-	-	532,122	532,122
Capital Projects Funds	-	-	-	1,324,306	1,324,306
Total Fund Balance	800,691	564,181	1,416,112	1,856,678	4,637,662
Total Liabilities and Fund Balance	\$ 1,243,356	\$ 609,552	\$ 2,544,429	\$ 1,922,799	\$ 6,320,136

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Fund Balances for Governmental Funds \$ 4,637,662

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	136,721,081
Less accumulated depreciation	<u>(26,079,393)</u>
Capital assets used in governmental activities	<u>110,641,688</u>

Other long-term assets are not available to pay for current-period expenditures and are not susceptible to accrual. 1,048,875

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	(2,055,000)
Special assessment bonds	(1,390,000)
Revenue bonds payable	(940,000)
Certificates of participation	(295,000)
Deferred amount on premium	(41,934)
Capital leases	(372,470)
Compensated absences	(1,130,418)
Other postemployment benefits	(1,194,432)
Deferred charges for bond issuance	133,141
Deferred amount on refunding	14,156

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 998,259

Total Net Assets of Governmental Activities \$ 110,054,527

TOWN OF PAYSON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General	HURF	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Taxes					
Sales Taxes	\$ 6,093,607	\$ -	\$ 371,277	\$ 159,827	\$ 6,624,711
Property Taxes	483,047	-	146,814	226,376	856,237
Franchise Taxes	339,802	-	-	-	339,802
Intergovernmental	4,642,702	1,544,719	-	407,834	6,595,255
Fines and Forfeitures	219,720	-	-	15,564	235,284
Licenses and Permits	252,931	-	-	-	252,931
Charges for Services	909,860	28,185	-	95,825	1,033,870
Contributions and Donations	17,707	4,224	60,000	29,245	111,176
Development Impact Fees	-	103,540	-	128,166	231,706
Special Assessments	-	-	121,577	-	121,577
Investment Earnings	21,566	4,128	15,757	27,229	68,680
Other	82,025	3,172	41,849	2	127,048
Total Revenue	13,062,967	1,687,968	757,274	1,090,068	16,598,277
Expenditures					
Current					
General Government	3,145,369	-	-	137,077	3,282,446
Public Safety	7,147,790	-	-	94,868	7,242,658
Highways and Streets	644,238	1,665,451	-	-	2,309,689
Culture and Recreation	524,818	-	-	553,809	1,078,627
Public Works	144,387	-	-	131,421	275,808
Community Development	936,468	-	-	27,292	963,760
Health and Welfare	289,768	-	-	-	289,768
Debt Service					
Principal Retirement	-	-	988,117	-	988,117
Interest on Long-Term Debt	-	-	249,991	150	250,141
Capital Outlay	-	-	-	593,607	593,607
Total Expenditures	12,832,838	1,665,451	1,238,108	1,538,224	17,274,621
Excess (Deficiency) of Revenue Over Expenditures	230,129	22,517	(480,834)	(448,156)	(676,344)
Other Finance Sources (Uses)					
Transfers In	-	-	343,737	234,246	577,983
Transfers Out	(481,522)	-	-	(96,461)	(577,983)
Total Other Finance Sources (Uses)	(481,522)	-	343,737	137,785	-
Net Change in Fund Balance	(251,393)	22,517	(137,097)	(310,371)	(676,344)
Fund Balance					
Beginning of Year	1,052,084	541,664	1,553,209	2,167,049	5,314,006
End of Year	<u>\$ 800,691</u>	<u>\$ 564,181</u>	<u>\$ 1,416,112</u>	<u>\$ 1,856,678</u>	<u>\$ 4,637,662</u>

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Net Change in Fund Balances of Governmental Funds \$ (676,344)

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	260,475
Less current year depreciation	<u>(1,736,732)</u>
Excess depreciation over capital expenditures	<u>(1,476,257)</u>

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

Special assessments recognized	(121,577)
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The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term debt on the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these items are deferred and amortized over the term of the long term debt in the statement of activities.

Principal payments on long-term debt	795,000
Principal payments on capital leases	193,117
Amortization of issuance costs	(25,116)
Amortization of deferred amount on bond premium	4,316
Amortization of deferred amount on refunding	(4,718)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Net increase in compensated absences	(101,258)
Net increase in other postemployment benefits	(1,194,432)

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.	(155,239)
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Change in Net Assets of Governmental Activities	<u>\$ (2,762,508)</u>
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**TOWN OF PAYSON, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Taxes	\$ 7,852,600	\$ 6,916,456	\$ (936,144)
Intergovernmental	4,778,000	4,642,702	(135,298)
Fines and Forfeitures	231,400	219,720	(11,680)
Licenses and Permits	342,200	252,931	(89,269)
Charges for Services	908,300	909,860	1,560
Contributions and Donations	3,000	17,707	14,707
Investment Earnings	105,000	21,566	(83,434)
Other	193,200	82,025	(111,175)
Total Revenue	<u>14,413,700</u>	<u>13,062,967</u>	<u>(1,350,733)</u>
Expenditures			
Current			
General Government			
General government administration	639,300	934,173	(294,873)
Town clerk	280,100	278,457	1,643
Elections	-	39,040	(39,040)
Town manager	303,800	232,518	71,282
Town council	121,800	124,891	(3,091)
Human resources	110,700	89,261	21,439
Computer information services	393,600	331,737	61,863
Financial services	494,200	418,879	75,321
Courts	212,100	203,105	8,995
Attorney	507,200	493,308	13,892
Total general government	<u>3,062,800</u>	<u>3,145,369</u>	<u>(82,569)</u>
Public Safety			
Police department	4,783,826	4,509,288	274,538
Fire department	2,668,937	2,638,502	30,435
Total public safety	<u>7,452,763</u>	<u>7,147,790</u>	<u>304,973</u>
Highways and Streets			
Streets	739,644	644,238	95,406
Total highways and streets	<u>739,644</u>	<u>644,238</u>	<u>95,406</u>
Culture and Recreation			
Park operations	202,263	124,911	77,352
Recreation	281,880	239,965	41,915
Aquatics	141,100	87,849	53,251
Trails	85,313	72,093	13,220
Total culture and recreation	<u>710,556</u>	<u>524,818</u>	<u>185,738</u>
Public works			
Town engineer	156,100	144,387	11,713
Total public works	<u>\$ 156,100</u>	<u>\$ 144,387</u>	<u>\$ 11,713</u>

(Continued)

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

(Concluded)

	Original and Final Budget	Actual	Variance with Final Budget
Community development			
Planning and zoning	\$ 514,433	\$ 394,862	\$ 119,571
Building inspections	504,967	432,819	72,148
Tourism - Economic Vitality	159,824	108,787	51,037
Total community development	<u>1,179,224</u>	<u>936,468</u>	<u>242,756</u>
Health and welfare			
Health and welfare	164,880	139,587	25,293
Animal control	153,274	150,181	3,093
Total health and welfare	<u>318,154</u>	<u>289,768</u>	<u>28,386</u>
Total Expenditures	<u>13,619,241</u>	<u>12,832,838</u>	<u>786,403</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>794,459</u>	<u>230,129</u>	<u>(564,330)</u>
Other Finance Sources (Uses)			
Transfers In	330,000	-	(330,000)
Transfers Out	(1,925,300)	(481,522)	1,443,778
Total Other Finance Sources (Uses)	<u>(1,595,300)</u>	<u>(481,522)</u>	<u>1,113,778</u>
Net Change in Fund Balance	(800,841)	(251,393)	549,448
Fund Balance			
Beginning of Year	815,700	1,052,084	236,384
End of Year	<u>\$ 14,859</u>	<u>\$ 800,691</u>	<u>\$ 785,832</u>

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
HURF FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental	\$ 1,872,100	\$ 1,544,719	\$ (327,381)
Charges for Services	35,000	28,185	(6,815)
Contributions and Donations	275,000	4,224	(270,776)
Development Impact Fees	97,200	103,540	6,340
Investment Earnings	50,000	4,128	(45,872)
Other	5,000	3,172	(1,828)
Total Revenue	2,334,300	1,687,968	(646,332)
Expenditures			
Current			
Highways and Streets	2,753,500	1,665,451	1,088,049
Capital Outlay	250,000	-	250,000
Total Expenditures	3,003,500	1,665,451	1,338,049
Excess (Deficiency) of Revenue Over Expenditures	(669,200)	22,517	691,717
Other Finance Sources (Uses)			
Transfers In	623,700	-	(623,700)
Total Other Finance Sources (Uses)	623,700	-	(623,700)
Net Change in Fund Balance	(45,500)	22,517	68,017
Fund Balance			
Beginning of Year	(318,136)	541,664	859,800
End of Year	\$ (363,636)	\$ 564,181	\$ 927,817

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009**

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Water	Internal Service Funds
Assets		
Current Assets		
Cash and Investments	\$ 8,236,711	\$ 1,351,196
Receivables, Net		
Accounts Receivable	357,328	-
Intergovernmental Receivable	42,095	-
Notes Receivable	127,913	-
Restricted Cash and Investments	926,745	-
Total Current Assets	9,690,792	1,351,196
Noncurrent Assets		
Other Assets	119,990	-
Capital Assets		
Non-Depreciable	3,135,955	-
Depreciable (net)	12,159,545	-
Total Noncurrent Assets	15,415,490	-
Total Assets	25,106,282	1,351,196
Liabilities		
Current Liabilities		
Accounts Payable	47,015	12,210
Accrued Wages and Benefits	65,168	-
Interest Payable	6,875	-
Matured Debt Principal Payable	135,000	-
Customer Deposits Payable	446,659	-
Claims Payable	-	340,727
Compensated Absences	129,033	-
Bonds and Notes Payable	184,518	-
Total Current Liabilities	1,014,268	352,937
Noncurrent Liabilities		
Compensated Absences	135,736	-
Other Postemployment Benefits	167,577	-
Bonds and Notes Payable	255,946	-
Total Noncurrent Liabilities	559,259	-
Total Liabilities	1,573,527	352,937
Net Assets		
Invested in Capital Assets, Net of Related Debt	14,720,036	-
Restricted for		
Capital Outlay	4,921,901	-
Unrestricted	3,890,818	998,259
Total Net Assets	\$ 23,532,755	\$ 998,259

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Water	Internal Service Funds
Operating Revenues		
Charges for Services	\$ 3,488,472	\$ -
Contributions	-	2,052,242
Total Operating Revenues	<u>3,488,472</u>	<u>2,052,242</u>
Operating Expenses		
Cost of Sales and Services	3,557,361	324,392
Claims	-	1,883,089
Depreciation	1,212,950	-
Total Operating Expenses	<u>4,770,311</u>	<u>2,207,481</u>
Operating Income	<u>(1,281,839)</u>	<u>(155,239)</u>
Nonoperating Revenues (Expenses)		
Development Impact Fees	48,550	-
Investment Earnings	107,222	-
Interest Expense	(26,749)	-
Miscellaneous Nonoperating Revenues	129,613	-
Total Nonoperating Revenue (Expenses)	<u>258,636</u>	<u>-</u>
Change in Net Assets	(1,023,203)	(155,239)
Net Assets		
Beginning of Year (Restated)	24,555,958	1,153,498
End of Year	<u>\$ 23,532,755</u>	<u>\$ 998,259</u>

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Business-type Activities - Enterprise Funds	Governmental Activities
	Water	Internal Service Funds
Cash flows from operating activities		
Receipts from customers	\$ 3,480,549	\$ 2,052,242
Payments to suppliers	(2,172,359)	(321,057)
Payments to employees	(1,101,914)	-
Payments for claims	-	(1,730,849)
Other receipts	129,612	-
Customer deposits payable	11,950	-
Net cash flows from operating activities	<u>347,838</u>	<u>336</u>
Cash flows from noncapital financing activities		
Transfers out	-	-
Development impact fees	48,550	-
Net cash flows from noncapital financing activities	<u>48,550</u>	<u>-</u>
Cash flows from capital and financing activities		
Purchases of capital assets	(1,444,096)	-
Principal paid on capital debt	(172,775)	-
Interest paid on capital debt	(29,999)	-
Net cash flows from capital and related financing activities	<u>(1,646,870)</u>	<u>-</u>
Cash flows from investing activities		
Investment earnings	107,222	-
Net cash flows from investing activities	<u>107,222</u>	<u>-</u>
Net change in cash and cash equivalents	(1,143,260)	336
Cash and cash equivalents, beginning of year	<u>10,306,716</u>	<u>1,350,860</u>
Cash and cash equivalents, end of year	<u>9,163,456</u>	<u>1,351,196</u>
Reconciliation of cash and cash equivalents to the statement of net assets		
Cash and investments	8,236,711	1,351,196
Restricted cash and investments	926,745	-
Total cash and cash equivalents	<u>\$ 9,163,456</u>	<u>\$ 1,351,196</u>

(Continued)

See accompanying Notes to the Basic Financial Statements.

**TOWN OF PAYSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Business-type Activities - Enterprise Funds	Governmental Activities Internal Service Funds
(Concluded)	Water	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ (1,281,839)	\$ (155,239)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,212,950	-
Loss on disposal of capital assets	47,859	-
Nonoperating receipts	129,613	-
Change in assets/liabilities:		
Receivables	(7,923)	-
Intergovernmental receivable	(1)	-
Accounts payable	(9,958)	3,335
Accrued wages and benefits	24,693	-
Compensated absences	52,917	-
Other postemployment benefits	167,577	-
Claims payable	-	152,240
Customer deposits payable	11,950	-
Net cash provided (used) for operating activities	\$ 347,838	\$ 336

See accompanying Notes to the Basic Financial Statements.

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Payson, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major proprietary fund:

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

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009

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 type:

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

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

Amounts reported as program revenues include 1) fees, fines and charges for services (including development impact fees), 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

2. Receivables

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

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

3. Short-term Interfund Receivables/Payables

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

4. Inventories and Prepaid Items

Inventories are recorded as expenditures at the time of purchase in the governmental funds, and because the amounts on hand at June 30, 2009 were immaterial, they are not included in the government-wide and fund financial statements.

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

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Restricted Assets

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

Customer deposits in the Enterprise Fund are recorded as restricted assets because their use is limited.

6. Capital Assets

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

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

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

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

7. Compensated Absences

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

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Long-Term Obligations

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

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

9. Net Assets

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

The \$4,921,901 restricted net assets recorded in the Water Fund is for developer impact fees restricted by enabling legislation.

10. Fund Equity

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

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

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 for the General, Special Revenue, Debt Service and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

No supplementary budgetary appropriations were necessary during the year.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the following funds:

	Amount of Overexpenditure
General Fund	
General government administration	\$ 294,873
Elections	39,040
Town council	3,091
Debt Service Fund	38,408
Nonmajor Governmental Funds:	
Bed Tax Fund	16,339

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Prior Period Adjustment

In a prior fiscal year, the Town conducted an inventory of all infrastructure assets acquired prior to June 30, 2003. During the inventory certain infrastructure assets were not recorded in the Town's financial statements of the governmental activities and business-type activities. Therefore, in the current year, a prior period adjustment was recorded in the governmental activities and business-type activities to record \$1,650,540 and \$2,434,105, respectively, of infrastructure assets previously not reported in the Town's capital assets.

The following summary is necessary to reconcile beginning net assets of the governmental activities, business-type activities and Water Fund fund financial statements.

	Governmental Activities	Business-type Activities / Water Fund fund Financial Statements
Net Assets at July 1, 2008, as Previously Reported	\$ 111,166,495	\$ 22,121,853
Infrastructure Capital Assets, Net of Accumulated Depreciation	1,650,540	2,434,105
Net Assets at July 1, 2008, as Adjusted	\$ 112,817,035	\$ 24,555,958

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2009 consist of the following:

Deposits		
Cash on hand	\$	1,325
Cash in bank		1,473,168
Investments		
State Treasurer's Investment Pool		12,034,977
Cash on deposit with trustee		<u>1,302,306</u>
Total Deposits and Investments		14,811,776
Restricted cash and investments		<u>(1,574,078)</u>
Total cash and investments, statement of net assets	\$	<u><u>13,237,698</u></u>

Deposits - The Town's deposits at June 30, 2009, were entirely covered by federal depository insurance or by collateral held by the Town's custodial bank in the Town's name. The Town's deposits are not subject to custodial credit risk.

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

Interest rate risk. In accordance with its investment policy, the Town manages its exposure to declines in fair values by limiting the average maturity of investments to less than one year. The average maturity of the State Treasurer's Investment Pool is less than one year.

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

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Assets (Continued)

2. Restricted Cash and Investments

Restricted assets at June 30, 2009 consisted of the following:

	Governmental Activities	Business-type Activities	Total
Central Arizona Project Trust	\$ 647,333	\$ -	\$ 647,333
Current debt service	-	124,250	124,250
Replacement and extension	-	355,836	355,836
Customer deposits	-	446,659	446,659
Total	<u>\$ 647,333</u>	<u>\$ 926,745</u>	<u>\$ 1,574,078</u>

3. Receivables

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

	<u>Unavailable</u>
Special Assessments Receivable (Debt Service Fund)	<u>\$ 1,048,875</u>

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 12,047,106	\$ 175,772	\$ -	\$ 12,222,878
Construction in progress	2,208,577	80,795	(2,289,372)	-
Total Capital Assets, Not Being Depreciated	<u>14,255,683</u>	<u>256,567</u>	<u>(2,289,372)</u>	<u>12,222,878</u>
Capital Assets, Being Depreciated:				
Infrastructure	100,427,788	94,744	-	100,522,532
Buildings	8,719,760	8,858	-	8,728,618
Improvements other than buildings	6,216,502	746,933	(54,771)	6,908,664
Vehicles, machinery and equipment	7,178,361	1,442,745	(282,717)	8,338,389
Total Capital Assets, Being Depreciated	<u>122,542,411</u>	<u>2,293,280</u>	<u>(337,488)</u>	<u>124,498,203</u>
Accumulated Depreciation for:				
Infrastructure	(13,417,181)	(696,265)	-	(14,113,446)
Buildings	(2,285,745)	(261,564)	-	(2,547,309)
Improvements other than buildings	(3,823,069)	(351,848)	54,771	(4,120,146)
Vehicles, machinery and equipment	(5,154,154)	(427,055)	282,717	(5,298,492)
Total Accumulated Depreciation	<u>(24,680,149)</u>	<u>(1,736,732)</u>	<u>337,488</u>	<u>(26,079,393)</u>
Total Capital Assets, Being Depreciated, Net	<u>97,862,262</u>	<u>556,548</u>	<u>-</u>	<u>98,418,810</u>
Governmental Activities Capital Assets, Net	<u>\$ 112,117,945</u>	<u>\$ 813,115</u>	<u>\$ (2,289,372)</u>	<u>\$ 110,641,688</u>

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,504,077	\$ -	\$ -	\$ 1,504,077
Construction in Progress	454,457	1,458,671	(281,250)	1,631,878
Total Capital Assets, Not Being Depreciated	1,958,534	1,458,671	(281,250)	3,135,955
Capital Assets, Being Depreciated:				
Buildings	600,906	-	-	600,906
Improvements other than buildings	23,502,656	199,304	(71,502)	23,630,458
Vehicles, machinery and equipment	1,458,126	67,371	(21,000)	1,504,497
Total Capital Assets, Being Depreciated	25,561,688	266,675	(92,502)	25,735,861
Accumulated Depreciation for:				
Buildings	(320,085)	(19,943)	-	(340,028)
Improvements other than buildings	(10,956,215)	(1,081,280)	23,643	(12,013,852)
Vehicles, machinery and equipment	(1,131,709)	(111,727)	21,000	(1,222,436)
Total Accumulated Depreciation	(12,408,009)	(1,212,950)	44,643	(13,576,316)
Total Capital Assets, Being Depreciated, Net	13,153,679	(946,275)	(47,859)	12,159,545
Business-Type Activities Capital Assets, Net	\$ 15,112,213	\$ 512,396	\$ (329,109)	\$ 15,295,500

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 86,143
Public Safety	390,139
Highways and Streets	667,853
Culture and Recreation	568,820
Public Works	1,294
Community Development	22,483
Total Depreciation Expense	\$ 1,736,732
Business-Type Activities:	
Water	\$ 1,212,950

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Assets (Continued)

5. Construction Commitments

The Town has active construction projects at June 30, 2009. At fiscal year end the Town's commitments with contractors were as follows:

Project	Governmental Activities	
	Spent-to-date	Remaining Commitment
Financial System	\$ 195,717	\$ 76,968
CAD Police/Fire Equipment	1,177,343	63,211
	\$ 1,373,060	\$ 140,179

Project	Business-type Activities	
	Spent-to-date	Remaining Commitment
CC Cragin Pipeline (Blue Ridge)	\$ 1,462,463	\$ 10,660,000
	\$ 1,462,463	\$ 10,660,000

C. Interfund Receivable, Payables and Transfers

As of June 30, 2009, interfund receivables and payables were as follows:

Due to	Due From
	Nonmajor Governmental Fund
General Fund	\$ 3,981

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

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund Receivable, Payables and Transfers (Continued)

Interfund transfers for the year ended June 30, 2009 consisted of the following:

Transfers Out	Transfers In		
	Debt Service Fund	Nonmajor Governmental Fund	Total
General Fund	\$ 247,276	\$ 234,246	\$ 481,522
Nonmajor Governmental Funds	96,461	-	96,461
Total	\$ 343,737	\$ 234,246	\$ 577,983

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

D. Obligations Under Leases

Capital Leases

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Vehicles, machinery and equipment	\$ 954,200
Less: accumulated depreciation	(573,367)
Total	\$ 380,833

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Obligations Under Leases (Continued)

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2009, were as follows:

Year ending June 30,	Governmental Activities
2010	\$ 138,500
2011	114,351
2012	102,276
2013	51,138
Total minimum lease payments	406,265
Less: amount representing interest	(33,795)
Present value of minimum lease payments	\$ 372,470

E. Note Payable

The Town has entered into a note payable for the purchase of real property. Revenues from the Water Fund are used for repayment of the note.

Description	Interest Rate	Maturity	Outstanding Principal June 30, 2009	Amount Due Within One Year
Business-type Activities:				
Little Note Payable	3.357%	7/01/08-15	\$ 300,464	\$ 44,518

Annual debt service requirements to maturity on the note payable at June 30, 2009 are summarized as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2010	\$ 44,518	\$ 11,208
2011	46,332	9,395
2012	48,219	7,507
2013	50,184	5,542
2014	52,228	3,498
Thereafter	58,983	1,386
	\$ 300,464	\$ 38,536

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations

The Town has long-term bonds and special assessments payable issued to provide funds for the acquisition and construction of major capital facilities. The bonds are both callable and noncallable with the interest payable semiannually. General obligation bonds are backed by the full faith and credit of the Town. The refunding bonds are funded by property taxes in the Debt Service Fund and the Series 2004 is funded by the .12% sales tax. Special assessments imposed on certain parcels of land within the assessment district are used to pay the East Loop Road Improvement District and Westerly Drive Improvement District bonds. In addition, the Town must establish, maintain, and collect rates, fees and charges for all services supplied by its water utility sufficient to pay for the water revenue bond principal and interest. The excise tax revenue obligation bonds will be repaid from excise tax revenues of the Town and lease revenues from new airport hangars. The certificates of participation will be repaid from park development fees and is guaranteed by a land ground lease. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

The Town has pledged secondary property taxes to be levied on all of the taxable property located within the boundaries of the Town to repay \$1.1 million in governmental general obligation refunding bonds issued in 2006. Proceeds of the bonds were used to refund and refinance the outstanding General Obligation Permanent Bond, Series 1996 previously issued by the Town to construct a retention basin for treated sewage known as Green Valley Park. The bonds are payable solely from secondary property taxes and are payable through 2012. Annual principal and interest payments on the bonds are expected to require less than 7.9 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$813,416. Principal and interest paid for the current year and total secondary property taxes were \$204,119 and \$146,814, respectively.

The Town has pledged special sales taxes to repay \$2.0 million in governmental general obligation refunding bonds issued in 2004. Proceeds of the bonds provided financing for various public safety improvements. The bonds are payable solely from special sales taxes and are payable through 2014. Annual principal and interest payments on the bonds are expected to require less than 7.9 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,443,746. Principal and interest paid for the current year and total special sales taxes were \$286,443 and \$371,277, respectively.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

The Town has pledged assessed taxes for each of the homeowners within the District to repay \$2.1 million in governmental special assessments obligations issued in 1996. Proceeds of the bonds provided financing for improvements in the East Loop Road Improvement District. The bonds are payable solely from special assessments levied against all privately owned lots, pieces and parcels of land lying within the boundaries of the District, all of which have been determined to be benefited by the Project. If there is no purchaser for any assessed parcel offered for sale, it will be struck off to the Town as the purchaser and the bonds will be payable by the General Fund or Debt Service Fund. If there is a deficiency in the funds collected from assessments to pay the principal and interest on the bonds, the Town may make good such deficiency by making a temporary loan from other available funds of the Town. The bonds are payable through 2012. Annual principal and interest payments on the bonds are expected to require less than 7.9 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$700,225. Principal and interest paid for the current year and total assessed taxes were \$227,333 and \$121,577, respectively.

The Town has pledged assessed taxes for each of the homeowners within the District to repay \$0.9 million in governmental special assessments obligations issued in 1996. Proceeds of the bonds provided financing for improvements in the Westerly Drive Improvement District. The bonds are payable solely from special assessments levied against all privately owned lots, pieces and parcels of land lying within the boundaries of the District, all of which have been determined to be benefited by the Project. If there is no purchaser for any assessed parcel offered for sale, it will be struck off to the Town as the purchaser and the bonds will be payable by the General Fund or Debt Service Fund. If there is a deficiency in the funds collected from assessments to pay the principal and interest on the bonds, the Town may make good such deficiency by making a temporary loan from other available funds of the Town. The bonds are payable through 2022. Annual principal and interest payments on the bonds are expected to require less than 7.9 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,091,700. Principal and interest paid for the current year and total excise taxes were \$84,275 and \$121,577, 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 7.9 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,057,050. Principal and interest paid for the current year and total excise taxes were \$36,625 and \$8,514,885, respectively.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

The Town has pledged future excise taxes to repay \$0.4 million in governmental excise tax revenue obligations issued in 2003. Proceeds of the bonds provided financing for the acquisition and construction of hangar storage facilities. The bonds are payable from excise taxes and proceeds from hangar lease agreements. The bonds are payable through 2009. Annual principal and interest payments on the bonds are expected to require less than 7.9 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$81,976. Principal and interest paid for the current year and total excise taxes were \$85,784 and \$8,514,885, respectively.

The Town has pledged park development fees to repay \$0.5 million in certificates of participation issued in 2005. Proceeds of the bonds provided financing for the installation and construction of fencing, lighting and synthetic turf for use as baseball and softball fields. The bonds are payable from park development fees and is guaranteed by a land ground lease. The bonds are payable through 2012. Annual principal and interest payments on the bonds are expected to require less than 7.9 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$321,673. Principal and interest paid for the current year and total park development fees were \$95,160 and \$85,166, respectively.

The Town has pledged net revenues from the operation of the Water System to repay \$0.4 million in business-type general obligation bonds issued in 1980. Proceeds of the bonds provided financing for the purchase of the water system now serving the Town and to pay the costs of making improvements, extensions, renewals, replacements and repairs to the water system. The bonds are payable solely from net revenues from the operation of the Water System and are payable through 2010. Annual principal and interest payments on the bonds are expected to require less than 14.0 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$25,625. Principal and interest paid for the current year and total net revenues from the operation of the Water System were \$26,875 and \$1,069,109, respectively.

The Town has pledged net revenues from the operation of the Water System to repay \$1.9 million in business-type revenue water bond issued in 1980. Proceeds of the bonds provided for the Town to acquire and make improvements to the Water System of the Town. The bonds are payable solely from net revenues from the operation of the Water System and are payable through 2010. Annual principal and interest payments on the bonds are expected to require less than 14.0 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$117,875. Principal and interest paid for the current year and total net revenues from the operation of the Water System were \$118,500 and \$1,069,109, respectively.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

Purpose	Interest Rates	Maturity Date	Original Amount	Outstanding Amount
Governmental Activities:				
General Obligation Bonds				
General obligation bonds, Green Valley Park, Series 2006	4.0-4.125%	07/01/08-12	\$ 1,085,000	\$ 750,000
General obligation bonds, Series 2004	3.0-3.65	07/01/08-14	<u>2,030,000</u>	<u>1,305,000</u>
Total general obligation bonds			<u>3,115,000</u>	<u>2,055,000</u>
Special Assessment Bonds				
East Loop Road Improvement District, Series 1996	5.9	01/01/09-12	2,142,000	625,000
Westerly Drive Improvement District, Series 2005	5.5	01/01/09-22	<u>875,000</u>	<u>765,000</u>
Total special assessment bonds			<u>3,017,000</u>	<u>1,390,000</u>
Revenue Bonds				
Excise tax revenue obligations, Public Works, Series 2003A	3.75-4.625	10/01/10-17	860,000	860,000
Excise tax revenue obligations, Airport, Series 2003B	3.1-4.94	10/01/08-09	<u>440,000</u>	<u>80,000</u>
Total revenue bonds			<u>1,300,000</u>	<u>940,000</u>
Certificates of Participation				
Certificates of Participation, Series 2005	3.2-4.5	11/01/08-12	<u>545,000</u>	<u>295,000</u>
Total governmental activities			<u>\$ 7,977,000</u>	<u>\$ 4,680,000</u>
Business-type Activities:				
Bonds payable				
General obligation bonds, Series 1980	5.0	07/01/09-10	\$ 400,000	\$ 25,000
Revenue water bonds, Series 1980A	5.0	07/01/09-10	<u>1,850,000</u>	<u>115,000</u>
Total business-type activities			<u>\$ 2,250,000</u>	<u>\$ 140,000</u>

TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended June 30, 2009 are as follows:

	July 1, 2008	Increases	Decreases	June 30, 2009	Due Within One Year
Governmental Activities					
Bonds and special assessments					
General obligation bonds	\$ 2,465,000	\$ -	\$ (410,000)	\$ 2,055,000	\$ 375,000
Special assessment bonds	1,615,000	-	(225,000)	1,390,000	235,000
Revenue bonds	1,020,000	-	(80,000)	940,000	80,000
Certificates of participation	375,000	-	(80,000)	295,000	80,000
	<u>5,475,000</u>	<u>-</u>	<u>(795,000)</u>	<u>4,680,000</u>	<u>770,000</u>
Deferred amounts:					
Premium	46,250	-	(4,316)	41,934	-
Deferred amount on refunding	(18,874)	-	4,718	(14,156)	-
	<u>5,502,376</u>	<u>-</u>	<u>(794,598)</u>	<u>4,707,778</u>	<u>770,000</u>
Other liabilities:					
Capital leases	565,587	-	(193,117)	372,470	122,235
Compensated absences	1,029,160	988,073	(886,815)	1,130,418	894,152
Other Postemployment Benefits	-	1,194,432	-	1,194,432	-
Total other liabilities	<u>1,594,747</u>	<u>2,182,505</u>	<u>(1,079,932)</u>	<u>2,697,320</u>	<u>1,016,387</u>
Governmental activities long-term liabilities	<u>\$ 7,097,123</u>	<u>\$ 2,182,505</u>	<u>\$ (1,874,530)</u>	<u>\$ 7,405,098</u>	<u>\$ 1,786,387</u>
Business-type Activities					
	July 1, 2008	Increases	Decreases	June 30, 2009	Due Within One Year
Bonds payable	\$ 275,000	\$ -	\$ (135,000)	\$ 140,000	\$ 140,000
Notes payable	343,239	-	(42,775)	300,464	44,518
Compensated absences	211,852	178,191	(125,274)	264,769	129,033
Other Postemployment Benefits	-	167,577	-	167,577	-
Business-type activities long-term liabilities	<u>\$ 830,091</u>	<u>\$ 345,768</u>	<u>\$ (303,049)</u>	<u>\$ 872,810</u>	<u>\$ 313,551</u>

Debt service requirements on long-term debt at June 30, 2009 are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 770,000	\$ 196,592	\$ 140,000	\$ 7,000
2011	810,000	162,568	-	-
2012	855,000	126,395	-	-
2013	615,000	87,903	-	-
2014	385,000	68,079	-	-
2015 - 2019	1,020,000	162,949	-	-
2020 - 2023	225,000	25,300	-	-
	<u>\$ 4,680,000</u>	<u>\$ 829,786</u>	<u>\$ 140,000</u>	<u>\$ 7,000</u>

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

In prior years, the Town defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2009, the amount of defeased debt outstanding but removed from the Town's financial statements was \$661,000.

NOTE 4 OTHER INFORMATION

A. Risk Management

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

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligations. The Pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations.

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.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

In a prior fiscal year, the Town established a Self-funded Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss related to health claims. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses allocated to specific claims. Estimated recoveries, for example, from salvage or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$50,000. Settlements did not exceed coverage for the past fiscal year. The claims outstanding at June 30, 2009 are expected to be paid in the next year.

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

	Claims Liability at beginning of year	Current Year Claims and Changes in Estimates	Claims Payments	Claims Liability at end of year
2007-08	\$ 76,874	\$ 1,396,458	\$ 1,284,845	\$ 188,487
2008-09	188,487	1,883,089	1,730,849	340,727

B. Contingent Liabilities

Accumulated Sick Leave - Sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees and therefore, are not accrued. Unvested accumulated sick leave of Town employees at June 30, 2009, totaled \$684,074.

Lawsuits - The Town is a defendant in various lawsuits. In the opinion of the Town's attorney, the outcome of these lawsuits is not presently determinable.

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

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Subsequent Events

Subsequent to June 30, 2009, the Town issued \$1,525,000 in General Obligation Bonds, (Project of 2003), Series 2009 for the purpose of providing funds for constructing and equipping a new fire station, acquiring land on which to build the fire station, acquiring fire vehicles. The Town intends to pay the principal of and interest on the Bonds from a special sales tax at the rate of 0.12% on all items subject to the Town's general sales tax.

Subsequent to June 30, 2009, the Town entered into a \$10.6 million loan with the Water Infrastructure Authority of Arizona for the completion of phase I of the pipeline project and improvements and repairs and replacements to the existing system. Principal and interest are to be annually and semi-annually, respectively through the fiscal year ended June 30, 2029 at a rate of 5.0%. Funds will be drawn down as the project commences and interest will be due on the outstanding balance.

D. Retirement Plans

Arizona State Retirement System

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

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

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates. For the year ended June 30, 2009, active plan members were required by statute to contribute at the actuarially determined rate of 9.45 percent (7.92 percent for retirement, 1.03 percent for health insurance premium, and 0.5 percent for long-term disability) of the members' annual covered payroll.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Arizona State Retirement System Contributions
Last Three Fiscal Years

<u>Years ended June 30,</u>	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2009	\$ 326,034	\$ 42,403	\$ 20,579
2008	440,201	57,433	27,352
2007	365,346	49,714	24,110

Public Safety Personnel Retirement System (PSPRS)

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

Funding Policy - Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The Town is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 10.71% and 11.38% of annual covered payroll for Police and Fire, respectively.

Annual Pension Cost - During the year ended June 30, 2009 (the date of the most recent actuarial valuation), the Town of Payson, Arizona's annual pension cost of \$501,393 for police and \$298,108 for fire was equal to the Town of Payson, Arizona's required and actual contributions.

The required contribution was determined as part of the June 30, 2009 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 5.5% (including inflation at 5.0%) per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Funded Status and Funding Progress - As of June 30, 2009, the most recent actuarial valuation date, the plan was 52.5 percent funded for police and 74.0 percent funded for fire. The actuarial accrued liability for benefits was \$5.4 million for police and \$4.3 million for fire, and the actuarial value of assets was \$10.2 million for police and \$5.8 million for fire, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.9 million for police and \$1.5 million for fire. The covered payroll (annual payroll of active employees covered by the plan) was \$1.9 million for police and \$1.4 million for fire, and the ratio of the UAAL to the covered payroll was 262.1 percent for police and 104.0 percent for fire.

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

The actuarial value of the Town of Payson, Arizona's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The Town of Payson, Arizona's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 20 years.

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

Three-Year Trend Information

Police

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2007	\$ 304,018	100.0 %	\$ -
2008	411,663	100.0	-
2009	501,393	100.0	-

Three-Year Trend Information

Fire

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

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Additional historical trend information for the Town's PSPRS is disclosed on page 68.

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

Postemployment Benefits Other Than Pension Benefits

During the fiscal year ended June 30, 2009, the Town complied with Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The Town engaged an actuary to determine the Town's liability for postemployment healthcare benefits other than pensions as of June 30, 2008.

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

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

Funding Policy - During the year ended June 30, 2009, the Town contributed \$407,028 for all eligible retirees.

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Postemployment Benefits Other Than Pension Benefits (Continued)

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

Annual Required Contribution	\$ 1,769,039
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	1,769,039
Contributions Made	(407,028)
Increase in Net OPEB Obligation	1,362,011
Net OPEB Obligation-Beginning of Year	-
Net OPEB Obligation-End of Year	\$ 1,362,011

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2009	\$ 1,769,039	23.0%	\$ 1,362,011

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

**TOWN OF PAYSON, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Postemployment Benefits Other Than Pension Benefits (Continued)

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

In the June 30, 2008 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 10%, reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2009, was 29 years.

REQUIRED SUPPLEMENTARY INFORMATION

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

Payson Police

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2007	\$ 5,537,075	\$ 10,625,595	52.1%	\$ 5,088,520	\$ 1,589,974	320.0%
2008	5,457,588	10,262,482	53.2%	4,804,894	1,768,119	271.8%
2009	5,360,800	10,217,612	52.5%	4,856,812	1,852,930	262.1%

Payson Fire

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2007	\$ 3,499,099	\$ 5,060,508	69.1%	\$ 1,561,409	\$ 1,531,000	102.0%
2008	4,014,540	5,489,079	73.1%	1,474,539	1,626,100	90.7%
2009	4,271,855	5,774,172	74.0%	1,502,317	1,444,264	104.0%

Payson Other Postemployment Benefits

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2008	\$ -	\$ 19,327,774	0.0%	\$ 19,327,774	N/A	N/A

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

**Combining and Individual Fund
Statements and Schedules**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

Police Reserve Academy - accounts for all revenues and expenditures related to the operation of the Town's Police Reserve Academy. The Town established its own Police Reserve Academy to develop a source of reserve candidates to fill future vacancies due to impending retirements in the Police Department. The Town will experience an increase in retirements over the next several years, and is already experiencing problems locating and hiring trained and AZ-POST certified police officers.

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

Public Safety Bond Project Fund - accounts for bond proceeds of Public Safety Bonds issued in September 2004. The bonds were authorized by the qualified electors of the Town voting at a special bond election held on September 9, 2003. The proceeds will be used for making various public safety improvements and to pay costs related to the issuance of the bonds.

**TOWN OF PAYSON, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

Special Revenue

Assets	Gifts and Grants	Wildlands Urban Program	Bed Tax	Library District Tax	JCEF/FTG	Municipal Airport	Event Center	Police Reserve Academy	Total
Cash and Investments	\$ 147,849	\$ 171,700	\$ 54,860	\$ 21,269	\$ 9,870	\$ 158,594	\$ 1,390	\$ 3,741	\$ 569,273
Restricted Cash and Investments	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	3,284	-	-	3,284
Intergovernmental Receivable	-	-	-	-	-	6,047	-	-	6,047
Prepaid Items	-	-	-	-	-	250	-	-	250
Total Assets	\$ 147,849	\$ 171,700	\$ 54,860	\$ 21,269	\$ 9,870	\$ 168,175	\$ 1,390	\$ 3,741	\$ 578,854
Liabilities and Fund Balance									
Liabilities									
Accounts Payable	\$ 7,316	\$ -	\$ 3,852	\$ 976	\$ -	\$ 11,109	\$ 313	\$ -	\$ 23,566
Accrued Wages and Benefits	-	-	871	14,631	-	-	39	30	15,571
Due to Other Funds	-	-	-	-	-	-	-	-	-
Customer Deposits Payable	-	-	-	-	-	7,345	-	-	7,345
Total Liabilities	7,316	-	4,723	15,607	-	18,454	352	30	46,482
Fund Balance									
Reserved for Prepaid Items	-	-	-	-	-	250	-	-	250
Unreserved; Reported in Nonmajor									
Special Revenue Funds	140,533	171,700	50,137	5,662	9,870	149,471	1,038	3,711	532,122
Capital Projects Funds	-	-	-	-	-	-	-	-	-
Total Fund Balances	140,533	171,700	50,137	5,662	9,870	149,721	1,038	3,711	532,372
Total Liabilities and Balance	\$ 147,849	\$ 171,700	\$ 54,860	\$ 21,269	\$ 9,870	\$ 168,175	\$ 1,390	\$ 3,741	\$ 578,854

Capital Projects

Capital Projects	Equipment Replacement	Grant Capital Projects	Development Fees	Green Valley Redevelopment	Construction Excise Tax Revenue Obligations	Central Arizona Project Trust	Public Safety Bond Project	Total	Total Nonmajor Governmental Funds
\$ 45,348	\$ 1,886	\$ -	\$ 248,580	\$ 34,839	\$ 1,451	\$ 31,323	\$ 298,499	\$ 661,926	\$ 1,231,199
-	-	-	-	-	-	647,333	-	647,333	647,333
-	-	-	-	-	-	-	-	-	3,284
-	-	34,686	-	-	-	-	-	34,686	40,733
-	-	-	-	-	-	-	-	-	250
<u>\$ 45,348</u>	<u>\$ 1,886</u>	<u>\$ 34,686</u>	<u>\$ 248,580</u>	<u>\$ 34,839</u>	<u>\$ 1,451</u>	<u>\$ 678,656</u>	<u>\$ 298,499</u>	<u>\$ 1,343,945</u>	<u>\$ 1,922,799</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,658	\$ -	\$ 15,658	\$ 39,224
-	-	-	-	-	-	-	-	-	15,571
-	-	3,981	-	-	-	-	-	3,981	3,981
-	-	-	-	-	-	-	-	-	7,345
-	-	<u>3,981</u>	-	-	-	<u>15,658</u>	-	<u>19,639</u>	<u>66,121</u>

-	-	-	-	-	-	-	-	-	250
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-	-	-	-	-	-	-	-	-	532,122
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<u>45,348</u>	<u>1,886</u>	<u>30,705</u>	<u>248,580</u>	<u>34,839</u>	<u>1,451</u>	<u>662,998</u>	<u>298,499</u>	<u>1,324,306</u>	<u>1,324,306</u>
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<u>45,348</u>	<u>1,886</u>	<u>30,705</u>	<u>248,580</u>	<u>34,839</u>	<u>1,451</u>	<u>662,998</u>	<u>298,499</u>	<u>1,324,306</u>	<u>1,856,678</u>
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<u>\$ 45,348</u>	<u>\$ 1,886</u>	<u>\$ 34,686</u>	<u>\$ 248,580</u>	<u>\$ 34,839</u>	<u>\$ 1,451</u>	<u>\$ 678,656</u>	<u>\$ 298,499</u>	<u>\$ 1,343,945</u>	<u>\$ 1,922,799</u>
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TOWN OF PAYSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Special Revenue

	Gifts and Grants	Wildlands Urban Program	Bed Tax	Library District Tax	JCEF/FTG	Municipal Airport	Event Center	Police Reserve Academy	Total
Revenue									
Taxes									
Sales Taxes	\$ -	\$ -	\$ 159,827	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 159,827
Property Taxes	-	-	-	226,376	-	-	-	-	226,376
Intergovernmental Revenue	59,677	-	-	-	-	-	-	-	59,677
Fines and Forfeits	-	-	-	15,564	-	-	-	-	15,564
Charges for Services	-	30,553	-	-	-	48,867	16,405	-	95,825
Contributions and Donations	21,560	-	-	-	7,685	-	-	-	29,245
Development Impact Fees	-	-	-	-	-	-	-	-	-
Investment Earnings	1,208	1,514	927	-	103	1,932	-	30	5,714
Other	-	-	-	-	-	2	-	-	2
Total Revenue	82,445	32,067	160,754	241,940	7,788	50,801	16,405	30	592,230
Expenditures									
Current									
General Government	-	-	137,077	-	-	-	-	-	137,077
Public Safety	48,097	36,021	-	-	-	-	-	-	84,118
Culture and Recreation	14	-	74,338	463,404	-	-	16,053	-	553,809
Public Works	-	-	-	-	-	131,421	-	-	131,421
Community Development	27,292	-	-	-	-	-	-	-	27,292
Debt Service									
Interest on Long-Term Debt	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Total Expenditures	75,403	36,021	211,415	463,404	-	131,421	16,053	-	933,717
Excess (Deficiency) of Expenditures	7,042	(3,954)	(50,661)	(221,464)	7,788	(80,620)	352	30	(341,487)
Other Finance Sources (Uses)									
Transfers In	2,593	-	-	228,771	-	-	-	-	231,364
Transfers Out	-	-	-	-	-	-	-	-	-
Total Other Finance Sources (Uses)	2,593	-	-	228,771	-	-	-	-	231,364
Net Change in Fund Balance	9,635	(3,954)	(50,661)	7,307	7,788	(80,620)	352	30	(110,123)
Fund Balance									
Beginning of Year	130,898	175,654	100,798	(1,645)	2,082	230,341	686	3,681	642,495
End of Year	\$ 140,533	\$ 171,700	\$ 50,137	\$ 5,662	\$ 9,870	\$ 149,721	\$ 1,038	\$ 3,711	\$ 532,372

Capital Projects

Capital Projects	Equipment Replacement	Grant Capital Projects	Development Fees	Green Valley Redevelopment	Construction Excise Tax Revenue Obligations	Central Arizona Project Trust	Public Safety Bond Project	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 159,827
-	-	-	-	-	-	-	-	-	226,376
-	-	340,573	7,584	-	-	-	-	348,157	407,834
-	-	-	-	-	-	-	-	-	15,564
-	-	-	-	-	-	-	-	-	95,825
-	-	-	-	-	-	-	-	-	29,245
-	-	-	128,166	-	-	-	-	128,166	128,166
399	-	-	2,961	306	-	15,034	2,815	21,515	27,229
-	-	-	-	-	-	-	-	-	2
<u>399</u>	<u>-</u>	<u>340,573</u>	<u>138,711</u>	<u>306</u>	<u>-</u>	<u>15,034</u>	<u>2,815</u>	<u>497,838</u>	<u>1,090,068</u>
-	-	-	-	-	-	-	-	-	137,077
-	-	-	682	-	-	-	10,068	10,750	94,868
-	-	-	-	-	-	-	-	-	553,809
-	-	-	-	-	-	-	-	-	131,421
-	-	-	-	-	-	-	-	-	27,292
-	-	-	150	-	-	-	-	150	150
94,110	-	345,654	9,057	-	-	144,786	-	593,607	593,607
<u>94,110</u>	<u>-</u>	<u>345,654</u>	<u>9,889</u>	<u>-</u>	<u>-</u>	<u>144,786</u>	<u>10,068</u>	<u>604,507</u>	<u>1,538,224</u>
(93,711)	-	(5,081)	128,822	306	-	(129,752)	(7,253)	(106,669)	(448,156)
-	-	-	-	2,882	-	-	-	2,882	234,246
-	-	-	(96,461)	-	-	-	-	(96,461)	(96,461)
-	-	-	(96,461)	2,882	-	-	-	(93,579)	137,785
(93,711)	-	(5,081)	32,361	3,188	-	(129,752)	(7,253)	(200,248)	(310,371)
139,059	1,886	35,786	216,219	31,651	1,451	792,750	305,752	1,524,554	2,167,049
<u>\$ 45,348</u>	<u>\$ 1,886</u>	<u>\$ 30,705</u>	<u>\$ 248,580</u>	<u>\$ 34,839</u>	<u>\$ 1,451</u>	<u>\$ 662,998</u>	<u>\$ 298,499</u>	<u>\$ 1,324,306</u>	<u>\$ 1,856,678</u>

**TOWN OF PAYSON, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Taxes			
Sales Taxes	\$ 335,000	\$ 371,277	\$ 36,277
Property Taxes	150,000	146,814	(3,186)
Contributions and Donations	60,000	60,000	-
Special Assessments	116,900	121,577	4,677
Investment Earnings	58,100	15,757	(42,343)
Other	96,900	41,849	(55,051)
Total Revenue	<u>816,900</u>	<u>757,274</u>	<u>(59,626)</u>
Expenditures			
Debt Service			
Principal Retirement	944,300	988,117	(43,817)
Interest on Long-Term Debt	255,400	249,991	5,409
Total Expenditures	<u>1,199,700</u>	<u>1,238,108</u>	<u>(38,408)</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(382,800)</u>	<u>(480,834)</u>	<u>(98,034)</u>
Other Finance Sources (Uses)			
Transfers In	241,300	343,737	102,437
Total Other Finance Sources (Uses)	<u>241,300</u>	<u>343,737</u>	<u>102,437</u>
Net Change in Fund Balance	(141,500)	(137,097)	4,403
Fund Balance			
Beginning of Year	-	1,553,209	1,553,209
End of Year	<u>\$ (141,500)</u>	<u>\$ 1,416,112</u>	<u>\$ 1,557,612</u>

**TOWN OF PAYSON, ARIZONA
GIFTS AND GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental	\$ 558,000	\$ 59,677	\$ (498,323)
Contributions and Donations	115,000	21,560	(93,440)
Investment Earnings	3,100	1,208	(1,892)
Total Revenue	676,100	82,445	(593,655)
Expenditures			
Current			
Public Safety	572,000	48,097	523,903
Culture and Recreation	-	14	(14)
Community Development	30,000	27,292	2,708
Total Expenditures	602,000	75,403	526,597
Excess (Deficiency) of Revenue Over Expenditures	74,100	7,042	(67,058)
Other Finance Sources (Uses)			
Transfers In	-	2,593	2,593
Total Other Finance Sources (Uses)	-	2,593	2,593
Net Change in Fund Balance	74,100	9,635	(64,465)
Fund Balance			
Beginning of Year	120,750	130,898	10,148
End of Year	\$ 194,850	\$ 140,533	\$ (54,317)

**TOWN OF PAYSON, ARIZONA
WILDLANDS URBAN PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Charges for Services	\$ 56,200	\$ 30,553	\$ (25,647)
Investment Earnings	4,000	1,514	(2,486)
Total Revenue	<u>60,200</u>	<u>32,067</u>	<u>(28,133)</u>
Expenditures			
Current			
Public Safety	166,700	36,021	130,679
Total Expenditures	<u>166,700</u>	<u>36,021</u>	<u>130,679</u>
Excess (Deficiency) of Revenue Over Expenditures	(106,500)	(3,954)	102,546
Fund Balance			
Beginning of Year	171,668	175,654	3,986
End of Year	<u>\$ 65,168</u>	<u>\$ 171,700</u>	<u>\$ 106,532</u>

**TOWN OF PAYSON, ARIZONA
 BED TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Taxes			
Sales Taxes	\$ 186,000	\$ 159,827	\$ (26,173)
Investment Earnings	2,000	927	(1,073)
Total Revenue	<u>188,000</u>	<u>160,754</u>	<u>(27,246)</u>
Expenditures			
Current			
General Government	115,276	137,077	(21,801)
Culture and Recreation	79,800	74,338	5,462
Total Expenditures	<u>195,076</u>	<u>211,415</u>	<u>(16,339)</u>
Excess (Deficiency) of Revenue Over Expenditures	(7,076)	(50,661)	(43,585)
Fund Balance			
Beginning of Year	45,760	100,798	55,038
End of Year	<u>\$ 38,684</u>	<u>\$ 50,137</u>	<u>\$ 11,453</u>

**TOWN OF PAYSON, ARIZONA
LIBRARY DISTRICT TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Taxes			
Property Taxes	\$ 225,000	\$ 226,376	\$ 1,376
Fines and Forfeitures	16,000	15,564	(436)
Investment Earnings	2,000	-	(2,000)
Total Revenue	<u>243,000</u>	<u>241,940</u>	<u>(1,060)</u>
Expenditures			
Current			
Culture and Recreation	491,000	463,404	27,596
Total Expenditures	<u>491,000</u>	<u>463,404</u>	<u>27,596</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(248,000)</u>	<u>(221,464)</u>	<u>26,536</u>
Other Finance Sources (Uses)			
Transfers In	248,000	228,771	(19,229)
Total Other Finance Sources (Uses)	<u>248,000</u>	<u>228,771</u>	<u>(19,229)</u>
Net Change in Fund Balance	-	7,307	7,307
Fund Balance			
Beginning of Year	1,944	(1,645)	(3,589)
End of Year	<u>\$ 1,944</u>	<u>\$ 5,662</u>	<u>\$ 3,718</u>

**TOWN OF PAYSON, ARIZONA
JCEF/FTG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Contributions and Donations	\$ 6,500	\$ 7,685	\$ 1,185
Investment Earnings	2,300	103	(2,197)
Total Revenue	<u>8,800</u>	<u>7,788</u>	<u>(1,012)</u>
Expenditures			
Current			
General Government	<u>52,600</u>	-	<u>52,600</u>
Total Expenditures	<u>52,600</u>	<u>-</u>	<u>52,600</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(43,800)</u>	<u>7,788</u>	<u>51,588</u>
Other Finance Sources (Uses)			
Transfers In	<u>43,200</u>	-	<u>(43,200)</u>
Total Other Finance Sources (Uses)	<u>43,200</u>	<u>-</u>	<u>(43,200)</u>
Net Change in Fund Balance	(600)	7,788	8,388
Fund Balance			
Beginning of Year	1,017	2,082	1,065
End of Year	<u>\$ 417</u>	<u>\$ 9,870</u>	<u>\$ 9,453</u>

**TOWN OF PAYSON, ARIZONA
MUNICIPAL AIRPORT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental	\$ 363,000	\$ -	\$ (363,000)
Charges for Services	40,000	48,867	8,867
Investment Earnings	10,000	1,932	(8,068)
Other	10,000	2	(9,998)
Total Revenue	<u>423,000</u>	<u>50,801</u>	<u>(372,199)</u>
Expenditures			
Current			
Public Works	978,500	131,421	847,079
Total Expenditures	<u>978,500</u>	<u>131,421</u>	<u>847,079</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(555,500)</u>	<u>(80,620)</u>	<u>474,880</u>
Other Finance Sources (Uses)			
Transfers In	322,900	-	(322,900)
Total Other Finance Sources (Uses)	<u>322,900</u>	<u>-</u>	<u>(322,900)</u>
Net Change in Fund Balance	(232,600)	(80,620)	151,980
Fund Balance			
Beginning of Year	196,226	230,341	34,115
End of Year	<u>\$ (36,374)</u>	<u>\$ 149,721</u>	<u>\$ 186,095</u>

**TOWN OF PAYSON, ARIZONA
EVENT CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Charges for Services	\$ 16,200	\$ 16,405	\$ 205
Investment Earnings	500	-	(500)
Total Revenue	<u>16,700</u>	<u>16,405</u>	<u>(295)</u>
Expenditures			
Current			
Culture and Recreation	<u>19,000</u>	<u>16,053</u>	<u>2,947</u>
Total Expenditures	<u>19,000</u>	<u>16,053</u>	<u>2,947</u>
Excess (Deficiency) of Revenue Over Expenditures	(2,300)	352	2,652
Fund Balance			
Beginning of Year	(1,182)	686	1,868
End of Year	<u>\$ (3,482)</u>	<u>\$ 1,038</u>	<u>\$ 4,520</u>

**TOWN OF PAYSON, ARIZONA
POLICE RESERVE ACADEMY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Charges for Services	\$ 19,500	\$ -	\$ (19,500)
Investment Earnings	1,500	30	(1,470)
Total Revenue	<u>21,000</u>	<u>30</u>	<u>(20,970)</u>
Expenditures			
Current			
Public Safety	25,000	-	25,000
Total Expenditures	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Excess (Deficiency) of Revenue Over Expenditures	(4,000)	30	4,030
Fund Balance			
Beginning of Year	4,808	3,681	(1,127)
End of Year	<u>\$ 808</u>	<u>\$ 3,711</u>	<u>\$ 2,903</u>

**TOWN OF PAYSON, ARIZONA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Investment Earnings	\$ 5,500	\$ 399	\$ (5,101)
Total Revenue	<u>1,205,500</u>	<u>399</u>	<u>(1,205,101)</u>
Expenditures			
Capital Outlay	1,520,900	94,110	1,426,790
Total Expenditures	<u>1,520,900</u>	<u>94,110</u>	<u>1,426,790</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(315,400)</u>	<u>(93,711)</u>	<u>221,689</u>
Other Finance Sources (Uses)			
Transfers In	212,400	-	(212,400)
Proceeds from Capital Lease	107,000	-	(107,000)
Total Other Finance Sources (Uses)	<u>319,400</u>	<u>-</u>	<u>(319,400)</u>
Net Change in Fund Balance	4,000	(93,711)	(97,711)
Fund Balance			
Beginning of Year	15,338	139,059	123,721
End of Year	<u>\$ 19,338</u>	<u>\$ 45,348</u>	<u>\$ 26,010</u>

**TOWN OF PAYSON, ARIZONA
GRANT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental	\$ 709,900	\$ 340,573	\$ (369,327)
Investment Earnings	500	-	(500)
Total Revenue	<u>710,400</u>	<u>340,573</u>	<u>(369,827)</u>
Expenditures			
Capital Outlay	721,600	345,654	375,946
Total Expenditures	<u>721,600</u>	<u>345,654</u>	<u>375,946</u>
Excess (Deficiency) of Revenue Over Expenditures	(11,200)	(5,081)	6,119
Fund Balance			
Beginning of Year	12,616	35,786	23,170
End of Year	<u>\$ 1,416</u>	<u>\$ 30,705</u>	<u>\$ 29,289</u>

**TOWN OF PAYSON, ARIZONA
DEVELOPMENT FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental	\$ 32,000	\$ 7,584	\$ (24,416)
Development Impact Fees	110,400	128,166	17,766
Investment Earnings	13,500	2,961	(10,539)
Total Revenue	<u>155,900</u>	<u>138,711</u>	<u>(17,189)</u>
Expenditures			
Current			
Public Safety	-	682	(682)
Debt Service			
Interest on Long-Term Debt	-	150	(150)
Capital Outlay	125,000	9,057	115,943
Total Expenditures	<u>125,000</u>	<u>9,889</u>	<u>115,111</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>30,900</u>	<u>128,822</u>	<u>97,922</u>
Other Finance Sources (Uses)			
Transfers Out	(96,200)	(96,461)	(261)
Total Other Finance Sources (Uses)	<u>(96,200)</u>	<u>(96,461)</u>	<u>(261)</u>
Net Change in Fund Balance	(65,300)	32,361	97,661
Fund Balance			
Beginning of Year	217,486	216,219	(1,267)
End of Year	<u>\$ 152,186</u>	<u>\$ 248,580</u>	<u>\$ 96,394</u>

**TOWN OF PAYSON, ARIZONA
GREEN VALLEY REDEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental	\$ 258,000	\$ -	\$ (258,000)
Investment Earnings	4,000	306	(3,694)
Other	1,000	-	(1,000)
Total Revenue	<u>263,000</u>	<u>306</u>	<u>(262,694)</u>
Expenditures			
Capital Outlay	<u>307,100</u>	-	307,100
Total Expenditures	<u>307,100</u>	<u>-</u>	<u>307,100</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(44,100)</u>	<u>306</u>	<u>44,406</u>
Other Finance Sources (Uses)			
Transfers In	<u>-</u>	<u>2,882</u>	<u>2,882</u>
Total Other Finance Sources (Uses)	<u>-</u>	<u>2,882</u>	<u>2,882</u>
Net Change in Fund Balance	(44,100)	3,188	47,288
Fund Balance			
Beginning of Year	185,732	31,651	(154,081)
End of Year	<u>\$ 141,632</u>	<u>\$ 34,839</u>	<u>\$ (106,793)</u>

**TOWN OF PAYSON, ARIZONA
CENTRAL ARIZONA PROJECT TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Investment Earnings	\$ 85,000	\$ 15,034	\$ (69,966)
Other	-	-	-
Total Revenue	<u>85,000</u>	<u>15,034</u>	<u>(69,966)</u>
Expenditures			
Capital Outlay	848,800	144,786	704,014
Total Expenditures	<u>848,800</u>	<u>144,786</u>	<u>704,014</u>
Excess (Deficiency) of Revenue Over Expenditures	(763,800)	(129,752)	634,048
Fund Balance			
Beginning of Year	70,148	792,750	722,602
End of Year	<u>\$ (693,652)</u>	<u>\$ 662,998</u>	<u>\$ 1,356,650</u>

**TOWN OF PAYSON, ARIZONA
PUBLIC SAFETY BOND PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Investment Earnings	\$ 8,000	\$ 2,815	\$ (5,185)
Total Revenue	<u>8,000</u>	<u>2,815</u>	<u>(5,185)</u>
Expenditures			
Current			
Public Safety	250,000	10,068	239,932
Total Expenditures	<u>250,000</u>	<u>10,068</u>	<u>239,932</u>
Excess (Deficiency) of Revenue Over Expenditures	(242,000)	(7,253)	234,747
Fund Balance			
Beginning of Year	331,087	305,752	(25,335)
End of Year	<u>\$ 89,087</u>	<u>\$ 298,499</u>	<u>\$ 209,412</u>

STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities							
Invested in capital assets, net of related debt	\$ 23,036,377	\$ 23,208,623	\$ 21,506,684	\$ 22,328,708	\$ 101,360,121	\$ 106,049,982	\$ 105,561,440
Restricted	3,092,732	2,581,423	4,207,316	4,734,371	5,448,557	4,310,080	3,971,451
Unrestricted	2,280,224	3,353,871	5,479,255	5,103,790	4,590,792	2,456,973	521,636
Total governmental activities net assets	\$ 28,409,333	\$ 29,143,917	\$ 31,193,255	\$ 32,166,869	\$ 111,399,470	\$ 112,817,035	\$ 110,054,527
Business-type activities							
Invested in capital assets, net of related debt	\$ 11,860,887	\$ 11,741,865	\$ 11,933,965	\$ 13,142,519	\$ 12,283,170	\$ 14,363,974	\$ 14,720,036
Restricted	3,121,234	3,499,111	3,626,754	4,211,504	4,681,554	4,909,657	4,921,901
Unrestricted	1,523,468	2,172,170	3,174,456	3,821,585	4,707,319	5,282,327	3,890,818
Total business-type activities net assets	\$ 16,505,589	\$ 17,413,146	\$ 18,735,175	\$ 21,175,608	\$ 21,672,043	\$ 24,555,958	\$ 23,532,755
Primary government							
Invested in capital assets, net of related debt	\$ 34,897,264	\$ 34,950,488	\$ 33,440,649	\$ 35,471,227	\$ 113,643,291	\$ 120,413,956	\$ 120,281,476
Restricted	6,213,966	6,080,534	7,834,070	8,945,875	10,130,111	9,219,737	8,893,352
Unrestricted	3,803,692	5,526,041	8,653,711	8,925,375	9,298,111	7,739,300	4,412,454
Total primary government net assets	\$ 44,914,922	\$ 46,557,063	\$ 49,928,430	\$ 53,342,477	\$ 133,071,513	\$ 137,372,993	\$ 133,587,282

Source: The Town's Finance Department.

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

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental activities:							
General government	\$ 2,785,934	\$ 2,754,686	\$ 2,727,457	\$ 3,191,559	\$ 3,595,408	\$ 3,707,867	\$ 4,323,958
Public safety	5,178,837	5,338,874	6,239,687	7,375,276	7,818,997	7,939,971	8,376,425
Highways and streets	1,490,366	2,022,194	2,285,810	4,827,042	4,147,353	3,786,087	2,856,499
Culture and recreation	1,672,123	1,751,941	1,772,917	1,738,625	2,152,923	2,730,083	1,714,675
Public works	472,664	687,511	551,668	529,950	407,578	350,531	445,095
Community development	737,479	883,030	871,706	839,792	923,599	1,219,270	1,051,931
Health and welfare	193,539	220,005	242,892	256,498	252,136	259,083	289,710
Interest on long-term debt	253,284	272,222	239,528	315,645	317,800	303,148	275,659
Total governmental activities	<u>12,784,226</u>	<u>13,930,463</u>	<u>14,931,665</u>	<u>19,074,387</u>	<u>19,615,794</u>	<u>20,296,040</u>	<u>19,333,952</u>
Business-type activities							
Water	2,831,506	3,156,618	2,632,184	2,046,035	3,715,985	3,673,943	4,797,060
Total business-type activities	<u>2,831,506</u>	<u>3,156,618</u>	<u>2,632,184</u>	<u>2,046,035</u>	<u>3,715,985</u>	<u>3,673,943</u>	<u>4,797,060</u>
Total primary government expenses	<u>\$ 15,615,732</u>	<u>\$ 17,087,081</u>	<u>\$ 17,563,849</u>	<u>\$ 21,120,422</u>	<u>\$ 23,331,779</u>	<u>\$ 23,969,983</u>	<u>\$ 24,131,012</u>
Program Revenues							
Governmental activities:							
Fees, Fines, and Charges for Services							
General government	\$ 730,057	\$ 2,154,657	\$ 1,126,063	\$ 1,341,311	\$ 947,152	\$ 907,951	\$ 657,076
Public safety	-	-	404,194	386,291	581,150	658,707	723,194
Highways and streets	-	-	54,843	91,574	90,507	50,876	28,185
Culture and recreation	-	-	116,635	103,873	117,706	148,416	131,966
Public works	-	-	86,489	82,158	98,367	61,272	56,617
Community development	-	-	761,468	841,640	614,968	422,856	268,662
Health and welfare	-	-	10,920	11,104	11,277	10,149	15,139
Interest on long-term debt	-	-	-	-	880,303	-	-
Operating grants and contributions	165,353	2,063,070	2,689,186	3,941,550	2,862,482	2,137,228	2,079,200
Capital grants and contributions	1,894,936	517,499	453,218	338,142	404,433	1,786,891	248,512
Total governmental activities program revenues	<u>3,790,346</u>	<u>4,735,226</u>	<u>5,703,016</u>	<u>7,137,643</u>	<u>6,608,345</u>	<u>6,184,346</u>	<u>4,208,551</u>
Business-type activities							
Charges for services:							
Water	2,948,175	3,543,006	3,508,276	4,199,650	4,099,518	4,037,662	3,666,635
Operating grants and contributions	-	194,921	38,752	50,000	39,500	-	-
Capital grants and contributions	824,073	-	-	210,323	362,446	270,513	-
Total business-type activities program revenues	<u>3,772,248</u>	<u>3,737,927</u>	<u>3,547,028</u>	<u>4,459,973</u>	<u>4,501,464</u>	<u>4,308,175</u>	<u>3,666,635</u>
Total primary government program revenues	<u>\$ 7,562,594</u>	<u>\$ 8,473,153</u>	<u>\$ 9,250,044</u>	<u>\$ 11,597,616</u>	<u>\$ 11,109,809</u>	<u>\$ 10,492,521</u>	<u>\$ 7,875,186</u>

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Net (expense)/revenue							
Governmental activities	\$ (8,993,880)	\$ (9,195,237)	\$ (9,228,649)	\$ (11,936,744)	\$ (13,007,449)	\$ (14,111,694)	\$ (15,125,401)
Business-type activities	940,742	581,309	914,844	2,413,938	785,479	634,232	(1,130,425)
Total primary government net expense	<u>\$ (8,053,138)</u>	<u>\$ (8,613,928)</u>	<u>\$ (8,313,805)</u>	<u>\$ (9,522,806)</u>	<u>\$ (12,221,970)</u>	<u>\$ (13,477,462)</u>	<u>\$ (16,255,826)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes:							
Sales taxes	\$ 5,184,889	\$ 5,434,673	\$ 5,936,919	\$ 7,314,067	\$ 7,503,852	\$ 7,396,678	\$ 6,624,711
Property taxes	618,838	646,156	727,678	784,437	834,521	907,545	856,237
Franchise taxes	300,495	304,226	336,881	336,399	348,166	349,043	339,802
Intergovernmental	3,871,733	2,373,960	2,513,814	3,851,170	4,194,575	4,602,546	4,473,463
Payments in lieu of taxes	810,736	852,815	964,324	-	-	-	-
Investment earnings	83,533	55,183	136,117	361,815	403,108	287,474	68,680
Transfers	45,440	42,350	254,790	262,470	312,470	437,734	-
Total governmental activities	<u>\$ 10,915,664</u>	<u>\$ 9,709,363</u>	<u>\$ 10,870,523</u>	<u>\$ 12,910,358</u>	<u>\$ 13,596,692</u>	<u>\$ 13,981,020</u>	<u>\$ 12,362,893</u>
Business-type activities:							
Investment earnings	\$ (175,061)	\$ 44,156	\$ 117,928	\$ 288,965	\$ 447,258	\$ 253,312	\$ 107,222
Transfers	(45,440)	(42,350)	(254,790)	(262,470)	(312,470)	(437,734)	-
Total business-type activities	<u>(220,501)</u>	<u>1,806</u>	<u>(136,862)</u>	<u>26,495</u>	<u>134,788</u>	<u>(184,422)</u>	<u>107,222</u>
Total primary government	<u>\$ 10,695,163</u>	<u>\$ 9,711,169</u>	<u>\$ 10,733,661</u>	<u>\$ 12,936,853</u>	<u>\$ 13,731,480</u>	<u>\$ 13,796,598</u>	<u>\$ 12,470,115</u>
Change in Net Assets							
Governmental activities	\$ 1,921,784	\$ 514,126	\$ 1,641,874	\$ 973,614	\$ 589,243	\$ (130,674)	\$ (2,762,508)
Business-type activities	720,241	583,115	777,982	2,440,433	920,267	449,810	(1,023,203)
Total primary government	<u>\$ 2,642,025</u>	<u>\$ 1,097,241</u>	<u>\$ 2,419,856</u>	<u>\$ 3,414,047</u>	<u>\$ 1,509,510</u>	<u>\$ 319,136</u>	<u>\$ (3,785,711)</u>

Source: The Town's Finance Department.

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

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ -	\$ 14,662	\$ -	\$ 14,729
Unreserved	1,889,617	1,341,188	1,495,468	1,854,581	2,141,833	2,649,209	3,428,794	2,934,445	1,052,084	785,962
Total General Fund	<u>\$ 1,889,617</u>	<u>\$ 1,341,188</u>	<u>\$ 1,495,468</u>	<u>\$ 1,854,581</u>	<u>\$ 2,141,833</u>	<u>\$ 2,651,209</u>	<u>\$ 3,428,794</u>	<u>\$ 2,949,107</u>	<u>\$ 1,052,084</u>	<u>\$ 800,691</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,226	\$ 250	\$ 250	\$ 250
Unreserved, reported in:										
Special revenue funds	816,880	54,395	1,446,076	442,312	740,890	1,862,531	2,080,199	2,191,308	1,183,909	1,096,303
Debt service funds	371,965	458,608	598,259	633,999	697,199	1,123,656	877,863	1,164,787	1,553,209	1,416,112
Capital projects funds	3,098,232	3,853,520	2,506,894	3,328,898	2,262,426	3,811,793	2,968,412	2,206,560	1,557,772	1,324,306
Total all other governmental funds	<u>\$ 4,287,077</u>	<u>\$ 4,366,523</u>	<u>\$ 4,551,229</u>	<u>\$ 4,405,209</u>	<u>\$ 3,700,515</u>	<u>\$ 6,797,980</u>	<u>\$ 5,932,700</u>	<u>\$ 5,562,905</u>	<u>\$ 4,295,140</u>	<u>\$ 3,836,971</u>

Source: The Town's Finance Department.

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes	\$ 5,437,557	\$ 5,659,008	\$ 5,783,380	\$ 6,104,222	\$ 6,080,829	\$ 7,001,478	\$ 8,434,903	\$ 8,686,539	\$ 8,653,266	\$ 7,820,750
Intergovernmental	5,583,319	5,507,066	5,402,043	6,254,690	5,666,760	6,500,510	8,000,326	7,332,472	7,362,721	6,595,255
Fines and forfeitures	209,620	193,495	204,346	206,062	250,868	285,048	288,141	265,598	255,155	235,284
Licenses and permits	717,920	697,483	733,158	422,956	697,611	575,256	634,614	464,571	331,783	252,931
Charges for services	986,477	717,790	904,408	1,040,039	959,342	931,057	960,699	1,103,001	1,113,467	1,033,870
Other	1,105,495	1,163,444	850,959	978,253	1,188,084	1,849,683	1,647,363	1,264,172	1,113,304	660,187
Total revenues	<u>14,040,388</u>	<u>13,938,286</u>	<u>13,878,294</u>	<u>15,006,222</u>	<u>14,843,494</u>	<u>17,143,032</u>	<u>19,966,046</u>	<u>19,116,353</u>	<u>18,829,696</u>	<u>16,598,277</u>
Expenditures										
General government and community development	3,008,156	3,302,640	3,059,005	3,268,647	3,359,597	3,428,453	3,967,139	4,133,694	5,018,872	4,246,206
Public safety	3,769,066	4,343,914	4,594,348	4,802,740	4,980,492	5,702,869	7,417,846	7,612,207	7,731,920	7,242,658
Public works & highways and streets	1,173,619	1,436,046	1,444,312	1,495,834	1,621,275	2,423,241	4,526,180	3,705,640	4,627,564	2,585,497
Health and welfare & culture and recreation	883,502	1,074,314	1,362,640	1,520,282	1,602,171	1,695,512	1,837,732	2,093,694	2,464,067	1,368,395
Capital outlay	5,361,935	3,857,060	3,519,421	4,542,267	2,906,359	1,936,984	2,746,022	1,063,615	1,997,629	593,607
Debt service										
Principal retirement	-	-	-	-	561,170	585,803	844,385	1,249,354	897,754	988,117
Interest on long-term debt	-	-	-	-	272,222	239,528	315,645	420,101	277,630	250,141
Other debt service	909,618	735,080	698,534	790,376	-	53,514	365,390	-	-	-
Total expenditures	<u>15,105,896</u>	<u>14,749,054</u>	<u>14,678,260</u>	<u>16,420,146</u>	<u>15,303,286</u>	<u>16,065,904</u>	<u>22,020,339</u>	<u>20,278,305</u>	<u>23,015,436</u>	<u>17,274,621</u>
Excess of revenues over (under) expenditures	<u>(1,065,508)</u>	<u>(810,768)</u>	<u>(799,966)</u>	<u>(1,413,924)</u>	<u>(459,792)</u>	<u>1,077,128</u>	<u>(2,054,293)</u>	<u>(1,161,952)</u>	<u>(4,185,740)</u>	<u>(676,344)</u>

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Other financing sources (uses)										
Transfers in	\$ 3,172,047	\$ 2,760,948	\$ 1,969,885	\$ 1,867,050	\$ 1,627,291	\$ 2,113,691	\$ 2,769,621	\$ 3,797,776	\$ 2,955,804	\$ 577,983
Transfers out	(3,086,192)	(2,724,648)	(1,930,935)	(1,821,610)	(1,584,941)	(1,858,901)	(2,507,151)	(3,485,306)	(2,518,070)	(577,983)
Issuance of refunding debt	-	-	-	-	-	-	1,085,000	-	-	-
Issuance of long-term debt	-	190,214	1,100,000	1,300,000	-	2,048,723	1,420,000	-	-	-
Bond premium	-	-	-	-	-	-	41,531	-	-	-
Payment to refunded debt escrow agent	-	-	-	-	-	-	(1,020,403)	-	-	-
Proceeds from capital lease	334,000	112,270	-	281,577	-	226,200	178,000	-	550,000	-
Total other financing sources (uses)	419,855	338,784	1,138,950	1,627,017	42,350	2,529,713	1,966,598	312,470	987,734	-
Net change in fund balance	\$ (645,653)	\$ (471,984)	\$ 338,984	\$ 213,093	\$ (417,442)	\$ 3,606,841	\$ (87,695)	\$ (849,482)	\$ (3,198,006)	\$ (676,344)
 Debt service as a percentage of noncapital expenditures	 9.34%	 6.75%	 6.26%	 6.65%	 6.72%	 6.22%	 7.91%	 8.69%	 6.30%	 8.02%

Source: The Town's Finance Department.

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

**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	Other	Total
2000	\$ 4,721,021	\$ 435,074	\$ 273,589	\$ 125,062	\$ 156,400	\$ -	\$ 5,711,146
2001	4,979,159	435,769	291,615	131,380	112,700	-	5,950,623
2002	5,019,735	489,358	297,149	132,086	122,000	20,201	6,080,529
2003	5,035,165	468,588	300,495	149,724	150,250	-	6,104,222
2004	5,310,375	490,156	304,226	124,298	156,000	-	6,385,055
2005	5,602,478	727,678	336,881	176,591	157,850	-	7,001,478
2006	7,102,970	593,694	336,399	211,097	190,743	-	8,434,903
2007	7,298,346	634,241	348,166	205,506	200,280	-	8,686,539
2008	7,214,023	695,245	349,043	182,655	212,300	-	8,653,266
2009	6,464,884	629,861	339,802	159,827	226,376	-	7,820,750

Source: The Town's Finance Department.

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sales Category										
Retail trade	\$ 2,334,365	\$ 2,459,534	\$ 2,620,782	\$ 2,678,919	\$ 2,811,849	\$ 2,946,388	\$ 3,655,505	\$ 3,809,689	\$ 3,644,827	\$ 3,411,550
Construction	1,056,945	1,119,725	944,401	1,012,819	937,590	1,008,971	1,207,041	1,171,982	953,990	897,002
Restaurants and bars	388,559	402,246	436,178	428,498	436,403	547,906	615,870	638,635	614,752	586,231
Communications and utilities	331,976	367,708	385,100	373,978	328,722	510,765	576,592	626,516	812,819	750,808
Transportation & warehousing	-	-	-	-	3,658	11,028	14,743	25,914	10,272	8,363
Services	226,282	214,265	214,264	227,783	208,446	137,325	142,882	127,827	111,830	110,342
Manufacturing	82,849	81,114	85,559	80,935	108,286	138,382	180,369	198,832	188,595	141,061
Real estate, rental & leasing	156,641	157,789	173,825	180,204	205,040	280,826	320,133	305,467	403,451	356,298
Finance and insurance	-	-	-	-	4,513	12,269	9,983	8,299	8,612	7,837
Accommodations	177,024	225,826	223,638	244,273	191,561	287,731	333,627	342,659	313,025	269,210
Wholesale trade	78,062	55,566	41,907	41,326	40,188	51,102	87,044	63,060	89,777	82,084
Arts & entertainment	-	-	-	-	22,951	40,820	46,401	67,811	81,039	55,972
Other	5,327	5,016	4,553	6,562	129,324	136,390	145,489	117,161	69,305	42,293
Total	<u>\$ 4,838,030</u>	<u>\$ 5,088,789</u>	<u>\$ 5,130,207</u>	<u>\$ 5,275,297</u>	<u>\$ 5,428,531</u>	<u>\$ 6,109,903</u>	<u>\$ 7,335,679</u>	<u>\$ 7,503,852</u>	<u>\$ 7,302,294</u>	<u>\$ 6,719,051</u>
Town sales tax rate	8.00%	8.60%	8.60%	8.60%	8.60%	8.72%	8.72%	8.72%	8.72%	8.72%

Source: Arizona Department of Revenue.

**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
2000	2.00 %	1.00 %	5.00 %	8.00 %
2001	2.00	1.00	5.60	8.60
2002	2.00	1.00	5.60	8.60
2003	2.00	1.00	5.60	8.60
2004	2.00	1.00	5.60	8.60
2005	2.12	1.00	5.60	8.72
2006	2.12	1.00	5.60	8.72
2007	2.12	1.00	5.60	8.72
2008	2.12	1.00	5.60	8.72
2009	2.12	1.00	5.60	8.72

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
2000	\$ 93,555,195	0.4565	\$ 559,938,280	16.71 %
2001	106,365,288	0.4014	740,321,287	14.37
2002	119,004,875	0.3949	847,000,464	14.05
2003	143,944,717	0.3407	945,809,543	15.22
2004	153,133,821	0.3481	1,144,148,351	13.38
2005	170,159,572	0.3444	1,251,385,801	13.60
2006	182,522,790	0.3502	1,383,662,572	13.19
2007	201,211,739	0.3447	1,500,887,154	13.41
2008	224,260,624	0.2813	1,745,155,468	12.85
2009	240,139,778	0.3201	2,071,174,745	11.59

Source: The Gila County Assessor's Office.

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

Fiscal Year	Town			Overlapping Rates					Rate Total
	Town of Payson Primary	Town of Payson Secondary	Total Town Rate	N. Gila Co. Sanitary District	Library District Secondary	Fire District Assistance Secondary	School Equalization Primary	Gila County Primary	
2000	0.3355	0.1210	0.4565	0.7000	0.2425	0.1000	0.5217	3.9700	5.9907
2001	0.3166	0.0848	0.4014	0.7000	0.2425	0.1000	0.5123	3.9700	5.9262
2002	0.3019	0.0930	0.3949	0.7000	0.2000	0.1000	0.4974	4.4100	6.3023
2003	0.2754	0.0653	0.3407	0.7000	0.2000	0.1000	0.4717	4.4100	6.2224
2004	0.2867	0.0614	0.3481	0.7000	0.2000	0.1000	0.4560	4.4100	6.2141
2005	0.2752	0.0692	0.3444	0.7000	0.2000	0.1000	0.4358	4.4100	6.1902
2006	0.2640	0.0862	0.3502	0.7000	0.2000	0.1000	N/A	4.3488	5.6990
2007	0.2476	0.0971	0.3447	0.7000	0.2000	0.1000	N/A	4.1100	5.4547
2008	0.2215	0.0598	0.2813	0.7000	0.2000	0.1000	N/A	3.9200	5.2013
2009	0.2215	0.0986	0.3201	0.7000	0.2000	0.1000	0.3306	3.7500	5.4007

Source: The Gila County Treasurer's Office.

**TOWN OF PAYSON, ARIZONA
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2009 AND NINE YEARS PRIOR
(UNAUDITED)**

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service, Co.	\$ 5,549,966	1	2.31 %	\$ 3,638,681	1	3.42
Rim Golf Investors, LLC	4,965,623	2	2.07	-	-	-
Payson Village Center I LLC	2,257,445	3	0.94	-	-	0.33
Retail Trust III - Wal-Mart	2,073,049	4	0.86	351,350	4	0.92
Payson Hospital, Inc. NKA	1,859,559	5	0.77	980,585	3	-
Chaparral Pines Investors LLC	1,853,124	6	0.77	-	-	-
Qwest Corporation	1,585,260	7	0.66	1,927,792	2	1.81
Home Depot	1,379,047	8	0.57	-	-	-
Sawmill Crossing, LLC	1,165,736	9	0.49	-	-	-
Satr Holdings LLC	871,675	10	0.36	-	-	-
	<u>\$ 23,560,484</u>		<u>9.80 %</u>	<u>\$ 6,898,408</u>		<u>6.48</u>

Source: The Gila County Treasurer's Office.

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

<u>Fiscal Year</u>	<u>(1) Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Tax Levy</u>
2000	\$ 438,378	\$ 426,506	97.29 %	\$ 8,568	\$ 435,074	99.25 %	\$ 3,304	0.75 %
2001	436,800	427,637	97.90	8,132	435,769	99.76	1,031	0.24
2002	479,250	480,546	100.27	8,812	489,358	102.11	(10,108)	(2.11)
2003	480,280	463,376	96.48	5,212	468,588	97.57	11,692	2.43
2004	496,600	490,156	98.70	8,569	498,725	100.43	(2,125)	(0.43)
2005	522,310	566,054	108.38	3,774	569,828	109.10	(47,518)	(9.10)
2006	588,279	585,930	99.60	7,764	593,694	100.92	(5,415)	(0.92)
2007	641,740	639,190	99.60	(4,949)	634,241	98.83	7,499	1.17
2008	703,207	690,260	98.16	4,985	695,245	98.87	7,962	1.13
2009	647,200	621,858	96.08	8,003	629,861	97.32	17,339	2.68

Source: The Gila County Treasurer's Office.

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

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

Fiscal Year	Governmental Activities					Business-type Activities			Total Primary Government	Percentage of Personal Income
	General Obligation Bonds	Certificates of Participation	Excise Tax Revenue Bonds	Special Assessment Bonds	Term Loans	Capital Leases	Water Revenue Bonds	Notes Payable		
2000	\$ 1,876,000	\$ -	\$ -	\$ 2,145,000	\$ -	\$ 475,752	\$ 1,230,000	\$ -	\$ 5,726,752	1.64 %
2001	1,876,000	-	-	1,840,000	142,607	368,055	1,145,000	-	5,371,662	1.33
2002	1,751,000	-	-	1,720,000	1,194,999	165,369	1,055,000	-	5,886,368	1.33
2003	1,621,000	-	1,300,000	1,590,000	1,043,192	321,661	960,000	-	6,835,853	1.19
2004	1,486,000	-	1,300,000	1,450,000	891,590	187,090	855,000	-	6,169,680	1.05
2005	3,371,000	-	1,235,000	1,305,000	787,385	286,695	750,000	-	7,735,080	1.27
2006	3,015,000	515,000	1,165,000	2,025,000	596,334	321,361	640,000	-	8,277,695	1.34
2007	2,825,000	445,000	1,095,000	1,830,000	-	193,341	525,000	-	6,913,341	1.03
2008	2,465,000	375,000	1,070,000	1,615,000	-	565,587	405,000	343,239	6,838,826	0.96
2009	2,055,000	295,000	940,000	1,390,000	-	372,470	140,000	300,464	6,352,934	0.90

Source: The Town of Payson.

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Taxable Assessed Value of Property</u>	<u>Percentage of Estimated Actual Value of Property</u>	<u>Population</u>	<u>Net General Obligation Bonded Debt Per Capita</u>
2000	\$ 1,875,600	\$ 740,321,287	0.25 %	13,180	\$ 142
2001	1,876,000	847,000,464	0.22	13,665	137
2002	1,751,000	945,809,543	0.19	14,052	125
2003	1,621,000	1,144,148,351	0.14	14,819	109
2004	1,486,000	1,251,385,801	0.12	15,200	98
2005	3,371,000	1,383,662,572	0.24	15,375	219
2006	3,015,000	1,500,887,154	0.2	15,430	195
2007	2,825,000	1,745,155,468	0.16	16,742	169
2008	2,465,000	1,745,155,468	0.14	16,742	147
2009	2,055,000	2,071,174,745	0.10	17,281	97

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

**TOWN OF PAYSON, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2009
(UNAUDITED)**

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
State of Arizona	Not Available	0.35%	\$ -
Gila County	\$ 1,395,000	43.80%	611,010
Gila Pueblo Community College	Not Available	43.80%	-
Northern Gila County Sanitary District	Not Available	100.00%	-
Payson Unified School District No. 10	33,845,000	74.42%	25,187,449
Town of Payson	1,680,000	100.00%	2,055,000
Total direct and overlapping debt			<u><u>\$ 27,853,459</u></u>

Source: Gila County Treasurer's Office.

(1) Proportion applicable to the Town of Payson, Arizona, is computed on the ratio of secondary assessed valuation for 2007-08.

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

6% Debt Limit

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	\$ 6,381,917	\$ 7,140,293	\$ 7,140,293	\$ 8,636,683	\$ 9,188,029	\$ 9,380,449	\$ 10,413,736	\$ 12,669,820	\$ 12,669,820	\$ 14,408,387
Total applicable to limit	-	-	-	-	-	2,030,000	1,930,000	1,740,000	1,545,000	1,305,000
Legal debt margin	<u>\$ 6,381,917</u>	<u>\$ 7,140,293</u>	<u>\$ 7,140,293</u>	<u>\$ 8,636,683</u>	<u>\$ 9,188,029</u>	<u>\$ 7,350,449</u>	<u>\$ 8,483,736</u>	<u>\$ 10,929,820</u>	<u>\$ 11,124,820</u>	<u>\$ 13,103,387</u>
Total net debt applicable to the limit as a percentage of the debt limit	N/A	N/A	N/A	N/A	N/A	21.64%	18.53%	13.73%	12.19%	9.06%

20% Debt Limit

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	\$ 23,596,336	\$ 25,808,015	\$ 25,808,015	\$ 28,938,425	\$ 30,626,764	\$ 31,268,162	\$ 34,712,452	\$ 42,232,733	\$ 42,232,733	\$ 48,027,956
Total applicable to limit	1,876,000	1,876,000	1,751,000	1,621,000	1,486,000	1,341,000	1,085,000	1,085,000	920,000	750,000
Legal debt margin	<u>\$ 21,720,336</u>	<u>\$ 23,932,015</u>	<u>\$ 24,057,015</u>	<u>\$ 27,317,425</u>	<u>\$ 29,140,764</u>	<u>\$ 29,927,162</u>	<u>\$ 33,627,452</u>	<u>\$ 41,147,733</u>	<u>\$ 41,312,733</u>	<u>\$ 47,277,956</u>
Total net debt applicable to the limit as a percentage of the debt limit	7.95%	7.27%	6.78%	5.60%	4.85%	4.29%	3.13%	2.57%	2.18%	1.56%

Source: The Gila County Treasurer's Office.

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

Fiscal Year	Water Revenue Bonds and Notes Payable						Special Assessment Bonds			
	Utility Service Charges (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
2000	\$ 2,318,449	\$ 1,783,777	\$ 534,672	\$ 85,000	\$ 64,017	3.59	\$ 331,399	\$ 275,000	\$ 147,395	0.78
2001	2,699,464	1,957,114	742,350	85,000	59,375	5.14	205,835	305,000	129,025	0.47
2002	3,122,537	2,039,046	1,083,491	90,000	54,744	7.49	280,935	120,000	108,560	1.23
2003	3,772,248	2,831,506	940,742	95,000	50,119	6.48	274,139	130,000	101,480	1.18
2004	3,601,365	2,351,811	1,249,554	105,000	45,119	8.32	292,236	140,000	46,905	1.56
2005	3,664,956	1,796,271	1,868,685	105,000	38,269	13.04	260,854	145,000	85,550	1.13
2006	4,101,235	1,055,410	3,045,825	225,000	16,000	12.64	209,279	155,000	76,995	0.90
2007	4,116,226	2,599,177	1,517,049	120,000	39,657	9.50	160,928	195,000	124,530	0.50
2008	4,099,088	2,681,646	1,417,442	130,000	17,000	9.64	160,985	215,000	98,328	0.51
2009	3,725,307	3,557,361	167,946	135,000	10,375	1.16	121,577	225,000	85,508	0.39

Source: The Town of Payson.

(1): Utility service charges includes charges for services, intergovernmental, investment earnings and miscellaneous revenues.

(2): Operating expenses do not include depreciation and interest expense.

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Median Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Town of Payson Unemployment Rate</u>
2000	13,180	\$ 348,795,520	\$ 26,464	48.9	2,817	2.6%
2001	13,665	404,825,625	29,625	49.7	2,814	2.5
2002	14,052	442,638,000	31,500	48.9	2,874	3.9
2003	14,819	573,687,947	38,713	48.9	2,800	3.8
2004	15,200	588,437,600	38,713	48.9	2,599	3.4
2005	15,375	607,312,500	39,500	48.9	2,613	3.2
2006	15,430	616,783,390	39,973	48.9	2,806	3.2
2007	16,742	669,227,966	39,973	49.1	2,812	4.1
2008	16,965	678,141,945	39,973	50.5	2,712	4.6
2009	17,281	708,400,033	40,993	49.3	2,657	7.3

Source: The Town of Payson.

**TOWN OF PAYSON, ARIZONA
PRINCIPAL EMPLOYERS
JUNE 30, 2009 AND NINE YEARS PRIOR
(UNAUDITED)**

Employer	2009			2000		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Mazatzal Casino	357	1	14.60%	284	4	13.36%
Payson Unified School District	341	2	13.95	400	1	18.82
Payson Regional Medical Center	320	3	13.09	294	3	13.84
Wal-Mart	295	4	12.07	360	2	16.94
Gila County	175	5	7.16	158	5	7.44
Town of Payson	167	6	6.83	131	6	6.16
Rim Country Health	150	7	6.13	90	10	4.24
Payson Care Center	127	8	5.19	109	8	5.13
Chaparral Pines/Rim Club	120	9	4.91	N/A	-	-
Safeway Supermarket	106	10	4.34	107	9	5.04
Home Depot	95	11	3.68	N/A	-	-
U.S. Forest Service	90	12	3.68	110	7	5.18
Bashas' Supermarket	64	13	2.62	82	11	3.86
Chapman Auto	38	14	1.55	N/A	-	-
	<u>2,445</u>			<u>2,125</u>		

Source: The Town of Payson.

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

Function	Full-time Equivalent Employees									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government										
Town Manager	1	2	2	2	2	2	2	2	3	4
Town Clerks	5	5	5	5	5	5	5	5	5	4
Finance	5	5	5	5	5	5	5	5	5	7
Community Development	10	11	11	11	11	11	11	12	12	13
Legal	4	4	4	4	4	4	5	5	5	4.5
Human Resources	2	2	2	2	2	2	3	3	3	2
Information Services	1	2	2	2	2	2	2	2	2	0
Police Department	38	38	38	38	38	40	41	44	46	49
Fire Department	16	21	24	24	24	24	25	25	25	27
Airport	0	1	1	1	1	1	1	1	0	0
Engineering & Streets	16	16	16	16	16	16	16	17	17	22.5
Library	8	8	8	9	10	10	11	11	11	8
Parks and Recreation	9	10	11	11	11	11	11	10	10	7
Water	17	17	17	17	18	18	18	18	18	19
Total	132	142	146	147	149	151	156	160	162	167

Source: The Town of Payson.

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

Function/Program	Fiscal Years									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Building Permits										
Permits Issued	279	213	249	207	202	374(a)	283	201	103	115
Value of Buildings in \$	\$ 33,345,563	\$ 29,166,090	\$ 30,218,533	\$ 37,637,997	\$ 29,178,927	\$ 55,123,657	\$ 68,105,715	\$ 45,006,009	\$ 41,597,955	\$ 20,388,596
Police										
Average Response Time	-	-	-	5.57	6.56	6.28	5.54	3.47	9.2	7.23
Number of Sworn Officers	-	-	-	26	26	27	29	30	31	31
Total Calls	-	-	-	18,850	19,500	20,085	18,944	24,398	20,726	24,233
Calls per Sworn Officer	-	-	-	725	750	744	653	813	669	782
Officer per 1000 of Population	-	-	-	1.755	1.711	1.756	1.88	1.875	1.938	1.824
Total of Index Crimes	656	844	743	691	608	587	577	527	440	635
Index Crimes per Capital	0.05	0.062	0.053	0.047	0.04	0.038	0.037	0.031	0.026	0.037
Number of Drug Arrests	-	-	-	367	582	486	410	275	156	78
Drug Arrests per Capita	-	-	-	0.025	0.038	0.032	0.027	0.016	0.009	0.005
Fire										
Average Response Time	-	-	-	4.18	4.47	5.09	5.4	5.06	4.09	4.2
Total Calls	-	-	-	2,101	2,003	2,106	2,197	2,236	2,280	3
Calls per Capita	-	-	-	0.142	0.132	0.137	0.142	0.013	0.136	0.161
Fire Personnel per 1000 of	-	-	-	1.552	1.513	1.561	1.49	1.434	1.374	1.562
Fire Safety Inspections	-	-	-	580	401	486	453	396	418	576
Event Center										
Number of Events	-	-	-	-	-	-	28	22	21	25
Number of Days Used	-	-	-	-	-	-	77	104	101	120
Other Public Works										
Street Slurry sealed (miles)	-	-	-	-	-	-	15	13.6	14.2	0
Snow Removal (hours)	-	-	-	-	-	-	453	250	277	64

(Continued)

Function/Program	Fiscal Years									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
(Concluded)										
Parks and recreation										
Use of Facilities - Number										
of Activities	-	-	-	-	-	-	30	39	90	115
Program Registrations	-	-	-	-	-	-	2,040	1,951	3,241	3,756
Ramada Reservations	-	-	-	-	-	-	372	232	276	250
Swim Lessons	-	-	-	-	-	-	201	207	395	325
Pool Passes	-	-	-	-	-	-	2,498	2,420	2,450	2,500
Library										
Number of Patrons	-	-	-	12,148	13,950	15,257	17,136	14,432	15,712	16,674
Number of Internet Users	-	-	-	17,504	18,725	20,305	18,423	15,095	15,342	15,532
Number of New Cards Issued	-	-	-	1,684	1,731	1,605	1,562	1,415	1,400	1,200
Circulation per Capita	-	-	-	11.07	11.41	11.71	9.23	9.07	9.07	9.71
Patrons as % of Population	-	-	-	82	91.8	99.2	111.1	86.2	93.8	99.9
Water										
Number of Water Taps	6,355	6,572	6,758	6,948	7,122	7,399	7,609	7,728	7,777	7,827
Average daily consumption (thousand of gallons)	1,544.30	1,494.60	1,633.60	1,523.90	1,462.30	1,533.70	1,561.70	1,502.30	1,534.30	1,468.80
Peak daily consumption (thousand of gallons)	2,267.50	2,172.40	2,302.30	2,349.60	2,117.90	2,094.10	2,169.40	2,055.10	2,384.20	2,467.50
Elections										
Number of Registered Voters	8,197	8,197	8,983	9,272	7,117	7,117	8,828	8,828	8,913	8,913
Number Voting in Last Election	2,891	2,891	3,150	3,482	4,149	4,149	5,479	5,479	5,123	5,123
% of Participation of Voters	35.27%	35.27%	35.07%	37.55%	58.30%	58.30%	62.06%	62.06%	57.48%	57.48%

Source: The Town of Payson.

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

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

Function/Program	Fiscal Years									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Area - Square Miles	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Police										
Number of Employees	29	28	28	29	29	31	28	30	32	32
Patrol Vehicles	28	31	33	49	50	43	23	21	23	23
Fire										
Number of Firefighters	19	21	22	21	21	23	24	24	24	24
Number of Fire stations	2	2	2	2	2	2	2	2	2	2
Number of Municipal Employees (excluding Public safety)	83	91	87	81	94	92	98	102	102	102
Public Works										
Streets (miles)	100	100	100	104.7	105.5	105.9	105.9	105.9	105.9	105.9
Number of Water taps	6,355	6,572	6,758	6,948	7,122	7,399	7,609	7,728	7,777	7,827
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.