

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**OF THE**  
**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**PAYSON, ARIZONA**  
**FOR THE**  
**YEAR ENDED JUNE 30, 2012**

Prepared by

Kathie Manning  
Director of Business Services

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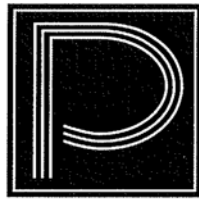
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## **INTRODUCTORY SECTION**

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**PAYSON UNIFIED SCHOOL DISTRICT NO.10**

OFFICE OF THE SUPERINTENDENT

January 3, 2013

Governing Board and Citizens  
Payson Unified School District No. 10  
514 West Wade Lane  
Payson, Arizona 85541

The Comprehensive Annual Financial Report of Payson Unified School District No. 10 (District) for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including the schedule of federal financial assistance, findings and recommendations, and independent auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in the single audit report. The single audit report is available for viewing at the Payson Unified School District No. 10 Administration Office.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditor.

The financial reporting entity (the District) includes all the funds of the primary government (i.e., Payson Unified School District No. 10 as legally defined). The District's major operations include education, pupil transportation, construction and maintenance of District facilities, food services, bookstore and athletic functions. In addition, the governing body is financially accountable for the Payson Center for Success High School (Charter School); therefore, this activity is included in the reporting entity.

The Payson Unified School District No. 10 is one of eight public school districts located in Gila County, Arizona. It provides a program of public education from preschool through grade twelve.

## ECONOMIC CONDITION AND OUTLOOK

Payson Unified School District No. 10 is located in Payson, Gila County, Arizona, 90 miles northeast of Phoenix and 90 miles southeast of Flagstaff. The Town of Payson's current population is estimated to be 15,285 (Arizona Workforce Informer, ADOA, 2011). Surrounding communities bring the total population within District boundaries to 29,414 (Arizona Workforce Informer, ADOC, 2008). The District encompasses an area of approximately 522 square miles, most of which is public land. In fact only 3.7 percent of Gila County is privately owned.

Tourism, retail, Indian gaming, health care, government and retirement dominate the economy. The Payson area's 2010 current average unemployment rate is 7.9% (11.1% LY) (Arizona Workforce Informer, ADOA, 2011), versus Arizona's 2010 average unemployment rate of 8.8% (9.6% LY).

The lack of mid- to high-paying jobs or any jobs at all at this time continues to challenge the Payson community and the schools to retain families and students. Median income in Payson is \$32,845 versus \$42,131 for Maricopa County. There is a widening gap between rural Gila County and the urban area of Maricopa County.

The student population has decreased or remained flat for the past several years. Students are predominantly white and English-speaking. The Hispanic population of non-English speaking students requires a comprehensive menu of services to English Language Learners to bring them to Fluent English Proficiency quickly. Students from the Tonto Apache Reservation south of Payson add to the diverse student body at Payson Schools.

## MAJOR INITIATIVES

Payson Unified School District has 2,485 (2011-12 enrollment) students at five schools: Julia Randall Elementary, Payson Elementary, Rim Country Middle School, Payson High School and Payson Center for Success High School. Other physical plant sites include a Warehouse, Maintenance, Transportation Complex, Technology Center and District/Special Services Office.

Payson Schools has concentrated on the following projects and initiatives in 2011-2012. Faculty, staff, students, administration and Governing Board are committed to the challenges and opportunities of 21<sup>st</sup>-century public education.

- **Response to Intervention (RTI) and Differentiated Instruction (DI)** Federal stimulus money allowed Payson Schools to address student learning problems and styles by establishing RTI teacher/mentors at each elementary school and an RTI Coordinator to oversee the program. RTI identifies students that are falling behind early and often as well as those that may grow bored by being so far ahead of their peers. There are three tiers of intervention for struggling students. The first tier provides informal intervention such as computer time reinforcing a concept the student is not mastering. Most students fall into this tier, master the material and go on with their classmates. The second tier is more intensive reinforcement of the material, perhaps one-on-one time with a Title I pull-out teacher or more intensive work in the school computer lab. Tier three is referral for possible Special Education Services. RTI requires Differentiated Instruction, discovering student learning styles and teaching to that style so that the student can more easily master content.

- **Solar Project** Through a public/private partnership, Payson Unified School District completed construction on a full solar array at every school except Frontier Elementary. Solar collectors have been placed in strategic places throughout each campus, providing not only solar power, but also covered parking and play areas. NRG Energy Corporation is the investor behind this model project.
- **Homeless Services** Payson Schools has a disproportionate number of students that qualify for services under the McKinney-Vento Homeless Education Act. At over 19% of the student population, these students have tremendous needs from school supplies to shoes, from dental care to credit recovery. The data tells the Homeless Services Team that most homeless students are doubled up with friends or relatives because the families have no other option for housing. Payson is a retiree community where the housing of “last resort” for young families may be with grandparents. There is also a fair share of sheltered and unsheltered and unaccompanied youth. By working in the field directly with students, coordinating and distributing resources and training school personnel on the signs of homelessness, the Homeless Services Team has met the needs of hundreds of students. We would be remiss if we did not mention the outpouring of support from the Payson community in our efforts to serve displaced and disadvantaged students. From school supplies to a pilot dental care program to a monthly free new and nearly-new clothing giveaway to individual cash and material donations too numerous to mention, Payson Schools is truly fortunate to have such generous citizens, businesses and professional practitioners.

## **FINANCIAL PLANNING**

The District has faced challenges in the fiscal year 2012 with revenue losses at the state level. However, federal funds helped offset some losses. The challenge for the District was to ensure that the use of the federal funds took into consideration their sunset with the 2011-12 budget. This was achieved by focusing on training all teachers in the RTI and DI model so that when the teacher/coaches positions are eliminated we can continue to provide the best educational models to our students.

In addition to per pupil funding reductions, the student population has decreased from 2,724 students in 2007-08 to 2,485 students in 2011-12. The decline in enrollment has prompted several belt-tightening actions. The Payson Unified School District Governing acted on a recommendation from a School Redistricting Committee to close Frontier Elementary School and/or to make the two remaining elementary schools a K-2 school and a 3-5 school. The anticipated cost savings of this measure is estimated at \$900,000.

With the declining revenues due to loss of students and state funding, the District has increased efforts to communicate the district’s financial position to all stakeholders. This has included employee meetings, written articles submitted to the local newspaper, and radio talk shows.

## **FINANCIAL INFORMATION**

Management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal, state and county financial assistance, the District also is responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management of the District.

As a part of the District's single audit, described earlier, tests are performed to determine the adequacy of internal controls, including that portion related to federal financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations. The results of the District's single audit for the fiscal year ended June 30, 2012 no material weaknesses in the internal control.

Budgeting Controls. In addition, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the District's governing board. Activities of the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established at the individual fund level for all funds. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end. However, encumbrances generally are reappropriated as part of the following year's budget. An annual budget of revenues is not prepared.

Risk Management. The District's administration is charged with the responsibility of supervising the protection of the District's assets by employing various risk management techniques and procedures to reduce, absorb, minimize or transfer risk. The District carries insurance for general liability, auto liability and worker's compensation. District property is insured for its replacement value. The administration is also responsible for directing the District's fringe benefits program which includes the administration of health, life and other benefits for all full-time and some part-time employees.

The District utilizes an incident review of any health or safety violations to improve awareness of factors contributing to injuries. In addition, employees are reminded of safety practices through the District's newsletter, monthly emails and site posters.

## **OTHER INFORMATION**

Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of CliftonLarsonAllen, LLP, was selected by the District. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to internal control and compliance with laws and regulations are in a separate report available at the District.

Awards. The Association of School Business Officials (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the nineteenth consecutive year that the District has received this prestigious award. In addition, the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2011. In order to be awarded these certificates, the District published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements. The Certificates are valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Programs' requirements, and we are submitting it to ASBO and GFOA to determine its eligibility for fiscal year 2011-12 certificate.

Acknowledgements. The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the finance department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing board of the District, preparation of this report would not have been possible.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kathie Manning".

Kathie Manning  
Director of Business Services

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2012**

**GOVERNING BOARD**

Barbara Underwood  
President

Mathew Van Camp  
Vice President

Barbara Shepherd  
Member

Rory Huff  
Member

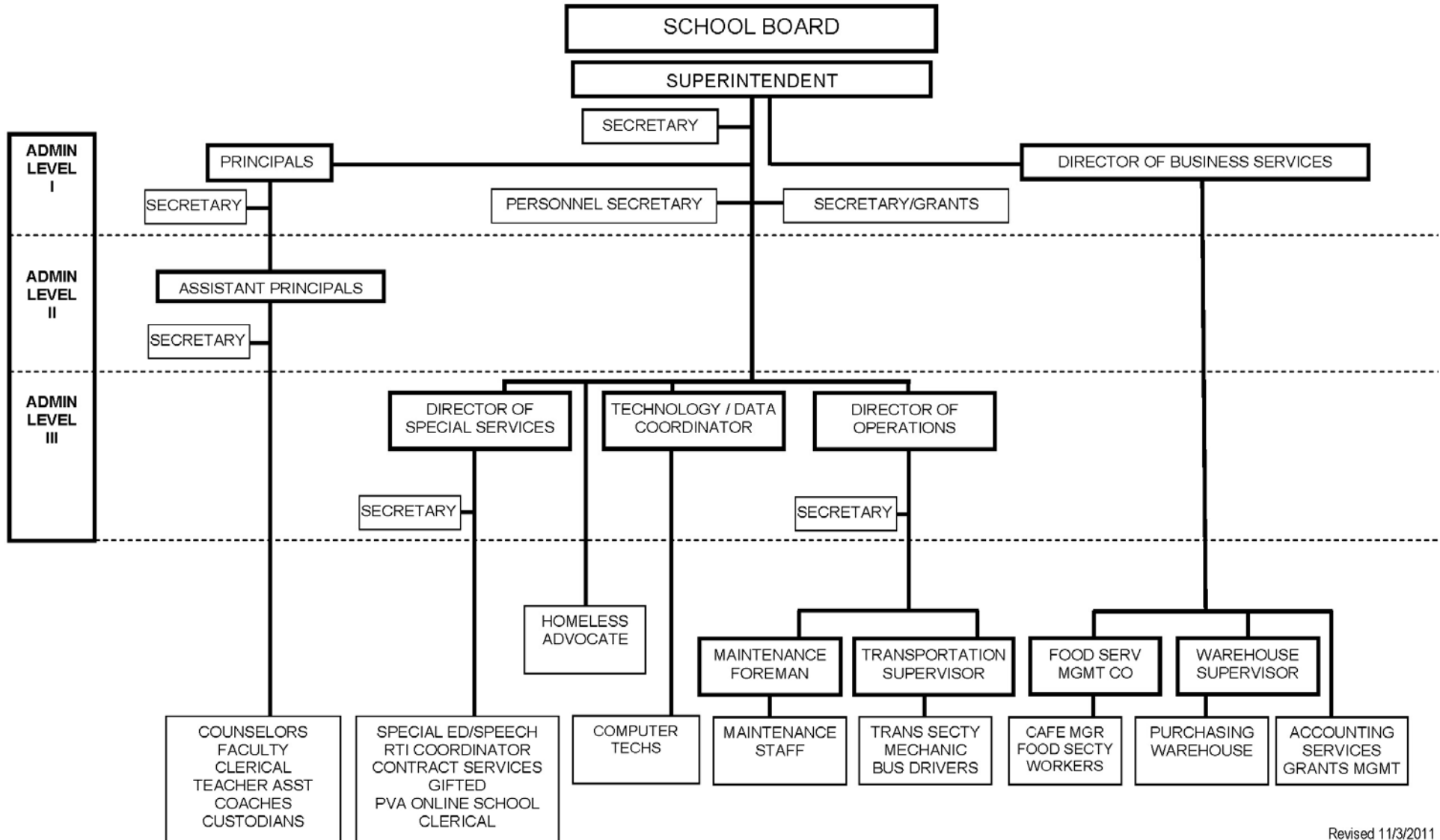
Kim Pound  
Member

**ADMINISTRATIVE STAFF**

Ron Hitchcock, Superintendent

Kathie Manning, Director of Business Services

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
ORGANIZATIONAL CHART  
JUNE 30, 2012**



Revised 11/3/2011

# Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award  
is presented to*

## **Payson Unified School District No. 10**

*For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2011*

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading 'Brian L. Mee'.

Brian L. Mee, SFO, RSBA  
President

A handwritten signature in black ink, reading 'John D. Musso'.

John D. Musso, CAE, RSBA  
Executive Director



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Payson Unified School  
District No. 10, Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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.



*Christopher P. Morrell*

President

*Jeffrey R. Emer*

Executive Director

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## **FINANCIAL SECTION**

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CliftonLarsonAllen LLP  
www.cliftonlarsonallen.com

## INDEPENDENT AUDITORS' REPORT

Governing Board  
Payson Unified School District No. 10  
Payson, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Payson Unified School District No. 10 (District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial reports contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, each major fund, and the aggregate remaining fund information of the Payson Unified School District No. 10, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 3, 2013 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 - 20 and budgetary comparison information on pages 47 - 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
January 3, 2013

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

As management of the Payson Unified School District No. 10 (District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012.

**FINANCIAL HIGHLIGHTS**

- ◆ The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$22,085,484 (net assets).
- ◆ The District's total net assets increased by \$2,674,929.
- ◆ As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,661,891, an increase of \$3,350,227 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,054,167 of 22.5% of current year General Fund expenditures.
- ◆ The District's total bonded debt decreased by \$528,520 (1.6 percent) during the current fiscal year. This decrease was mostly due to regularly scheduled principal payments on long-term debt.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements.

**Government-Wide Financial Statements**

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

The statement of net assets presents information on all of the District'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 District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as 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 the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District are for public education.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

The government-wide financial statements can be found immediately following this MD&A.

**Fund Financial Statements**

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 District, 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 District can be divided into two categories: governmental funds and fiduciary funds.

- ◆ *Governmental Funds* – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains eight individual governmental funds. 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, Special Projects Fund, Debt Service Fund, and Emergency Deficiencies Correction Fund all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation.

An operating budget for expenditures is prepared and adopted by the District each fiscal year for the General, Special Revenue, Debt Service, and Capital Projects Funds. Budgetary control is ultimately exercised at the fund level. Budgetary control is maintained through the use of periodic reports that compare actual expenditures against budgeted amounts. The expenditure budget can be revised annually, per Arizona Revised Statutes. The District also maintains an encumbrance accounting system as one technique of maintaining budgetary control. Encumbered amounts lapse at year-end. An annual budget of revenue from all sources is not prepared.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

The basic governmental fund financial statements can be found on pages 23 - 26 of this report.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

- ◆ *Fiduciary Funds* - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The fiduciary fund includes the student activities and insurance funds reported as agency funds. Agency funds are custodial in nature and do not present results of operations or a measurement focus.

The basic fiduciary fund financial statement can be found on page 27 of this report.

**Notes to Basic Financial Statements**

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 28 - 46 of this report.

**Other Information**

The combining and individual fund statements and schedules are presented following the notes to basic financial statements. Combining and individual fund statements and schedules can be found on pages 50 - 59 of this report.

The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The statistical section can be found on pages 60 - 79 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as useful indicators of a government's financial position. In the case of the District, assets exceeded liabilities by \$22,085,484 at the close of the most recent fiscal year.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**Net Assets**

A summary of the District's Statement of Net Assets is as follows:

**Table A-1  
The District's Net Assets  
June 30, 2012 and 2011**

	Governmental Activities		
	2012	2011	% Change
<b>Assets:</b>			
Current and Other Assets	\$ 6,761,854	\$ 6,243,762	8.3%
Capital Assets	<u>51,106,184</u>	<u>52,099,178</u>	-1.9%
Total Assets	<u>57,868,038</u>	<u>58,342,940</u>	-0.8%
<b>Liabilities:</b>			
Other Liabilities	2,172,109	4,845,448	-55.2%
Noncurrent Liabilities Outstanding	<u>33,610,445</u>	<u>34,086,937</u>	-1.4%
Total Liabilities	<u>35,782,554</u>	<u>38,932,385</u>	-8.1%
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	18,130,153	18,593,812	-2.5%
Restricted	733,297	762,418	-3.8%
Unrestricted	<u>3,222,034</u>	<u>54,325</u>	5831.0%
Total Net Assets	<u>\$ 22,085,484</u>	<u>\$ 19,410,555</u>	13.8%

By far the largest portion of the District's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District'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 District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District was able to report positive balances in all three categories of net assets.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**Change in Net Assets**

The District's net assets increased by \$2,674,929 during the current fiscal year. A summary of the District's Statement of Activities is as follows:

**Table A-2  
Change in Net Assets  
Years Ended June 30, 2012 and 2011**

	Governmental Activities		
	2012	2011	% Change
<b>REVENUES</b>			
Program Revenues:			
Charges for Services	\$ 832,715	\$ 1,160,423	-28.2%
Operating Grants and Contributions	4,920,518	4,753,176	3.5%
Capital Grants and Contributions	832,392	-	N/A
General Revenues:			
Property Taxes	12,116,270	9,065,519	33.7%
Grants and Contributions Not Restricted to Specific Programs			
State Equalization and Additional State Aid	5,287,327	4,989,139	6.0%
County Equalization Assistance	303,174	308,652	-1.8%
Federal Aid Not Restricted	399,822	584,741	N/A
Investment Earnings	8,760	19,657	-55.4%
Other	157,703	83,255	89.4%
Total Revenues	<u>24,858,681</u>	<u>20,964,562</u>	18.6%
<b>EXPENSES</b>			
Instruction	11,846,480	13,240,495	-10.5%
Support Services:			
Students	1,476,800	1,640,890	-10.0%
Instructional Staff	671,107	911,722	-26.4%
General Administration	356,302	347,486	2.5%
School Administration	761,822	855,214	-10.9%
Business and Other Support Services	627,303	787,458	-20.3%
Operation and Maintenance of Plant	2,437,707	2,608,092	-6.5%
Student Transportation	1,139,249	1,243,852	-8.4%
Operation of Noninstructional Services	958,959	1,058,022	-9.4%
Interest on Long-term Debt	1,908,023	1,941,335	-1.7%
Total Expenses	<u>22,183,752</u>	<u>24,634,566</u>	-9.9%
<b>CHANGE IN NET ASSETS</b>	2,674,929	(3,670,004)	-172.9%
<b>NET ASSETS - BEGINNING OF YEAR</b>	19,410,555	23,080,559	-15.9%
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 22,085,484</u>	<u>\$ 19,410,555</u>	13.8%

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

Program revenues made up of charges for services, operating grants and contributions and capital grants and contributions increased from the prior year by \$672,026. This was mostly due to the funding of the ARRA Education Jobs Grant and Carol White Physical Education Grant in the current year.

General revenues increased \$3,222,093 due to an increase in property tax revenues which was due to an increase in property tax rates from prior year to the current year.

District expenses decreased by \$2,450,814 during the year. The decrease was mostly due to a decline in student enrollment and state budget cuts.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds* - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,661,891, an increase of \$3,350,227 in comparison with the prior year. The District reported an unassigned fund balance of \$2,918,253. The remainder of fund balance was nonspendable or restricted to indicate that it was not available for new spending.

At June 30, 2012, fund balances were as follows:

**Table A-3  
Fund Balances**

Fund	Balance	Increase (Decrease) From 2010-11
General Fund	\$ 3,138,334	\$ 3,120,229
Special Projects Fund	18,622	28,245
Debt Service Fund	56,417	(3,307)
Emergency Deficiencies Correction Fund	20	20
Nonmajor Governmental Funds	448,498	205,040

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

The General Fund increase of \$3,120,229 was due to an increase in property tax revenues.

The Special Projects Fund increase of \$28,245 was mostly due to E-Rate revenue that was not anticipated to be approved, but was approved and received in the current year.

The Debt Service Fund decrease of \$3,307 and increase in Emergency Deficiencies Correction Fund of \$20 was not significant.

The Nonmajor Governmental Funds increase of \$205,040 was due to an increase in the Classroom Site Funds.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget totaled \$366,541. In Arizona, school districts build their original "adopted" budget based on the previous year's 100th day average daily attendance. The District is allowed to increase or decrease its budget. The \$366,541 increase was a result of an amendment of the unspent budget balance from the prior year. Actual General Fund expenditures were \$397,263 less than budget during the fiscal year. Actual expenditures were within 2.8% of budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$51,106,184 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, and furniture, equipment and vehicles. The net decrease in the District's investment in capital assets for the current fiscal year was 1.9%.

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

- ◆ Completion of the Adventure Course at Payson High School.
- ◆ Gymnasium Roof Replacement at Payson High School.
- ◆ Purchase of an 83-passenger bus.
- ◆ Purchase of playground equipment at Payson Elementary School.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**Table A-4  
Capital Assets (Net)  
June 30, 2012 and 2011**

	Governmental Activities	
	2012	2011
Land	\$ 503,854	\$ 503,854
Construction in Progress	733,793	-
Land Improvements	1,573,016	1,527,791
Buildings and Improvements	47,076,869	48,561,467
Furniture, Equipment, and Vehicles	1,218,652	1,506,066
Total Capital Assets, Net	\$ 51,106,184	\$ 52,099,178

Additional information on the District's capital assets can be found in Note 3.A.3. of this report.

**Long-Term Debt**

At the end of the current fiscal year, the District had total bonded debt outstanding of \$32,906,426. This debt is backed by the full faith and credit of the District.

**Table A-5  
Long Term Debt  
June 30, 2012 and 2011**

	Governmental Activities	
	2012	2011
Bonds Payable	\$ 32,906,426	\$ 33,434,946

The District's bonded debt decreased by \$528,520 (1.6 percent) during the current fiscal year. This decrease was mostly due to regularly scheduled principal payments on long-term debt.

State statutes limit the amount of bonded debt a unified school district may issue to 30 percent of its net secondary assessed valuation. The current debt limitation for the District is \$87,543,948, which is significantly in excess of the District's outstanding bonded debt. In addition, Class B bonded debt is limited to the greater of 10% of the net secondary assessed valuation of the District or \$1,500 per student for a unified school district. The District's Class B bonded debt limitation is \$29,181,316.

At June 30, 2012, the District's net Class B bond debt outstanding was \$33,745,000 which exceeded the Class B debt limit of \$29,181,316. This debt in excess of limit was caused by a significant decline (15%) in assessed property values in the District during the year. The District was within debt limits at the time the debt was issued, but may not issue additional Class B bonded debt until it is within the applicable statutory limits.



**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

Additional information on the District's long-term debt can be found in Notes 3.D. and 3.E. of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- ◆ Continued decline in student enrollment.
- ◆ Continued decline in State revenue to the General Fund.
- ◆ ARRA Funds coming to a close in the current year.
- ◆ Final year of Forest Fee revenue in fiscal year 2012/13.

All of these factors were considered in preparing the District's budget for the 2013 fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Payson Unified School District No. 10 District Office, 902 W. Main Street, Payson, Arizona 85541.

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## **BASIC FINANCIAL STATEMENTS**

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,625,256
Cash with Paying Agent	1,282,869
Receivables	
Property Taxes	486,004
Intergovernmental	2,742,819
Inventory	149,924
Deferred Charges	474,982
Capital Assets:	
Non-Depreciable	1,237,647
Depreciable, net	49,868,537
Total Assets	57,868,038
<b>LIABILITIES</b>	
Accounts Payable	791,763
Accrued Wages and Benefits	94,841
Accrued Interest	902,869
Unearned Revenue	2,636
Matured Debt Principal Payable	380,000
Long-Term Liabilities:	
Due Within One Year	1,277,540
Due in More Than One Year	32,332,905
Total Liabilities	35,782,554
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	18,130,153
Restricted	
Instructional Improvement Programs	43,066
Federal Instructional Programs	5,893
State Instructional Programs	12,729
Food Services	66,936
Community Programs	155,214
Instructional Aides	9,260
Vocational Education Programs	83,539
Noninstructional Programs	226,397
Capital Projects	20
Debt Service	130,243
Unrestricted	3,222,034
Total Net Assets	\$ 22,085,484

See accompanying Notes to Basic Financial Statements.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government:</b>					
Governmental Activities:					
Instruction	\$ 11,846,480	\$ 425,445	\$ 3,342,018	\$ 832,392	\$ (7,246,625)
Support Services:					
Students	1,476,800	33,936	437,895	-	(1,004,969)
Instructional Staff	671,107	12,775	279,420	-	(378,912)
General Administration	356,302	9,333	-	-	(346,969)
School Administration	761,822	24,488	149	-	(737,185)
Business and Other Support Services	627,303	20,299	11,540	-	(595,464)
Operation and Maintenance of Plant	2,437,707	69,723	98,307	-	(2,269,677)
Student Transportation	1,139,249	29,181	48,191	-	(1,061,877)
Operation of Noninstructional Services	958,959	207,535	702,998	-	(48,426)
Interest on Long-term Debt	1,908,023	-	-	-	(1,908,023)
Total	<u>\$ 22,183,752</u>	<u>\$ 832,715</u>	<u>\$ 4,920,518</u>	<u>\$ 832,392</u>	<u>(15,598,127)</u>
		General Revenues:			
		Property Taxes			12,116,270
		Grants and Contributions Not Restricted to Specific Programs			
		State Equalization and Additional State Aid			5,287,327
		County Equalization			303,174
		Federal Aid Not Restricted			399,822
		Investment Earnings			8,760
		Other			157,703
		Total General Revenues			<u>18,273,056</u>
		Change in Net Assets			2,674,929
		Net Assets - Beginning			19,410,555
		Net Assets - Ending			<u>\$ 22,085,484</u>

See accompanying Notes to Basic Financial Statements.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	<u>General</u>	<u>Special Projects</u>	<u>Debt Service</u>	<u>Emergency Deficiencies Correction</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
<b>Assets</b>						
Cash and Cash Equivalents	\$ 1,063,118	\$ -	\$ 46,441	\$ 20	\$ 515,677	\$ 1,625,256
Cash with Paying Agent	-	-	1,282,869	-	-	1,282,869
Receivables						
Property Taxes	402,202	-	83,802	-	-	486,004
Intergovernmental	1,690,542	488,793	-	387,774	175,710	2,742,819
Inventory	84,167	-	-	-	65,757	149,924
Due from Other Funds	678,571	-	-	-	-	678,571
<b>Total Assets</b>	<b><u>\$ 3,918,600</u></b>	<b><u>\$ 488,793</u></b>	<b><u>\$ 1,413,112</u></b>	<b><u>\$ 387,794</u></b>	<b><u>\$ 757,144</u></b>	<b><u>\$ 6,965,443</u></b>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 315,901	\$ 27,861	\$ -	\$ 387,774	\$ 60,227	\$ 791,763
Accrued Wages and Benefits	85,319	1,298	-	-	8,224	94,841
Accrued Interest	-	-	902,869	-	-	902,869
Due to Other Funds	-	438,376	-	-	240,195	678,571
Deferred Revenue	379,046	2,636	73,826	-	-	455,508
Matured Debt Principal Payable	-	-	380,000	-	-	380,000
<b>Total Liabilities</b>	<b><u>780,266</u></b>	<b><u>470,171</u></b>	<b><u>1,356,695</u></b>	<b><u>387,774</u></b>	<b><u>308,646</u></b>	<b><u>3,303,552</u></b>
<b>Fund Balance</b>						
Nonspendable	84,167	-	-	-	65,757	149,924
Restricted	-	18,622	56,417	20	518,655	593,714
Unassigned	3,054,167	-	-	-	(135,914)	2,918,253
<b>Total Fund Balance</b>	<b><u>3,138,334</u></b>	<b><u>18,622</u></b>	<b><u>56,417</u></b>	<b><u>20</u></b>	<b><u>448,498</u></b>	<b><u>3,661,891</u></b>
<b>Total Liabilities and Balance</b>	<b><u>\$ 3,918,600</u></b>	<b><u>\$ 488,793</u></b>	<b><u>\$ 1,413,112</u></b>	<b><u>\$ 387,794</u></b>	<b><u>\$ 757,144</u></b>	<b><u>\$ 6,965,443</u></b>

See accompanying Notes to Basic Financial Statements.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012**

Total Fund Balances for Governmental Funds	\$	3,661,891
Amounts reported for governmental activities in the statement of net assets are different because:		
Property taxes and intergovernmental grants not collected within 60 days subsequent to fiscal year end are deferred in the governmental funds.		452,872
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets		72,023,339
Less accumulated depreciation		(20,917,155)
Capital assets used in governmental activities		<u>51,106,184</u>
Deferred charges on issuance of long term liabilities are not financial resources and therefore are not reported in the governmental funds.		474,982
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		(33,745,000)
Supplemental interest certificates		(325,000)
Unamortized discount on bonds		1,155,447
Unamortized discount on certificates		8,127
Capital leases		(69,605)
Compensated absences		(634,414)
Total Net Assets of Governmental Activities	\$	<u>22,085,484</u>

See accompanying Notes to Basic Financial Statements.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	General	Special Projects	Debt Service	Emergency Deficiencies Correction	Nonmajor Governmental Funds	Totals
<b>Revenue</b>						
Property Taxes	\$ 9,866,822	\$ -	\$ 2,376,026	\$ -	\$ -	\$ 12,242,848
Intergovernmental	5,954,373	2,671,783	-	832,392	1,715,511	11,174,059
Tuition	436,676	-	53,522	-	-	490,198
Food Service Sales	-	-	-	-	172,341	172,341
Auxiliary Operations	32,312	-	-	-	-	32,312
Contributions and Donations	148,200	-	-	-	422,434	570,634
Charges for Services	48,768	-	-	-	89,096	137,864
Investment Earnings	4,206	(477)	2,881	-	2,150	8,760
Other	118,066	-	-	-	39,637	157,703
Total Revenue	<u>16,609,423</u>	<u>2,671,306</u>	<u>2,432,429</u>	<u>832,392</u>	<u>2,441,169</u>	<u>24,986,719</u>
<b>Expenditures</b>						
<b>Current</b>						
Instruction	7,238,254	1,990,343	-	-	1,067,623	10,296,220
Support Services						
Students	1,049,470	302,115	-	-	125,330	1,476,915
Instructional Staff	395,055	198,435	-	-	77,598	671,088
General Administration	288,611	-	-	-	7,753	296,364
School Administration	757,284	-	-	-	155	757,439
Business and Other Support Services	627,729	10,679	-	-	4,215	642,623
Operations and Maintenance of Plant	2,156,152	81,611	-	25,828	46,987	2,310,578
Student Transportation	902,411	4,915	-	-	38,944	946,270
Operation of Noninstructional Services	89,123	-	-	-	879,441	968,564
Debt Service						
Principal Retirement	33,946	-	630,000	-	-	663,946
Interest on Long-term Debt	805	-	1,805,736	-	-	1,806,541
Capital Outlay						
Facilities Acquisition	53,840	-	-	806,544	-	860,384
Total Expenditures	<u>13,592,680</u>	<u>2,588,098</u>	<u>2,435,736</u>	<u>832,372</u>	<u>2,248,046</u>	<u>21,696,932</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>3,016,743</u>	<u>83,208</u>	<u>(3,307)</u>	<u>20</u>	<u>193,123</u>	<u>3,289,787</u>
<b>Other Finance Sources (Uses)</b>						
Transfers In	54,963	-	-	-	-	54,963
Transfers Out	-	(54,963)	-	-	-	(54,963)
Proceeds from Capital Lease	33,131	-	-	-	-	33,131
Total Other Finance Sources (Uses)	<u>88,094</u>	<u>(54,963)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,131</u>
Net Change in Fund Balance	3,104,837	28,245	(3,307)	20	193,123	3,322,918
<b>Fund Balance</b>						
Beginning of Year	18,105	(9,623)	59,724	-	243,458	311,664
Increase (Decrease) in Inventories	15,392	-	-	-	11,917	27,309
End of Year	<u>\$ 3,138,334</u>	<u>\$ 18,622</u>	<u>\$ 56,417</u>	<u>\$ 20</u>	<u>\$ 448,498</u>	<u>\$ 3,661,891</u>

See accompanying Notes to Basic Financial Statements.



**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances-Total Governmental Funds \$ 3,322,918

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

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

Expenditures for capital assets	1,029,613
Less current year depreciation	<u>(1,975,031)</u>
Excess capital expenditures over depreciation	<u>(945,418)</u>

The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets. (47,576)

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

Property taxes	(126,578)
State aid	35,950
Intergovernmental grants	(37,410)

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.

Principal payments on bonds	100,000
Principal payments on supplemental interest certificates	530,000
Principal payments on capital leases	33,946
Proceeds from capital leases	(33,131)
Amortization of discount on bonds	(75,091)
Amortization of discount on certificates	(26,389)
Amortization of deferred bond issuance costs	(30,758)

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

Net increase in compensated absences	(52,843)
Change in inventory balances	27,309

Change in Net Assets of Governmental Activities \$ 2,674,929

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**JUNE 30, 2012**

	Assets	<u>Agency Funds</u>
Current Assets		
Cash and Cash Equivalents		\$ 208,630
Total Current Assets		<u>\$ 208,630</u>
Liabilities and Fund Balance		
	Liabilities	
Due to Student Groups		\$ 149,010
Due to Other Entities		59,620
Total Liabilities		<u>\$ 208,630</u>

*See accompanying Notes to Basic Financial Statements.*

## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Payson Unified School District No. 10 (District) 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 District's more significant accounting policies follows.

**A. Reporting Entity**

The District is a special purpose 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 District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements present only the funds of those organizational 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. 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 District had no business-type activities during the fiscal year.

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 fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The government-wide 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 District 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 and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year (within one month), the expenditures and related liabilities have been recognized in the Debt Service Fund.

Property taxes, intergovernmental grants and aid, tuition, 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 District reports the following major governmental funds:

*Major Governmental Funds*

General Fund

The General Fund is the District's primary operating fund. It accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds. For budget purposes, it is described as the Maintenance and Operation Fund by Arizona Revised Statutes (A.R.S.) and is budgeted within three subsections titled regular education programs, special education programs, and pupil transportation.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Special Projects Fund

The Special Projects Fund is a special revenue fund and accounts for the revenues and expenditures of state and federally funded education grants.

Debt Service Fund

The Debt Service Fund accounts for resources accumulated and used for the payment of long-term debt principal, interest and related costs.

Emergency Deficiencies Correction Fund

The Emergency Deficiencies Fund accounts for monies received from the Arizona School Facilities Board to correct emergency deficiencies.

Additionally, the District reports the following fund type:

Agency Funds

The Agency Funds are custodial in nature and do not present results of operations or a measurement focus and are described as follows:

The Student Activities Fund accounts for monies raised by students to finance student clubs and organizations but held by the District as an agent.

The Insurance Fund accounts for monies held to pay insurance premiums of the District and District employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide 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, subject to this same limitation. The District has elected not to follow subsequent private sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for services, 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.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

A.R.S. require the District to deposit certain cash with the County Treasurer. That cash is pooled for investment purposes, except for cash in the Bond Building Fund and Debt Service Fund, which is invested separately. As required by statute, interest earned by the Bond Building Fund and Debt Service Fund is recorded in the Debt Service Fund.

A.R.S. authorize the District to invest public monies in the State and County Treasurer's investment pools; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investment contracts such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories.

Statute authorizes the District to deposit monies of Auxiliary Operations and Student Activities in bank accounts. Monies in these funds may also be invested. In addition, statute authorizes the District to maintain various bank accounts such as clearing accounts to temporarily deposit receipts before they are transmitted to the County Treasurer; revolving accounts to pay minor disbursements; and withholdings accounts for taxes, employee insurance programs, and federal savings bonds. Some of these bank accounts may be interest bearing.

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. Statute requires collateral for deposits of Bond Building and Debt Service Funds monies in interest bearing savings accounts and certificates of deposit at 101 percent of all deposits not covered by federal depository insurance.

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. No comparable oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provide for shares.



**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**1. Deposits and Investments (Continued)**

The Arizona Risk Retention Trust contracts with an independent financial advisor who is subject to, and must abide by, the investment policies and procedures established by the board. Investments are monitored by the finance and standards committee, the Trust board of directors, and the Trust administration. The Trust also has interim financial statements prepared on a monthly basis by an independent C.P.A., as well as an independent financial audit each year. Finally, the Trust is regulated by the Department of Insurance, which conducts a comprehensive audit every five years. No comparable oversight is provided for the County Treasurer's investment pool and that pool's structure does not provide for shares.

**2. Receivables**

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 District'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**

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenses when consumed rather than when purchased in the government-wide statements and are recorded as an expenditure at the time of purchase in the fund financial statements.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**5. Capital Assets**

Capital assets, which include land, construction in progress, land improvements, buildings and improvements, furniture, equipment and vehicles are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District 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 is 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:

Land improvements	50 Years
Buildings and improvements	20-50 Years
Furniture, equipment and vehicles	5-15 Years

**6. Compensated Absences**

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. For governmental funds, a liability would only be reported if amounts mature and have not been paid out at year end, for example, as a result of employee resignations and retirements.

**7. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column.

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 and amortized over the term of the related debt.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**7. Long-Term Obligations (Continued)**

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.

**8. 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 the District's 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 District. Unrestricted net assets are the remaining net assets not included in the previous two categories.

**9. Fund Equity**

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

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

Committed fund balances are self-imposed limitations approved by the District's Governing Board, which is the highest level of decision-making authority within the District. Only the District Governing Board can remove or change the constraints placed on committed fund balances.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**9. Fund Equity (Continued)**

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The District Governing Board has not authorized any management officials to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

The District has not adopted a spending priority policy. When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, in accordance with GASB 54, the District uses restricted fund balance first. For the disbursement of unrestricted fund balances, the District follows the spending priority described in GASB 54 to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The District adopts an annual operating budget for expenditures for all governmental fund types on essentially the same modified accrual basis of accounting used to record actual expenditures (See Notes to the Required Supplementary Information for exceptions). The Governing Board presents a proposed budget to the Superintendent of Public Instruction and County School Superintendent on or by July 5. The Governing Board legally adopts the final budget by July 15, after a public hearing has been held. Once adopted the budget can be increased or decreased only for specific reasons set forth in the A.R.S. All appropriations lapse at year end. An annual budget of revenue from all sources is not prepared.

Budgetary control over expenditures is exercised at the fund level. However, the General Fund is budgeted within three subsections (see preceding description of General Fund), any of which may be overexpended with the prior approval of the Governing Board at a public meeting, providing the expenditures for all subsections do not exceed the General Fund's total budget.

No supplementary budgetary appropriations were necessary during the year.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**B. Excess of Expenditures Over Appropriations**

Expenditures exceeded appropriations in the following funds:

	<u>Amount of Overexpenditure</u>
Nonmajor Governmental Funds:	
Food Services Fund	\$ 6,861

Cash was available to meet all of the overexpenditures above.

**C. Deficit Fund Equity**

A deficit fund balance in the amount of \$135,914 was reported in the Classroom Site Fund. The deficit in the Classroom Site Fund was due to a deficit carried over from the prior year. The District plans to reduce fund expenditures in the next fiscal years to recover the deficit.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2012 consist of the following:

Deposits	
Cash in Bank	\$ 303,165
Investments	
Cash on deposit with County Treasurer	1,530,553
Arizona Risk Retention Trust Investment Pool	168
Cash on Deposit with Paying Agent	1,282,869
Total Deposits and Investments	3,116,755
Less: Cash on Deposit with Paying Agent	(1,282,869)
Less: Fiduciary funds	(208,630)
Total Cash and Cash Equivalents	\$ 1,625,256

*Deposits* - The bank balances of the deposits at June 30, 2012 totaled \$338,913 all of which was insured by federal depository insurance.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

*Investments* - At June 30, 2012, the District's investments were reported at fair value. The District's investment in the County Treasurer's and Arizona Risk Retention Trust's investment pools represents a proportionate interest in those pools' portfolios; however, the District's portion is not identified with specific investment and is not subject to custodial credit risk. The cash on deposit with paying agent represents payment of bond principal and interest due July 1 held by the bond trustee at June 30, 2012 and was held by the District's agent in the District's name.

*Interest Rate Risk* - The District does not have an investment policy with regard to interest rate risk. The District manages its exposure to declines in fair values by limiting its investments to monies deposited with the County Treasurer and Arizona Risk Retention Trust, with the exception of the cash on deposit with paying agent as previously discussed.

Investment Type	Maturity Less than 1 year
Cash on Deposit with County Treasurer	\$ 1,530,553
Arizona Risk Retention Trust Investment Pool	168

*Custodial Credit Risk* - For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy with respect to custodial credit risk as all investments are deposited with the County Treasurer and Arizona Risk Retention Trust, with the exception of the cash on deposit with paying agent as previously discussed.

*Credit Risk* - The District does not have an investment policy with respect to credit risk, however, the District's investments are limited by state statute. In accordance with state statutes, the District only invests in the State or County Treasurer, U.S. government securities or state or local bonds. The District's cash on deposit with the County Treasurer, Arizona Risk Retention Trust investment pool, and cash on deposit with paying agent did not receive a quality credit rating from a national credit rating agency.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

*Concentration of Credit Risk* - The District does not have an investment policy with respect to concentration credit risk. The District's investments consist only of cash and investments on deposit with County Treasurer and Arizona Risk Retention Trust, with the exception of cash on deposit with paying agent previously discussed.

**2. Receivables**

The Gila County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred revenues.

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:

	Unavailable	Unearned
Delinquent Property Taxes Receivable		
General Fund	\$ 343,096	\$ -
Debt Service Fund	73,826	-
Intergovernmental Receivable		
General Fund	35,950	-
Special Projects Fund	-	2,636
	\$ 452,872	\$ 2,636

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 503,854	\$ -	\$ -	\$ 503,854
Construction in progress	-	733,793	-	733,793
Total Capital Assets, Not Being Depreciated	<u>503,854</u>	<u>733,793</u>	<u>-</u>	<u>1,237,647</u>
Capital Assets, Being Depreciated:				
Land Improvements	5,527,148	253,315	-	5,780,463
Buildings and Building Improvements	60,716,470	-	-	60,716,470
Furniture, Equipment, and Vehicles	4,328,825	42,505	(82,571)	4,288,759
Total Capital Assets, Being Depreciated	<u>70,572,443</u>	<u>295,820</u>	<u>(82,571)</u>	<u>70,785,692</u>
Accumulated Depreciation for:				
Land Improvements	(3,999,357)	(208,090)	-	(4,207,447)
Buildings and Building Improvements	(12,155,003)	(1,484,598)	-	(13,639,601)
Furniture, Equipment, and Vehicles	(2,822,759)	(282,343)	34,995	(3,070,107)
Total Accumulated Depreciation	<u>(18,977,119)</u>	<u>(1,975,031)</u>	<u>34,995</u>	<u>(20,917,155)</u>
Total Capital Assets, Being Depreciated, Net	<u>51,595,324</u>	<u>(1,679,211)</u>	<u>(47,576)</u>	<u>49,868,537</u>
Governmental Activities Capital Assets, Net	<u>\$ 52,099,178</u>	<u>\$ (945,418)</u>	<u>\$ (47,576)</u>	<u>\$ 51,106,184</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
Instruction	\$ 1,556,690
Support Services:	
Instructional Support Staff	6,450
General Administration	35,625
Business and Other Support Services	2,891
Operations and Maintenance of Plant	158,795
Student Transportation	208,927
Operation of Noninstructional Services	5,653
	<u>\$ 1,975,031</u>



**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Capital Assets (Continued)**

During the fiscal year, the District closed the Frontier Elementary School. The Governing Board is analyzing the future use of the buildings and at June 30, 2012 the buildings were idle and the net book value of the buildings included on the statement of net assets was \$2,787,581.

**4. Construction Commitments**

The District has active construction projects at June 30, 2012 and the commitments with contractors were as follows:

	Governmental Activities	
Project	Spent-to-Date	Estimated Remaining
Payson High School Additions and Renovations	<u>\$ 733,793</u>	<u>\$ 425,042</u>

**B. Interfund Receivables, Payables and Transfers**

As of June 30, 2012, interfund receivable and payables were as follows:

	Due From		
	Special Projects Fund	Nonmajor Governmental Funds	Total
Due To			
General Fund	<u>\$ 438,376</u>	<u>\$ 240,195</u>	<u>\$ 678,571</u>

The above interfund receivables and payables are recorded to eliminate deficit cash balances for cash received immediately following the fiscal year end.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Interfund Receivables, Payables and Transfers (Continued)**

Interfund transfers for the year ended June 30, 2012 consisted of the following:

	Transfers From
Transfers To	Special Projects Fund
General Fund	\$ 54,963

Transfers were made to record indirect costs transferred to the indirect cost pool for various federal grants.

**C. Bank Line of Credit**

The District has an unsecured line of credit for \$3,000,000 with a local financial institution through the Gila County Treasurer's office, to provide for short-term cash flow needs. There was no outstanding balance at June 30, 2012. The annual interest rate charged on the outstanding balance was prime rate less 3.55%. Line of Credit activity for fiscal year is as follows:

Balance at July 1, 2011	\$ 2,256,658
Increases	12,341,514
Decreases	(14,598,172)
Balance at June 30, 2012	\$ -

**D. Obligations Under Leases**

Capital Leases

The District has acquired 60 acres of land, operational vehicles and several buses under the provisions of long-term lease agreements classified as capital leases. Accordingly, the principal amount of the assets, totaling \$300,049 is capitalized. The leases provide for title to pass at the end of the lease terms.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Obligations Under Leases (Continued)**

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Land	\$ 212,500
Furniture, Equipment, and Vehicles	87,549
Less: Accumulated Depreciation	<u>(55,630)</u>
Total	<u><u>\$ 244,419</u></u>

The future minimum lease payments under the capital leases to be paid from the General Fund as of June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 20,397
2014	20,397
2015	20,397
2016	<u>13,706</u>
Net Minimum Lease Payments	74,897
Less: Amount Representing Interest	<u>(5,592)</u>
Present Value of Net Minimum Capital Lease Payments	<u><u>\$ 69,305</u></u>

**E. Long-Term Obligations**

The District had long-term bonds payable and supplemental interest certificates issued to provide funds for the acquisition and construction of major capital facilities. The principal and interest paid on the bonds are recorded in the Debt Service Fund. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates (%)</u>	<u>Maturity Dates</u>	<u>Original Issue Amounts</u>	<u>Amount Outstanding</u>
School Improvement Bonds, Series 2007	5.00-5.25%	07/01/13-27	\$ 20,000,000	\$ 19,900,000
School Improvement Bonds, Series 2008	5.00-5.75%	07/01/14-28	13,845,000	13,845,000
Supplemental Interest Certificates, Series 2008	3.65-4.35%	07/1/2013	<u>955,000</u>	<u>325,000</u>
Total General Obligation Bonds Payable			<u><u>\$ 34,800,000</u></u>	<u><u>\$ 34,070,000</u></u>

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

Changes in long-term obligations for the year ended June 30, 2012 are as follows:

	<u>July 01, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>	<u>Due within One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Bonds	\$ 33,845,000	\$ -	\$ (100,000)	\$ 33,745,000	\$ 500,000
Supplemental Interest Certificates	855,000	-	(530,000)	325,000	325,000
Discount on Bonds	(1,230,538)	-	75,091	(1,155,447)	-
Discount on Certificates	(34,516)	-	26,389	(8,127)	-
Total Bonds Payable	<u>33,434,946</u>	<u>-</u>	<u>(528,520)</u>	<u>32,906,426</u>	<u>825,000</u>
Other Liabilities:					
Capital Lease	70,420	33,131	(33,946)	69,605	18,245
Compensated Absences	581,571	474,489	(421,646)	634,414	434,295
Total Other Liabilities	<u>651,991</u>	<u>507,620</u>	<u>(455,592)</u>	<u>704,019</u>	<u>452,540</u>
Governmental activities long-term debt	<u>\$ 34,086,937</u>	<u>\$ 507,620</u>	<u>\$ (984,112)</u>	<u>\$ 33,610,445</u>	<u>\$ 1,277,540</u>

The following table summarizes the District's debt service requirements on long-term bonds and supplemental interest certificates to maturity at June 30, 2012.

<u>Year Ending June 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 825,000	\$ 1,800,738
2014	1,030,000	1,775,738
2015	1,150,000	1,724,238
2016	1,300,000	1,666,738
2017	1,450,000	1,601,738
2018-2022	10,105,000	6,697,675
2023-2027	14,770,000	3,481,125
2028	3,440,000	197,800
<b>Totals</b>	<u>\$ 34,070,000</u>	<u>\$ 18,945,790</u>

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Fund Balance/Net Assets Classification**

The fund balance classifications of the governmental funds as of June 30, 2012, were as follows:

	General Fund	Special Projects Fund	Debt Service Fund	Emergency Deficiencies Correction Fund	Nonmajor Governmental Funds	Totals
<b>Nonspendable</b>						
Inventory	\$ 84,167	\$ -	\$ -	\$ -	\$ 65,757	\$ 149,924
<b>Restricted</b>						
Instructional Improvement Programs	-	-	-	-	43,066	43,066
Federal Instructional Programs	-	5,893	-	-	-	5,893
State Instructional Programs	-	12,729	-	-	-	12,729
Food Services	-	-	-	-	1,179	1,179
Community Programs	-	-	-	-	155,214	155,214
Instructional Aides	-	-	-	-	9,260	9,260
Vocational Education Programs	-	-	-	-	83,539	83,539
Noninstructional Programs	-	-	-	-	226,397	226,397
Capital Projects	-	-	-	20	-	20
Debt Service	-	-	56,417	-	-	56,417
Total Restricted	-	18,622	56,417	20	518,655	593,714
<b>Unassigned</b>	3,054,167	-	-	-	(135,914)	2,918,253
Total Fund Balance	<u>\$ 3,138,334</u>	<u>\$ 18,622</u>	<u>\$ 56,417</u>	<u>\$ 20</u>	<u>\$ 448,498</u>	<u>\$ 3,661,891</u>

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's insurance protection is provided by the Arizona School Risk Retention Trust, of which the District is a participating member. The limit for basic coverage is \$10 million per occurrence on a claims made basis. Excess coverage is for an additional \$10 million per occurrence on a follow form, claims made basis.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**A. Risk Management (Continued)**

The Arizona School Risk Retention Trust 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 District is insured by the Alliance, of which the District is a participating member, for potential worker related accidents. The Alliance is structured such that member premiums are a percentage of that member's salary expenditures. The percentage is based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool is secondarily insured by a commercial insurance carrier should reserves and annual premiums be insufficient to meet the pool's obligations.

**B. Retirement Plans**

**Arizona State Retirement System**

**1. Plan Descriptions**

The District 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 System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

**2. Funding Policy**

The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2012, the plan members were required to contribute at the actuarially determined rate of 10.74% (10.50% retirement and .24% long-term disability) and the District was required by statute to contribute at the actuarially determined rate of 10.74% (9.87% for retirement, .63% for health insurance premium, and 0.24% for long-term disability) of the members' annual covered payroll. Actual contributions to the plan were equal to the required contribution amounts. The District's contributions to the System for year ended June 30, 2012 and prior two fiscal years was as follows.

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

Years Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2012	\$ 985,531	\$ 62,906	\$ 23,964
2011	947,109	62,019	26,279
2010	934,490	116,811	46,725

**C. Subsequent Events**

Subsequent to June 30, 2012, the District entered in a lease agreement for the purchase of several copiers. The principal amount of the lease totaled \$110,135 and required annual principal and interest payments of \$24,278 through September 2016.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND – BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Property Taxes	\$ -	\$ -	\$ 9,676,421	\$ 9,676,421
Intergovernmental	-	-	5,175,165	5,175,165
Tuition	-	-	421,720	421,720
Investment Earnings	-	-	(3)	(3)
Total Revenue	<u>-</u>	<u>-</u>	<u>15,273,303</u>	<u>15,273,303</u>
<b>Expenditures</b>				
<b>Regular Education</b>				
Instruction	5,407,765	5,541,381	5,252,829	288,552
Support Services - Students	472,449	560,026	517,292	42,734
Support Services - Instructional Staff	491,297	427,836	421,335	6,501
Support Services - General Administration	274,305	279,024	297,166	(18,142)
Support Services - School Administration	832,437	799,342	822,284	(22,942)
Support Services - Business and Other	562,892	622,923	592,760	30,163
Operations and Maintenance of Plant	2,431,183	2,390,029	2,207,676	182,353
Operation of Noninstructional Services	63,317	54,849	81,788	(26,939)
Total Regular Education	<u>10,535,645</u>	<u>10,675,410</u>	<u>10,193,130</u>	<u>482,280</u>
<b>Special Education</b>				
Instruction	1,758,579	1,983,791	1,934,954	48,837
Support Services - Students	497,586	479,637	549,784	(70,147)
Support Services - Instructional Staff	2,100	2,100	1,916	184
Support Services - Business and Other	1,600	1,600	144	1,456
Total Special Education	<u>2,259,865</u>	<u>2,467,128</u>	<u>2,486,798</u>	<u>(19,670)</u>
<b>Pupil Transportation</b>				
Student Transportation Services	881,197	900,710	966,057	(65,347)
Total Expenditures	<u>13,676,707</u>	<u>14,043,248</u>	<u>13,645,985</u>	<u>397,263</u>
Excess (Deficiency) of Revenue Over Expenditures	(13,676,707)	(14,043,248)	1,627,318	15,670,566
<b>Fund Balance</b>				
Beginning of Year	-	-	(1,203,471)	(1,203,471)
Decrease in Inventories	-	-	15,392	15,392
End of Year	<u>\$ (13,676,707)</u>	<u>\$ (14,043,248)</u>	<u>\$ 439,239</u>	<u>\$ 14,482,487</u>

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**SPECIAL PROJECTS FUND**  
**YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ -	\$ -	\$ 2,671,783	\$ 2,671,783
Investment Earnings	-	-	(477)	(477)
Total Revenue	<u>-</u>	<u>-</u>	<u>2,671,306</u>	<u>2,671,306</u>
Expenditures				
Instruction	2,038,382	2,942,872	1,990,343	952,529
Support Services				
Students	-	-	302,115	(302,115)
Instructional Staff	-	-	198,435	(198,435)
Business and Other Support Services	-	-	10,679	(10,679)
Operations and Maintenance of Plant	-	-	81,611	(81,611)
Student Transportation	-	-	4,915	(4,915)
Total Expenditures	<u>2,038,382</u>	<u>2,942,872</u>	<u>2,588,098</u>	<u>354,774</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(2,038,382)</u>	<u>(2,942,872)</u>	<u>83,208</u>	<u>3,026,080</u>
Other Finance Sources (Uses)				
Transfers Out	-	-	(54,963)	(54,963)
Total Other Finance Sources (Uses)	<u>-</u>	<u>-</u>	<u>(54,963)</u>	<u>(54,963)</u>
Net Change in Fund Balance	(2,038,382)	(2,942,872)	28,245	2,971,117
Fund Balance				
Beginning of Year	-	-	(9,623)	(9,623)
End of Year	<u>\$ (2,038,382)</u>	<u>\$ (2,942,872)</u>	<u>\$ 18,622</u>	<u>\$ 2,961,494</u>

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2012**

**NOTE 1 BASIS OF ACCOUNTING**

The District's adopted budget is prepared on a basis consistent with U.S. generally accepted accounting principles, with the following exceptions:

- 1) The General Fund as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances includes the District's Maintenance and Operation Fund in addition to several other District funds as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; however, for budgetary purposes, the District prepares a separate Maintenance and Operation Fund budget.
- 2) Prepaid insurance is budgeted in the year paid rather than in the year the expenditure is incurred.

The following adjustments are necessary to present actual revenues, expenditures, other financing sources and uses, beginning fund balance and ending fund balance on a budgetary basis in order to present only the activity of the District's Maintenance and Operation Fund for budgetary purposes.

	Total Revenues	Total Expenditures	Other Financing Sources and Uses	Fund Balance Beginning of Year	Fund Balance End of Year
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 16,609,423	\$ 13,592,680	\$ 88,094	\$ 18,105	\$ 3,138,334
Non Maintenance and Operation Activity Included in General Fund	(1,336,120)	(1,089,382)	(88,094)	(1,221,576)	(1,556,408)
Current year prepaid items	-	1,142,687	-	-	(1,142,687)
Budgetary Comparison Schedule - General Fund	<u>\$ 15,273,303</u>	<u>\$ 13,645,985</u>	<u>\$ -</u>	<u>\$ (1,203,471)</u>	<u>\$ 439,239</u>

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

*Instructional Improvement Fund* - accounts for the revenues and expenditures for State apportioned Indian Gaming monies.

*Classroom Site Fund* – accounts for the revenues and expenditures for State apportioned education sales tax monies.

*Food Services Fund* - accounts for the financial operations of preparing and serving regular and incidental meals and snacks in connection with school functions.

*Other Special Revenue Fund* - accounts for the revenues and expenditures of the following activities or objectives: civic center, community school, extracurricular activities fee tax credit, insurance proceeds, insurance refunds, litigation recovery, textbooks, and joint technological education.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	Special Revenue				Total Nonmajor Governmental Funds
	Instructional Improvement	Classroom Site	Food Services	Other Special Revenue	
Assets					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 515,677	\$ 515,677
Receivables					
Intergovernmental	44,074	55,915	75,721	-	175,710
Inventory	-	-	65,757	-	65,757
Total Assets	<u>\$ 44,074</u>	<u>\$ 55,915</u>	<u>\$ 141,478</u>	<u>\$ 515,677</u>	<u>\$ 757,144</u>
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$ -	\$ -	\$ 22,308	\$ 37,919	60,227
Accrued Wages and Benefits	-	4,876	-	3,348	8,224
Due to Other Funds	1,008	186,953	52,234	-	240,195
Total Liabilities	<u>1,008</u>	<u>191,829</u>	<u>74,542</u>	<u>41,267</u>	<u>308,646</u>
Fund Balance					
Nonspendable	-	-	65,757	-	65,757
Restricted	43,066	-	1,179	474,410	518,655
Unassigned	-	(135,914)	-	-	(135,914)
Total Fund Balance	<u>43,066</u>	<u>(135,914)</u>	<u>66,936</u>	<u>474,410</u>	<u>448,498</u>
Total Liabilities and Balance	<u>\$ 44,074</u>	<u>\$ 55,915</u>	<u>\$ 141,478</u>	<u>\$ 515,677</u>	<u>\$ 757,144</u>

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	Special Revenue				Total Nonmajor Governmental Funds
	Instructional Improvement	Classroom Site	Food Services	Other Special Revenue	
<b>Revenue</b>					
Intergovernmental	\$ 101,604	\$ 671,028	\$ 703,312	\$ 239,567	\$ 1,715,511
Food Service Sales	-	-	172,341	-	172,341
Contributions and Donations	-	-	-	422,434	422,434
Charges for Services	-	-	-	89,096	89,096
Investment Earnings	130	281	474	1,265	2,150
Other	-	-	-	39,637	39,637
Total Revenue	<u>101,734</u>	<u>671,309</u>	<u>876,127</u>	<u>791,999</u>	<u>2,441,169</u>
<b>Expenditures</b>					
Current					
Instruction	98,950	436,711	-	531,962	1,067,623
Support Services					
Students	-	10,542	-	114,788	125,330
Instructional Staff	-	1,880	-	75,718	77,598
General Administration	-	-	-	7,753	7,753
School Administration	-	-	-	155	155
Business and Other Support Services	-	-	-	4,215	4,215
Operations and Maintenance of Plant	-	-	454	46,533	46,987
Student Transportation	-	-	-	38,944	38,944
Operation of Noninstructional Services	-	-	876,448	2,993	879,441
Total Expenditures	<u>98,950</u>	<u>449,133</u>	<u>876,902</u>	<u>823,061</u>	<u>2,248,046</u>
Excess (Deficiency) of Revenue Over Expenditures	2,784	222,176	(775)	(31,062)	193,123
<b>Other Finance Sources (Uses)</b>					
Fund Balance					
Beginning of Year	40,282	(358,090)	55,794	505,472	243,458
Increase in Inventories	-	-	11,917	-	11,917
End of Year	<u>\$ 43,066</u>	<u>\$ (135,914)</u>	<u>\$ 66,936</u>	<u>\$ 474,410</u>	<u>\$ 448,498</u>

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Property Taxes	\$ -	\$ -	\$ 2,376,026	\$ 2,376,026
Tuition	-	-	53,522	53,522
Investment Earnings	-	-	2,881	2,881
Total Revenue	<u>-</u>	<u>-</u>	<u>2,432,429</u>	<u>2,432,429</u>
Expenditures				
Debt Service				
Principal Retirement	630,000	630,000	630,000	-
Interest on Long-term Debt	1,851,238	1,805,738	1,805,736	2
Total Expenditures	<u>2,481,238</u>	<u>2,435,738</u>	<u>2,435,736</u>	<u>2</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(2,481,238)</u>	<u>(2,435,738)</u>	<u>(3,307)</u>	<u>2,432,431</u>
Fund Balance				
Beginning of Year	-	-	59,724	59,724
End of Year	<u>\$ (2,481,238)</u>	<u>\$ (2,435,738)</u>	<u>\$ 56,417</u>	<u>\$ 2,492,155</u>

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
EMERGENCY DEFICIENCIES CORRECTION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ -	\$ -	\$ 832,392	\$ 832,392
Total Revenue	<u>-</u>	<u>-</u>	<u>832,392</u>	<u>832,392</u>
Expenditures				
Support Services				
Operations and Maintenance of Plant	-	-	25,828	(25,828)
Capital Outlay				
Facilities Acquisition	-	1,225,000	806,544	418,456
Total Expenditures	<u>-</u>	<u>1,225,000</u>	<u>832,372</u>	<u>392,628</u>
Excess (Deficiency) of Revenue Over Expenditures	-	(1,225,000)	20	1,225,020
Fund Balance				
Beginning of Year	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ (1,225,000)</u>	<u>\$ 20</u>	<u>\$ 1,225,020</u>

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
INSTRUCTIONAL IMPROVEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ -	\$ -	\$ 101,604	\$ 101,604
Investment Earnings	-	-	130	130
Total Revenue	<u>-</u>	<u>-</u>	<u>101,734</u>	<u>101,734</u>
Expenditures				
Instruction	<u>93,876</u>	<u>99,200</u>	<u>98,950</u>	<u>250</u>
Total Expenditures	<u>93,876</u>	<u>99,200</u>	<u>98,950</u>	<u>250</u>
Excess (Deficiency) of Revenue Over Expenditures	(93,876)	(99,200)	2,784	101,984
Fund Balance				
Beginning of Year	-	-	40,282	40,282
End of Year	<u>\$ (93,876)</u>	<u>\$ (99,200)</u>	<u>\$ 43,066</u>	<u>\$ 142,266</u>

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
CLASSROOM SITE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ -	\$ -	\$ 671,028	\$ 671,028
Investment Earnings	-	-	281	281
Total Revenue	-	-	671,309	671,309
Expenditures				
Instruction	485,904	472,352	436,711	35,641
Support Services				
Students	10,492	16,294	10,542	5,752
Instructional Staff	-	1,861	1,880	(19)
Total Expenditures	496,396	490,507	449,133	41,374
Excess (Deficiency) of Revenue Over Expenditures	(496,396)	(490,507)	222,176	712,683
Fund Balance				
Beginning of Year	-	-	(358,090)	(358,090)
End of Year	\$ (496,396)	\$ (490,507)	\$ (135,914)	\$ 354,593

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
FOOD SERVICES FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ -	\$ -	\$ 703,312	\$ 703,312
Food Service Sales	-	-	172,341	172,341
Investment Earnings	-	-	474	474
Total Revenue	<u>-</u>	<u>-</u>	<u>876,127</u>	<u>876,127</u>
Expenditures				
Support Services				
Operations and Maintenance of Plant	-	-	454	(454)
Operation of Noninstructional Services	<u>876,357</u>	<u>870,041</u>	<u>876,448</u>	<u>(6,407)</u>
Total Expenditures	<u>876,357</u>	<u>870,041</u>	<u>876,902</u>	<u>(6,861)</u>
Excess (Deficiency) of Revenue Over Expenditures	(876,357)	(870,041)	(775)	869,266
Fund Balance				
Beginning of Year	-	-	55,794	55,794
Increase (Decrease) in Reserve for Inventories			11,917	11,917
End of Year	<u>\$ (876,357)</u>	<u>\$ (870,041)</u>	<u>\$ 66,936</u>	<u>\$ 936,977</u>



**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
OTHER SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ -	\$ -	\$ 239,567	\$ 239,567
Contributions and Donations	-	-	422,434	422,434
Charges for Services	-	-	89,096	89,096
Investment Earnings	-	-	1,265	1,265
Other	-	-	39,637	39,637
Total Revenue	<u>-</u>	<u>-</u>	<u>791,999</u>	<u>791,999</u>
Expenditures				
Instruction	407,217	561,546	531,962	29,584
Support Services				
Students	-	-	114,788	(114,788)
Instructional Staff	-	9,000	75,718	(66,718)
General Administration	-	-	7,753	(7,753)
School Administration	-	-	155	(155)
Business and Other Support Services	-	1,000	4,215	(3,215)
Operations and Maintenance of Plant	41,000	51,000	46,533	4,467
Student Transportation	300,000	300,000	38,944	261,056
Operation of Noninstructional Services	-	-	2,993	(2,993)
Total Expenditures	<u>748,217</u>	<u>922,546</u>	<u>823,061</u>	<u>99,485</u>
Excess (Deficiency) of Revenue Over Expenditures	(748,217)	(922,546)	(31,062)	891,484
Fund Balance				
Beginning of Year	-	-	505,472	505,472
End of Year	<u>\$ (748,217)</u>	<u>\$ (922,546)</u>	<u>\$ 474,410</u>	<u>\$ 1,396,956</u>

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## **AGENCY FUNDS**

*Student Activities Fund* - accounts for monies raised by students to finance student clubs and organizations but held by the District as an agency.

*Insurance Fund* - accounts for monies held to pay insurance premiums of the District and District employees.

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**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**JUNE 30, 2012**

	<u>Student Activities</u>	<u>Insurance</u>	<u>Totals</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 149,010	\$ 59,620	\$ 208,630
Total Current Assets	<u>\$ 149,010</u>	<u>\$ 59,620</u>	<u>\$ 208,630</u>
Liabilities			
Due to Student Groups	\$ 149,010	\$ -	\$ 149,010
Due to Other Entities	-	59,620	59,620
Total Liabilities	<u>\$ 149,010</u>	<u>\$ 59,620</u>	<u>\$ 208,630</u>

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**YEAR ENDED JUNE 30, 2012**

	Balance July 01, 2011	Additions	Deletions	Balance June 30, 2012
<b>Student Activities Fund</b>				
Assets				
Cash and Cash Equivalents	\$ 187,494	\$ 251,703	\$ (290,187)	\$ 149,010
Total Assets	<u>\$ 187,494</u>	<u>\$ 251,703</u>	<u>\$ (290,187)</u>	<u>\$ 149,010</u>
Liabilities				
Payson High School	\$ 160,157	\$ 218,331	\$ (247,656)	\$ 130,832
Rim Country Middle School	18,766	26,947	(29,801)	15,912
Payson Elementary School	64	-	(64)	-
Frontier Elementary School	4,920	-	(4,920)	-
Julia Randall Elementary School	2,559	5,785	(6,714)	1,630
Payson Center for Success	1,028	640	(1,032)	636
Total Liabilities	<u>\$ 187,494</u>	<u>\$ 251,703</u>	<u>\$ (290,187)</u>	<u>\$ 149,010</u>
<b>Insurance</b>				
Assets				
Cash and Cash Equivalents	\$ 799,864	\$ 2,228,465	\$ (2,968,709)	\$ 59,620
Total Assets	<u>\$ 799,864</u>	<u>\$ 2,228,465</u>	<u>\$ (2,968,709)</u>	<u>\$ 59,620</u>
Liabilities				
Due to Other Entities	\$ 799,864	\$ 2,228,465	\$ (2,968,709)	\$ 59,620
Total Liabilities	<u>\$ 799,864</u>	<u>\$ 2,228,465</u>	<u>\$ (2,968,709)</u>	<u>\$ 59,620</u>
<b>Total Agency Funds</b>				
Assets				
Cash and Cash Equivalents	\$ 987,358	\$ 2,480,168	\$ (3,258,896)	\$ 208,630
Total Assets	<u>\$ 987,358</u>	<u>\$ 2,480,168</u>	<u>\$ (3,258,896)</u>	<u>\$ 208,630</u>
Liabilities				
Due to Student Groups	\$ 187,494	\$ 251,703	\$ (290,187)	\$ 149,010
Due to Other Entities	799,864	2,228,465	(2,968,709)	59,620
Total Liabilities	<u>\$ 987,358</u>	<u>\$ 2,480,168</u>	<u>\$ (3,258,896)</u>	<u>\$ 208,630</u>

## **STATISTICAL SECTION (UNAUDITED)**

This section of the Payson Unified School District No. 10'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 property 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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**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**NET ASSETS BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 11,658,559	\$ 13,427,455	\$ 12,819,916	\$ 16,582,744	\$ 17,476,819	\$ 18,144,985	\$ 17,104,180	\$ 17,992,133	\$ 18,593,812	\$ 18,130,153
Restricted	2,019,118	1,862,275	3,805,078	2,447,599	3,380,428	4,690,212	5,728,461	4,311,030	762,418	733,297
Unrestricted	2,633,723	1,834,881	1,558,015	1,550,759	1,867,020	2,340,583	2,526,317	777,396	54,325	3,222,034
Total governmental activities net assets	<u>\$ 16,311,400</u>	<u>\$ 17,124,611</u>	<u>\$ 18,183,009</u>	<u>\$ 20,581,102</u>	<u>\$ 22,724,267</u>	<u>\$ 25,175,780</u>	<u>\$ 25,358,958</u>	<u>\$ 23,080,559</u>	<u>\$ 19,410,555</u>	<u>\$ 22,085,484</u>

Source: District's Business and Finance Department

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**CHANGES IN NET ASSETS**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental activities:										
Instruction	\$ 10,377,716	\$ 10,506,365	\$ 11,401,743	\$ 11,297,131	\$ 12,212,856	\$ 13,150,412	\$ 15,108,723	\$ 12,798,445	\$ 13,240,495	\$ 11,846,480
Support services:										
Students	1,293,258	1,479,271	1,531,819	1,619,045	1,714,714	1,562,901	1,673,167	1,738,373	1,640,890	1,476,800
Instructional staff	480,626	565,422	533,021	652,585	688,254	945,457	1,034,693	975,922	911,722	671,107
General administration	224,012	229,708	340,761	343,188	458,929	433,384	370,817	442,684	347,486	356,302
School administration	728,458	793,576	879,180	847,627	892,326	850,904	887,770	901,630	855,214	761,822
Business and other support services	658,478	672,404	725,221	780,575	944,577	721,103	738,778	681,361	787,458	627,303
Operation and maintenance of plant	2,016,575	1,943,401	2,092,212	2,296,466	2,371,832	2,569,104	2,452,655	2,581,403	2,608,092	2,437,707
Student transportation	623,492	792,605	826,036	908,598	830,913	992,792	1,019,081	1,060,662	1,243,852	1,139,249
Operation of noninstructional services	1,031,549	1,119,797	1,200,732	1,488,178	1,507,119	1,748,379	1,712,304	1,681,269	1,058,022	958,959
Interest on long-term debt	450,856	386,841	317,545	258,640	203,810	444,579	809,521	1,647,952	1,941,335	1,908,023
Total governmental activities	<u>17,885,020</u>	<u>18,489,390</u>	<u>19,848,270</u>	<u>20,492,033</u>	<u>21,825,330</u>	<u>23,419,015</u>	<u>25,807,509</u>	<u>24,509,701</u>	<u>24,634,566</u>	<u>22,183,752</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Instruction	555,895	605,034	629,018	339,754	311,430	314,713	362,318	312,853	449,158	425,445
Students	-	-	-	44,880	43,214	133,751	42,887	32,851	31,771	33,936
Instructional staff	-	-	-	20,718	19,195	24,276	27,488	16,416	15,052	12,775
General administration	-	-	-	7,836	10,451	9,240	9,575	8,293	7,523	9,333
School administration	-	-	-	34,206	35,084	29,142	30,397	25,982	24,278	24,488
Business and other support services	-	-	-	24,843	27,647	24,267	22,902	16,188	21,470	20,299
Operation and maintenance of plant	-	-	-	82,431	79,747	81,153	77,555	64,967	68,196	69,723
Student transportation	-	-	-	23,833	91,931	100,382	34,445	23,086	32,490	29,181
Operation of noninstructional services	676,531	637,045	626,206	787,436	855,065	991,181	998,002	866,548	510,485	207,535
Interest on long-term debt	81,000	90,000	83,445	76,822	71,783	68,708	-	-	-	-
Operating grants and contributions	2,919,961	3,323,571	3,496,930	3,969,892	4,446,115	4,416,084	4,815,898	5,202,704	4,753,176	4,920,518
Capital grants and contributions	3,286,394	641,867	-	145,000	-	-	345,895	135,693	-	832,392
Total governmental activities program revenues	<u>\$ 7,519,781</u>	<u>\$ 5,297,517</u>	<u>\$ 4,835,599</u>	<u>\$ 5,557,651</u>	<u>\$ 5,991,662</u>	<u>\$ 6,192,897</u>	<u>\$ 6,767,362</u>	<u>\$ 6,705,581</u>	<u>\$ 5,913,599</u>	<u>\$ 6,585,625</u>

(Continued)

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**CHANGE IN NET ASSETS**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

	Fiscal Year									
(Concluded)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (10,365,239)	\$ (13,191,873)	\$ (15,012,671)	\$ (14,934,382)	\$ (15,833,668)	\$ (17,226,118)	\$ (19,040,147)	\$ (17,804,120)	\$ (18,720,967)	\$ (15,598,127)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Property taxes	8,468,433	7,518,796	9,484,102	10,393,452	10,603,824	10,963,947	11,701,990	9,141,094	9,065,519	12,116,270
State Equalization and Additional State Aid	5,873,805	5,479,193	5,853,490	6,077,821	6,726,411	7,308,620	6,198,336	5,543,242	4,989,139	5,287,327
County Equalization	-	-	-	-	-	-	-	326,163	308,652	303,174
Federal Aid Not Restricted	-	-	-	-	-	-	-	-	584,741	399,822
Investment earnings	132,571	92,111	95,848	157,150	213,111	1,315,489	806,963	100,125	19,657	8,760
Other	521,947	914,984	637,629	704,052	433,487	89,575	516,036	415,097	83,255	157,703
Total governmental activities:	<u>14,996,756</u>	<u>14,005,084</u>	<u>16,071,069</u>	<u>17,332,475</u>	<u>17,976,833</u>	<u>19,677,631</u>	<u>19,223,325</u>	<u>15,525,721</u>	<u>15,050,963</u>	<u>18,273,056</u>
<b>Change in Net Assets</b>										
Governmental activities	<u>\$ 4,631,517</u>	<u>\$ 813,211</u>	<u>\$ 1,058,398</u>	<u>\$ 2,398,093</u>	<u>\$ 2,143,165</u>	<u>\$ 2,451,513</u>	<u>\$ 183,178</u>	<u>\$ (2,278,399)</u>	<u>\$ (3,670,004)</u>	<u>\$ 2,674,929</u>

Source: District's Business and Finance Department

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**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 78,383	\$ 109,240	\$ 98,602	\$ 58,803	\$ 100,260	\$ 104,990	\$ 121,024	\$ 88,245	\$ -	\$ -
Unreserved	1,733,375	798,228	466,998	610,819	700,703	684,789	426,406	108,787	-	-
Nonspendable	-	-	-	-	-	-	-	-	68,775	84,167
Unassigned	-	-	-	-	-	-	-	-	(50,670)	3,054,167
Total General Fund	<u>\$ 1,811,758</u>	<u>\$ 907,468</u>	<u>\$ 565,600</u>	<u>\$ 669,622</u>	<u>\$ 800,963</u>	<u>\$ 789,779</u>	<u>\$ 547,430</u>	<u>\$ 197,032</u>	<u>\$ 18,105</u>	<u>\$ 3,138,334</u>
All other governmental funds										
Reserved	\$ 6,905	\$ 4,544	\$ -	\$ -	\$ 14,899	\$ 56,709	\$ 10,813	\$ 42,598	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	968,433	743,744	1,012,829	1,267,476	1,391,798	2,042,654	1,882,274	1,784,349	-	-
Debt service funds	223,895	376,249	246,199	111,555	122,184	232,894	1,331,508	1,116,622	-	-
Capital projects funds	829,381	837,222	572,830	2,265,086	2,016,471	1,773,263	15,937,932	1,481,084	-	-
Nonspendable	-	-	-	-	-	-	-	-	53,840	65,757
Restricted	-	-	-	-	-	-	-	-	611,173	593,714
Unassigned	-	-	-	-	-	-	-	-	(371,454)	(135,914)
Total all other governmental funds	<u>\$ 2,028,614</u>	<u>\$ 1,961,759</u>	<u>\$ 1,831,858</u>	<u>\$ 3,644,117</u>	<u>\$ 3,545,352</u>	<u>\$ 4,105,520</u>	<u>\$ 19,162,527</u>	<u>\$ 4,424,653</u>	<u>\$ 293,559</u>	<u>\$ 523,557</u>

Source: District's Business and Finance Department.

Note 1: The District implemented the provisions of GASB Statement No. 54 in fiscal year 2011, which revised the fund balance classifications.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Property taxes	\$ 8,581,187	\$ 7,472,787	\$ 9,279,653	\$ 10,260,272	\$ 10,911,252	\$ 10,866,127	\$ 11,473,246	\$ 9,103,026	\$ 9,032,973	\$ 12,242,848
Intergovernmental										
Federal aid and grants	1,748,933	2,195,850	2,120,227	2,229,756	2,180,798	2,095,336	2,711,597	3,557,436	3,486,197	3,657,625
State aid and grants	10,087,746	7,003,579	6,797,216	7,401,707	8,331,597	9,114,578	7,979,619	6,624,664	5,950,287	6,973,693
County aid and grants	243,481	245,202	252,253	256,924	-	-	-	326,163	308,652	303,174
Other districts	-	-	-	384,175	484,529	351,854	406,559	409,115	392,226	239,567
Tuition	629,375	695,034	690,824	664,757	650,170	658,969	617,864	488,389	515,634	490,198
Food services sales	178,219	149,767	175,874	250,379	329,206	338,389	332,700	303,667	243,884	172,341
Auxiliary operations	467,811	487,278	450,332	527,623	520,474	644,842	655,005	557,648	264,222	32,312
Contributions and donations	100,767	82,408	180,724	304,326	175,602	162,936	262,354	214,165	537,195	570,634
Charges for Services	-	-	-	-	-	-	-	17,480	136,683	137,864
Investment earnings	132,291	92,111	95,848	157,150	213,061	1,315,456	806,962	100,125	19,657	8,760
Other	451,681	832,576	659,268	319,877	479,184	224,188	516,036	415,098	83,255	157,703
<b>Total revenues</b>	<b>22,621,491</b>	<b>19,256,592</b>	<b>20,702,219</b>	<b>22,756,946</b>	<b>24,275,873</b>	<b>25,772,675</b>	<b>25,761,942</b>	<b>22,116,976</b>	<b>20,970,865</b>	<b>24,986,719</b>
<b>Expenditures</b>										
Current										
Instruction	9,776,953	10,108,682	10,797,018	10,674,140	11,494,116	12,190,497	11,908,723	11,459,966	11,776,498	10,296,220
Support services:										
Students	1,289,925	1,467,926	1,517,958	1,614,093	1,708,623	1,579,468	1,668,361	1,740,280	1,625,394	1,476,915
Instructional staff	473,055	557,648	521,335	644,934	679,278	947,885	1,028,638	977,030	902,080	671,088
General administration	215,761	221,265	328,870	344,403	455,732	408,373	399,704	377,303	284,634	296,364
School administration	739,569	783,476	861,524	855,014	1,008,814	851,947	878,317	908,980	840,934	757,439
Business and other	668,825	665,790	715,438	762,672	932,097	726,892	731,064	683,081	773,162	642,623
Operation/maintenance of plant	1,779,471	1,837,094	1,940,765	2,132,746	2,281,447	2,452,147	2,310,219	2,401,025	2,428,534	2,310,578
Student transportation	459,231	623,948	776,985	973,980	768,909	1,268,913	1,160,985	1,456,081	1,208,243	946,270
Operation of noninstructional services	1,032,154	1,116,103	1,194,601	1,482,778	1,541,438	1,694,638	1,745,836	1,673,501	1,059,673	968,564
Capital outlay										
Facilities acquisition/construction	4,092,119	1,195,954	950,576	1,617,500	879,433	6,874,554	22,961,791	3,719,236	1,782,908	860,384
Debt service										
Principal	1,279,613	1,352,369	1,446,189	1,608,352	1,713,934	1,736,642	1,890,902	3,092,674	791,508	663,946
Interest and fiscal charges	450,856	386,841	317,545	258,640	203,810	342,990	642,637	1,487,200	1,813,043	1,806,541
Bond issuance costs	-	-	-	-	-	343,051	272,116	-	-	-
<b>Total expenditures</b>	<b>\$ 22,257,532</b>	<b>\$ 20,317,096</b>	<b>\$ 21,368,804</b>	<b>\$ 22,969,252</b>	<b>\$ 23,667,631</b>	<b>\$ 31,417,997</b>	<b>\$ 47,599,293</b>	<b>\$ 29,976,357</b>	<b>\$ 25,286,611</b>	<b>\$ 21,696,932</b>

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

	Fiscal Year									
(Concluded)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Excess of revenues over (under) expenditures	\$ 363,959	\$ (1,060,504)	\$ (666,585)	\$ (212,306)	\$ 608,242	\$ (5,645,322)	\$ (21,837,351)	\$ (7,859,381)	\$ (4,315,746)	\$ 3,289,787
<b>Other financing sources (uses)</b>										
Proceeds of issuance of long-term debt	-	-	-	-	-	21,267,928	14,800,000	-	-	-
Proceeds from capital leases	-	-	2,147,614	242,463	-	384,556	271,398	-	-	33,131
Proceeds of refunding debt issuance	-	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow	-	-	-	-	-	-	-	-	-	-
Discount on issuance of long-term debt	-	-	-	-	-	(920,172)	(720,327)	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	-	-	-
Transfers in	14,184	62,499	25,631	56,239	31,821	83,108	32,576	36,068	37,329	54,963
Transfers out	(14,184)	(62,499)	(25,631)	(56,239)	(31,821)	(83,108)	(32,576)	(36,068)	(37,329)	(54,963)
Total other financing sources (uses)	-	-	2,147,614	242,463	-	20,732,312	14,351,071	-	-	33,131
Net change in fund balance	\$ 363,959	\$ (1,060,504)	\$ 1,481,029	\$ 30,157	\$ 608,242	\$ 15,086,990	\$ (7,486,280)	\$ (7,859,381)	\$ (4,315,746)	\$ 3,322,918
Debt service as a percentage of noncapital expenditures	9.53%	9.10%	8.64%	8.74%	8.45%	9.96%	11.39%	17.86%	11.19%	11.95%

Source: District's Business and Finance Department.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

<u>Fiscal Year</u>	<u>Residential Property Value</u>	<u>Agricultural and Commercial Property Value</u>	<u>Total Assessed Value</u>	<u>Less: Exemptions</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
2003	\$ 121,684,367	\$ 65,522,366	\$ 187,206,733	\$ 7,695,859	\$ 179,510,874	5.420	\$ 1,361,802,427	13.75%
2004	139,753,457	75,251,862	215,005,319	8,444,194	206,561,125	4.554	1,592,512,845	13.50%
2005	149,221,941	80,350,276	229,572,217	8,946,628	220,625,589	4.611	1,678,326,350	13.68%
2006	157,614,065	84,869,112	242,483,177	9,309,933	233,173,244	5.284	1,812,811,852	13.38%
2007	168,249,593	90,595,935	258,845,528	9,856,833	248,988,695	4.923	1,912,551,705	13.54%
2008	192,348,224	103,572,120	295,920,344	11,828,154	284,092,190	4.745	2,408,984,242	12.29%
2009	231,315,843	122,527,077	353,842,920	12,616,653	341,226,267	4.500	2,955,757,196	11.54%
2010	246,433,228	127,261,946	373,695,174	14,448,695	359,246,479	3.438	3,150,007,451	11.40%
2011	235,069,794	121,448,363	356,518,157	14,454,348	342,063,809	3.420	3,019,518,728	11.33%
2012	204,506,773	101,698,079	306,204,852	14,391,691	291,813,161	5.186	2,610,692,835	11.18%

Source: Arizona Department of Revenue



**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Fiscal Year	District Direct Rates				Overlapping Rates	
	General Purposes	Capital Purposes	Debt Purposes	Total	County	City
2003	4.2560	0.2960	0.8680	5.4200	4.4100	0.3540
2004	3.6210	0.2460	0.6870	4.5540	4.4100	0.3480
2005	3.5800	0.3130	0.7180	4.6110	4.4100	0.3440
2006	4.2260	0.3780	0.6800	5.2840	4.3490	0.3500
2007	4.0330	0.2110	0.6790	4.9230	4.1100	0.3450
2008	3.7370	0.4120	0.5960	4.7450	3.9200	0.2810
2009	3.5530	0.3040	0.6430	4.5000	3.7500	0.3200
2010	2.9266	0.1417	0.3701	3.4384	4.1900	0.3150
2011	3.0188	-	0.4008	3.4196	4.1900	0.3394
2012	4.2774	0.0895	0.8189	5.1858	4.1900	0.3394

Source: Gila County Assessor's Office

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**JUNE 30, 2012**  
**(UNAUDITED)**

Taxpayer	2009*		
	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Arizona Public Service	\$ 9,750,328	1	2.86 %
Rim Golf Investors LLC	4,965,623	2	1.46
Payson Village Center I LLC	2,257,445	3	0.66
Retail Trust III	2,073,049	4	0.61
Payson Regional Hospital	1,859,559	5	0.54
Chaparral Pines Investors LLC	1,853,124	6	0.54
Qwest Corporation (US West Communication, Inc.)	1,585,260	7	0.46
Home Depot USA Inc.	1,379,047	8	0.40
Sawmill Crossing LLC	1,165,736	9	0.34
SATR Holdings LLC	871,675	10	0.26
Totals	\$ 27,760,846		8.14 %

Source: The Gila County Treasurer.

\* Latest information available.

\*\* Information prior to 2009 was not available.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Fiscal Year	Taxes Levied for the Fiscal Year	Current Collections			Collections to Date	
		Current Tax Collections	Percent of Current Taxes Collected	Collections in Subsequent Years	Total to Date	Percentage of Levy
2003	\$ 8,032,857	\$ 7,925,523	98.66%	107,334	\$ 8,032,857	100.00%
2004	7,350,196	7,181,639	97.71%	168,557	7,350,196	100.00%
2005	9,162,092	8,812,647	96.19%	349,445	9,162,092	100.00%
2006	10,089,661	9,723,528	96.37%	366,010	10,089,538	100.00%
2007	10,301,750	10,124,650	98.28%	176,018	10,300,668	99.99%
2008	10,656,339	10,358,633	97.21%	294,439	10,653,072	99.97%
2009	11,406,622	10,876,267	95.35%	525,983	11,402,250	99.96%
2010	8,932,073	8,488,717	95.04%	430,239	8,918,956	99.85%
2011	8,854,236	8,446,644	95.40%	362,783	8,809,427	99.49%
2012	11,860,107	11,440,873	96.47%	-	11,440,873	96.47%

Source: The Gila County Treasurer.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**RATIO OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income	Per Capita	Population	Personal Income
	General Obligation Bonds	Supplemental Interest Certificates	Capital Leases					
2003	\$ 8,830,933	\$ -	\$ 276,026	\$ 9,106,959	0.83 %	\$ 177	51,336	\$ 1,096,514,000
2004	7,542,997	-	211,613	7,754,610	0.71	151.16	51,301	1,096,514,000
2005	6,174,297	-	2,281,718	8,456,015	0.72	164.80	51,311	1,169,540,000
2006	4,725,000	-	2,365,126	7,090,126	0.57	135.80	52,209	1,245,156,000
2007	3,210,000	-	2,166,192	5,376,192	0.41	102.97	52,209	1,312,122,000
2008	21,640,000	1,450,000	2,384,106	25,474,106	1.84	451.45	56,427	1,382,690,000
2009	33,845,000	2,405,000	2,404,602	38,654,602	2.80	673.88	57,361	1,382,690,000
2010	33,845,000	1,530,000	186,928	35,561,928	2.07	619.97	57,361	1,714,535,000
2011	33,845,000	855,000	70,420	34,770,420	2.03	606.17	57,361	1,714,535,000
2012	33,745,000	325,000	69,605	34,139,605	1.94	638.06	53,505	1,757,365,000

Sources: The District's Business and Finance Department for long-term debt. Population and personal income prepared in cooperation with the U.S. Department of Labor and Bureau of Labor Statistics.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Fiscal Year	General Obligation Bonds	Per Capita	Total Taxable Assessed Value	Percentage of Total Taxable Assessed Value
2003	\$ 8,830,933	\$ 172.02	\$ 179,510,874	4.92%
2004	7,542,977	147.03	206,561,125	3.65%
2005	6,174,297	120.33	220,625,589	2.80%
2006	4,725,000	90.50	233,173,244	2.03%
2007	3,210,000	61.48	248,988,695	1.29%
2008	21,640,000	383.50	284,092,190	7.62%
2009	33,845,000	590.04	341,226,267	9.92%
2010	33,845,000	590.04	359,246,479	9.42%
2011	33,845,000	590.04	342,063,809	9.89%
2012	33,745,000	630.69	291,813,161	11.56%

Sources: The District's Business and Finance Department and Arizona Department of Revenue.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**JUNE 30, 2012**  
**(UNAUDITED)**

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Town of Payson	\$ 2,415,000	100.00%	\$ 2,415,000
<b>Other debt</b>			
Town of Payson	675,000	100.00%	<u>675,000</u>
Subtotal, overlapping debt			3,090,000
Payson Unified School District No. 10 direct debt			<u>34,070,000</u>
Total direct and overlapping debt			<u><u>\$ 37,160,000</u></u>

(1) Proportion applicable to the Payson Unified School District No. 10 is computed on the ratio of secondary assessed valuation for 2011-12.

Source: The Gila County Treasurer

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total Debt limit	\$ 53,853,262	\$ 61,968,338	\$ 66,187,677	\$ 69,951,973	\$ 74,696,609	\$ 85,227,657	\$102,367,880	\$107,773,944	\$102,619,143	\$ 87,543,948
Total applicable to limit	9,207,182	7,296,778	6,062,742	4,602,816	2,977,106	20,308,492	31,852,356	32,728,378	33,785,276	33,745,000
Legal debt margin	<u>\$ 44,646,080</u>	<u>\$ 54,671,560</u>	<u>\$ 60,124,935</u>	<u>\$ 65,349,157</u>	<u>\$ 71,719,503</u>	<u>\$ 64,919,165</u>	<u>\$ 70,515,524</u>	<u>\$ 75,045,566</u>	<u>\$ 68,833,867</u>	<u>\$ 53,798,948</u>
Total net debt applicable to the limit as a percentage of the debt limit	18.66%	17.10%	11.78%	9.16%	6.58%	3.99%	23.83%	31.12%	32.92%	38.55%
Total Class B Debt limit	\$ 17,951,087	\$ 20,656,113	\$ 22,062,559	\$ 23,317,324	\$ 24,898,870	\$ 28,409,219	\$ 34,122,627	\$ 35,924,648	\$ 34,206,381	\$ 29,181,316
Total applicable to limit	-	-	-	-	-	18,668,492	31,852,356	32,728,378	33,785,276	33,745,000
Class B Legal debt margin	<u>\$ 17,951,087</u>	<u>\$ 20,656,113</u>	<u>\$ 22,062,559</u>	<u>\$ 23,317,324</u>	<u>\$ 24,898,870</u>	<u>\$ 9,740,727</u>	<u>\$ 2,270,271</u>	<u>\$ 3,196,270</u>	<u>\$ 421,105</u>	<u>\$ (4,563,684)</u>
Total net debt applicable to the limit as a percentage of the debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	65.71%	93.35%	91.10%	98.77%	115.64%

Source: The District's Business and Finance Department

Note 1: At June 30, 2012 the District's Class B bond debt outstanding exceeded the Class B debt limit. This debt in excess of limit was caused by a significant decline (15%) in assessed property values in the District during the year. The District was in within limits at the time the debt was issued, but may not issue additional Class B bonded debt until it is within the applicable statutory limits.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**CALCULATION OF LEGAL DEBT MARGIN**  
**JUNE 30, 2012**  
**(UNAUDITED)**

Net secondary assessed value		\$ 291,813,161
<hr/>		
Legal debt margin:		
Debt limitation - 30% of assessed value		87,543,948
Amount of debt applicable to debt limit:		
Class A General Obligation and Refunding Bonds Outstanding	\$ -	
Class B General Obligation and Refunding Bonds Outstanding	<u>33,745,000</u>	
Total amount of debt applicable to debt limit		<u>33,745,000</u>
Legal debt margin		<u>\$ 53,798,948</u>
<hr/>		
Class B legal debt margin		
Debt limit - the greater of 10% of the net secondary assessed valuation or \$1,500 per student (ADM)		
10% of net secondary assessed valuation	\$ 29,181,316	
\$1,500 per student (ADM)	3,727,500	
Amount of debt applicable to debt limit:		
Class B General Obligation and Refunding Bonds Outstanding	<u>\$ 33,745,000</u>	
Total amount of debt applicable to debt limit		<u>33,745,000</u>
Class B legal debt margin		<u>\$ (4,563,684)</u>

Source: Gila County Assessor's Office

Note 1: State statutes limit the total amount of bonded debt for a unified school district to 30% of the net secondary assessed valuation of the District. In addition, Class B bonded debt is limited to the greater of 10% of the net secondary assessed valuation of the District or \$1,500 per student for a unified school district.

Note 2: At June 30, 2012 the District's Class B bond debt outstanding exceeded the Class B debt limit. This debt in excess of limit was caused by a significant decline (15%) in assessed property values in the District during the year. The District was within limits at the time the debt was issued, but may not issue additional Class B bonded debt until it is within the applicable statutory limits.



**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)**

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Gila County Unemployment Rate
2003	51,336	1,096,514,000	21,489	7.20%
2004	51,301	1,169,540,000	22,813	6.30%
2005	51,311	1,245,156,000	24,165	5.80%
2006	52,209	1,312,122,000	25,393	5.20%
2007	52,209	1,382,690,000	26,684	4.40%
2008	56,427	1,382,690,000	24,504	6.10%
2009	57,361	1,714,535,000	29,890	5.70%
2010	57,361	1,714,535,000	29,890	5.70%
2011	57,361	1,714,535,000	29,890	5.70%
2012	53,505	1,757,365,000	32,845	9.60%

Sources: Bureau of Economic Analysis; US Department of Labor  
 This Data is for the County as data for the District is unavailable.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10  
PRINCIPAL EMPLOYERS  
JUNE 30, 2012  
(UNAUDITED)**

Employer	2008 **	
	Employees	Percentage of Total Employment
Payson Unified School District	346	5.59%
Payson Regional Medical Center	355	5.73
Tonto Apache /Matazal Casino	321	5.18
Town of Payson	160	2.58
Gila County	176	2.84
State of Arizona	121	1.95
Federal Government	118	1.91
	1,597	25.78%

Source: The Gila County Assessor

\*\* Latest information available. No previous year information available.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Full-Time Equivalent Employees										
Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Supervisory</b>										
Instructional administrators	1	1	1	1	1	1	1	1	1	1
Noninstructional administrators	3	3	3	3	3	3	2	2	2	4
Consultants/supervisors of instruction	1	1	1	2	2	2	2	2	2	-
Principals	5	6	6	6	6	6	6	6	6	4
Assistant principals	2	2	2	2	3	3	3	3	3	2
<b>Total Supervisory</b>	<u>12</u>	<u>13</u>	<u>13</u>	<u>14</u>	<u>15</u>	<u>15</u>	<u>14</u>	<u>14</u>	<u>14</u>	<u>11</u>
<b>Instruction</b>										
Classroom teachers	148	157	156	154	164	164	161	155	155	136
Aids	56	54	58	56	61	69	67	64	64	49
<b>Total instruction</b>	<u>204</u>	<u>211</u>	<u>214</u>	<u>210</u>	<u>225</u>	<u>233</u>	<u>228</u>	<u>219</u>	<u>219</u>	<u>185</u>
<b>Student Services</b>										
Guidance counselors	4	3	3	3	2	3	3	3	3	3
Psychologist	2	1	1	1	1	1	2	2	2	2
Librarians	5	5	5	5	5	4	2	2	2	4
Other professionals (noninstructional)	1	1	1	1	2	2	1	1	1	10
Technicians	2	2	2	2	3	2	3	3	3	10
<b>Total student services</b>	<u>14</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>13</u>	<u>12</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>29</u>
<b>Support and Administration</b>										
Supervisors	4	3	3	3	4	4	4	4	4	4
Clerical/secretarial	31	20	20	31	34	31	31	31	31	20
Service workers	59	64	65	55	57	51	53	55	55	50
<b>Total support and administration</b>	<u>94</u>	<u>87</u>	<u>88</u>	<u>89</u>	<u>95</u>	<u>86</u>	<u>88</u>	<u>90</u>	<u>90</u>	<u>74</u>
<b>Total</b>	<u>324</u>	<u>323</u>	<u>327</u>	<u>325</u>	<u>348</u>	<u>346</u>	<u>341</u>	<u>334</u>	<u>334</u>	<u>299</u>

Source: Arizona Department of Education SDER Report.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**OPERATING STATISTICS**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Total Expenditures</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil-Teacher Ratio</u>	<u>Percentage of Students Receiving Free or Reduced Meals</u>
2003	2,759	\$ 16,531,852	\$ 5,992	4.78 %	\$ 22,257,532	\$ 8,067	9.72	172.00	16.00	58.01 %
2004	2,709	17,442,021	6,439	7.45	20,317,096	7,500	17.92	168.00	16.10	42.44
2005	2,682	18,654,494	6,955	8.03	21,368,804	7,967	(7.03)	164.50	16.30	41.68
2006	2,715	19,484,760	7,177	3.18	22,969,252	8,460	6.23	166.50	16.30	50.50
2007	2,721	20,870,454	7,670	6.88	23,667,631	8,698	6.18	169.60	16.00	44.71
2008	2,724	22,120,760	8,121	5.87	31,417,997	11,534	32.60	170.00	16.00	46.68
2009	2,704	21,831,847	8,074	(0.58)	47,599,293	17,603	52.62	166.00	16.29	53.74
2010	2,645	21,677,247	8,196	1.51	29,976,357	11,333	(35.62)	159.00	16.64	56.60
2011	2,541	20,899,152	8,225	0.36	25,286,611	9,951	(12.19)	159.00	15.98	56.60
2012	2,485	18,366,061	7,391	(10.14)	21,696,932	8,731	(12.26)	132.00	18.83	65.31

Source: Data for Operating Expenditures is Total Expenditures less Debt Service and Facilities Acquisition and Construction.

**PAYSON UNIFIED SCHOOL DISTRICT NO. 10**  
**SCHOOL BUILDING INFORMATION**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

		Fiscal Year									
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Elementary Schools</b>											
Name:	Julia Randall Elementary										
Yr. Built	1935										
	Sq. Feet	53,954	53,954	53,954	53,954	53,954	53,954	81,716	81,716	81,716	81,716
	Enrollment	418.37	417.21	398.19	376.82	422.48	481.81	448.84	474.07	455.30	624.00
Name:	Payson Elementary										
Yr. Built	1987										
	Sq. Feet	49,681	49,681	49,681	49,681	49,681	49,681	49,681	49,681	49,681	49,681
	Enrollment	346.77	331.53	319.01	348.46	335.92	374.83	406.37	402.06	386.15	528.00
Name:	Frontier Elementary										
Yr. Built	1995										
	Sq. Feet	37,962	37,962	37,962	37,962	37,962	37,962	37,962	37,962	37,962	37,962
	Enrollment	379.86	381.99	379.88	402.54	362.75	373.72	380.22	350.26	336.40	0.00
<b>Middle Schools</b>											
Name:	Rim Country Middle School										
Yr. Built	1979										
	Sq. Feet	64,967	64,967	64,967	64,967	64,967	64,967	88,989	88,989	88,989	88,989
	Enrollment	669.83	624.30	641.67	659.48	702.37	627.16	599.21	578.3	555.41	596.00
<b>High School</b>											
Name:	Payson High School										
Yr. Built	1965 - 2003										
	Sq. Feet	175,172	175,172	175,172	175,172	175,172	175,172	176,347	177,211	177,211	177,211
	Enrollment	894.69	905.37	893.88	882.61	822.74	815.16	779.2	789.51	758.26	694.00
Name:	Payson Center for Success										
Yr. Built	1970										
	Sq. Feet	2,545	2,545	2,545	2,545	2,545	2,545	2,545	4,258	4,258	4,258
	Enrollment	49.82	49.86	51.49	40.45	52.19	50.94	49.048	51.52	49.48	43.00

Source: The District's Records

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