



Founded 1876
Incorporated 1899

TOWN OF JEROME, ARIZONA

POST OFFICE BOX 335, JEROME, ARIZONA 86331
(928) 634-7943 FAX (928) 634-0715

MINUTES

SPECIAL MEETING OF THE JEROME TOWN COUNCIL: COUNCIL RETREAT JEROME FIRE STATION TUESDAY, MARCH 27, 2018 AT 12:00 P.M.

ITEM #1: 12:15 pm	CALL TO ORDER/ROLL CALL/PLEDGE OF ALLEGIANCE Mayor/Chairperson to call meeting to order. <i>Mayor Vander Horst called the meeting to order at 12:15 p.m.</i> Town Clerk to call and record the roll. <i>Roll call did not occur. Present were Mayor Vander Horst, Vice Mayor Kinsella, Councilmember Barber, Councilmember Currier and Councilmember Bochrach.</i> <i>Staff present were Kyle Dabney, Zoning Administrator, Candace Gallagher, Town Clerk/Manager, Melanie Atkin, Accounting Clerk, Martin Boland, Public Works Director, Rusty Blair Fire Department Chief, Kathleen Jarvis, Head Librarian, and Joni Savage, Deputy Clerk. Henry MacVittie of Contract Wastewater Operations arrived at 1:08 p.m.</i> Mayor or Mayor's designee to lead the Pledge of Allegiance. <i>There was no pledge said.</i>
ITEM #2: 12:15 pm	AUDIT: FY2017 Representatives of Colby & Powell will present audited financial statements for FYE 6-30-17. Following the presentation, Council may vote to accept the audit. <i>Jim Usevitch of Colby & Powell presented the audit¹, which he said went very smoothly. He stated that:</i> <ul style="list-style-type: none"><i>This was the first time since he has been our auditor that the audit has been completed prior to the March 31 deadline.</i><i>There were a few departments where the budget was slightly exceeded, but the overall budget was fine.</i><i>The audit went very well, and only required three or four journal entries. Usually, there is a page and a half.</i><i>The Town is "in the black," and in a good situation, with cash in the bank of about \$800,000. Our fund balance is almost \$900,000.</i><i>It was noted that we have assets valued on the books at the purchase price, but their fair market value is considerably greater, as is our true fund balance.</i><i>When asked about our net pension asset in PSPRS, he said that Jerome is one of just a handful of cities with an asset rather than a liability. It will decrease as police officers gain tenure, but this is not something we need to worry about at present. "You're in a ten times better situation than most cities and towns," he said.</i> Motion: Upon motion by Vice Mayor Kinsella , seconded by Councilmember Currier and unanimously approved, the audit for FY2017 was ACCEPTED.
ITEM #3: 12:41	DISCUSSION OF PRIORITIES FOR 2018-19 Council will engage in an open discussion regarding their priorities for the next fiscal year. Staff has been invited to participate. <i>This portion of the meeting was led by a facilitator, Dr. Jack Dillenberg, a Town resident and an expert in public health.</i> <i>What follows is a condensed summary of the points brought up. The full discussion is available on the audio recording, which is considered a part of these minutes.</i> <i>Council heard from staff regarding their priorities, as follows:</i> 12:41 p.m. Marty Boland, Public Works Director: <ul style="list-style-type: none"><i>New valves for regulators (up to four at \$6,000 each), and upgrading regulator boxes.</i>

¹ A copy of the audit document will be placed on permanent file with these minutes.

Estimated cost for three regulators - \$20,000.

- Work on a manhole on Douglas Road. No cost figures available at this time.
- Purchasing a water truck, ideally a short-bed, 4WD with a tool box, so that all tools needed for water work would be in one vehicle.
- He saw no need to increase the size of the crew (currently at five) and feels that we can get through another year with the garbage truck as long as it is maintained.
- He suggested trading the skid steer for a gannon.

Also discussed with Mr. Boland was sidewalk repairs in general and repairing the wall below School Street. All agreed that projects should be contracted out when necessary.

1:46 p.m. Henry MacVittie, Contract Wastewater Operations:

- Will need to budget for the one springs project that will not be complete by end of this fiscal year – the syphon line through Mescal Canyon.
- Clean and inspect Sunshine Hill water tanks.
- Expenses to attempt to meet new standards for ammonia and copper levels in our effluent - \$12,000. He suggested that we begin to look at alternate methods of disposal, rather than putting our effluent into Bitter Creek, such as subsurface leach fields.
- He spoke of the importance of developing a plan for alternate sources of water in the event that flows drop off in the future.

Also discussed with Mr. MacVittie was the inevitability of needing to expand our treatment plant at some point in the future, and improving the road to the facility.

2:40 p.m. Kathleen Jarvis, Librarian:

- New Community Arts Program to replace the existing Kids Art Workshop program. It would serve children and adults alike, and would be a part of Library budget. The person running the program would also function as a part-time library staffer - \$3,000 to \$5,000 per year, some of which would be funded by donations.

~ 3:00 p.m. Ms. Gallagher suggested that Council might want to **move at this time to the agenda item addressing appointments to the boards. Motion** to do so was made by **Vice Mayor Kinsella**, seconded by **Councilmember Currier** and **unanimously approved. Item #4 was addressed at this time but is reflected in these minutes as originally agendized.**

The meeting then returned to the discussion of priorities.

3:14 p.m. Honorable Judge Dwyer:

- Implementing new requirements for security standards will be necessary beginning next year. Various security measures were discussed.
- The Court's triennial audit will be coming up this year.
- Court revenues will remain about the same.

3:25 p.m. Melanie Atkin, Accounting Clerk

- There was discussion about the possibility of charging for water usage based on consumption.
- It was noted that the Town is looking into alternative payroll providers.

3:35 Kyle Dabney, Zoning Administrator

- Continued use of GIS software (\$400/year)
- Grant submission for drainage projects

3:45 Rusty Blair, Chief Jerome Fire Department

- Requests a new full-time employee – Duty Officer.
- Requests continued funding for fuel abatement (\$10,000).
- Requests increase in Town's contribution to pension fund, and possible increase in per call rate.
- Discussed wildlands activity.
- Grant match for new pumper truck (\$25,000).
- JFD has had a 1991 pumper given to them, which will replace the 1961 truck. It will help maintain our ISO rating of 4, which benefits residents.
- Applying for \$80,000 grant for SCBA's. If we don't get it, will need to purchase 12 sets at \$1,500 each.
- Has also applied for funding from Firehouse Subs for five sets of turnout gear, and has asked the

100 Club for funds for new wildlands gear.

At this time, Council took a ten-minute break.

4:39 p.m. Town Manager/Clerk Candace Gallagher

- Spoke about fund balance.
- Will draft the budget to include a 2% wage increase as a beginning point for discussion. Discussion followed and the Mayor suggested we look at increases individually, between 3% and 5%.
- Noted that the Town's contribution to the retirement savings for non-police full time personnel (5%) is considerably less than the contribution to the police pension fund (over 14%). Chief Blair had suggested increasing that to make it more equitable.
- Suggested the possibility of eliminating property taxes (\$47,500).

The Council then discussed their individual priorities. Suggestions from each member are summarized below.

Councilmember Barber:

- Safety railing along sidewalks where children and pets could fall through.
- Water, sewer, sidewalks and streets.
- Great police visibility on busy weekends.

Mayor Vander Horst:

- Implementation of the recommendations of the NAU parking study.
- Unarmed volunteer persons to act with the Police Department as "Citizens On Patrol."
- Preserving our historical structures; purchasing if necessary and restoring, then selling them.
- Repairs to the steps next to the Old Town Hall.
- Compliance with ADA requirements re: handicapped parking spaces.
- Purchase of a new shuttle van for the weekend shuttle service.
- Installation of parking kiosks, similar to those in Sedona.

Vice Mayor Kinsella:

- Fencing in front of the recycle trailer.
- Infrastructure.
- Purchase if possible of the parking area across from Bobby D's (currently leased by the Town).
- Educating our visitors that RVs can only park at the 300 Level, and signage to indicate that. Asking our police to ticket those that do not comply.
- Bringing in a nurse or nurse practitioner and having the Verde Valley Medical Center pay for that.

Councilmember Bachrach:

- Infrastructure, water, sewer, roads and sidewalks. Center Street needs help badly.
- Hotel Jerome: lead-based paint abatement and new windows. He mentioned the possibility of creating four apartments on the second floor.
 - **Dr. Dillenberg** suggested exploring the possibility of assisted living there.
 - **Chief Blair** noted that apartments will require a fire escape and sprinklers.
- Bringing in a grantwriter.
- Hiring a properties/project manager.
- Creating parking at the old Town Yard.
- A cinder spreader for Public Works.

Councilmember Currier:

- Bringing in a Town nurse.
- Work on the street behind Town Hall leading to the Humane Society clinic.
- Replacement of a missing window over the library.

It was agreed that the first budget meeting will take place in early May.

ITEM #4: 3:03	APPOINTMENTS TO FILL EXPIRED TERMS ON PLANNING & ZONING COMMISSION, DESIGN REVIEW BOARD AND BOARD OF ADJUSTMENT
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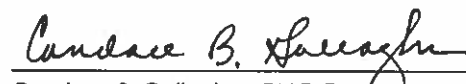
	<p>Terms of the following appointees expired as of February 28, 2018: Planning and Zoning Commission – Margie Hardie and Zachariah Runyon; Design Review Board – John Schroeder and Mark Venker; Board of Adjustment – Jane Moore and Suzy Mound. Council may take action to reappoint these members, or other individuals, to succeeding three-year terms.</p> <p>It was noted that Mark Venker has resigned from the Design Review Board, and that Zachariah Runyon has not been attending meetings of the Planning & Zoning Commission.</p> <p>Since the preparation of the agenda, Danny Smith had applied to serve on the Design Review Board.</p> <p>Motion: Mayor Vander Horst made a motion to re-appoint Margie Hardie to the Planning & Zoning Commission. It was seconded by Vice Mayor Kinsella and unanimously approved.</p> <p>Motion: Councilmember Barber made a motion to re-appoint John Schroeder to the Design Review Board and the motion was seconded by Councilmember Currier. The motion passed with 4 ayes and 1 nay. (It is unclear on the recording who cast the dissenting vote.)</p> <p>Danny Smith was present, and explained his background to the Council why he wanted to serve on the Design Review Board.</p> <p>Mr. Dabney recommended his appointment.</p> <p>Motion: Councilmember Bachrach made a motion to appoint Danny Smith to the Design Review Board. It was seconded by Vice Mayor Kinsella and unanimously approved.</p> <p>Motion: Councilmember Barber made a motion to re-appoint Jane Moore and Suzy Mound to the Board of Adjustment. The second was made by Councilmember Currier and the . The motion passed with 4 ayes and 1 nay. (It is unclear on the recording who cast the dissenting vote.)</p> <p>Motion: Vice Mayor Kinsella made a motion to remove Zachariah Runyon from the Planning and Zoning Commission. The motion was seconded by Councilmember Bachrach and unanimously approved.</p>
<p>ITEM #5:</p>	<p>PROFESSIONAL ENGINEERING SERVICES</p> <p>Council will review proposed rates and terms of a contract with Southwestern Environmental Consultants, Inc. of Cottonwood, AZ, and may approve an agreement with the firm for on-call engineering services.</p> <p>THIS ITEM WAS NOT ADDRESSED.</p>
<p>ITEM #6:</p>	<p>ADJOURNMENT</p> <p>Upon motion by Councilmember Currier, seconded by Councilmember Bachrach and unanimously approved, the meeting was adjourned at approximately 6 p.m.</p>

Edited by Town Manager/Clerk Candace Gallagher from minutes taken and transcribed by Deputy Town Clerk Joni Savage

APPROVE:


 Frank Vander Horst, Mayor

ATTEST:


 Candace B. Gallagher, CMC, Town Manager/Clerk

Date: 8-27-18



TOWN OF JEROME, ARIZONA

**Annual Financial Statements
and Independent Auditors' Report**

June 30, 2017

Other Supplementary Information	
Segmented Statement of Revenue, Expenses, and Changes in Fund Net Position.....	52
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>.....	53

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Jerome, Arizona, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Town of Jerome, Arizona has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing 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.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 43 through 46, Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios – Agent Pension Plans on page 47, Schedule of Town Pension Contributions on page 48, and Schedule of Agent OPEB Plans' Funding Progress on page 50 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.

TOWN OF JEROME, ARIZONA
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 701,643	\$ 28,280	\$ 729,923
Cash and cash equivalents, restricted	-	76,919	76,919
Other receivables	2,763	48,426	51,189
Due from other governments	389,943	-	389,943
Inventories	13,893	-	13,893
Net pension asset	81,234	-	81,234
Capital assets, not being depreciated	252,283	22,080	274,363
Capital assets, being depreciated, net	523,786	2,238,627	2,762,413
Total assets	1,965,545	2,414,332	4,379,877
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	70,855	-	70,855
LIABILITIES			
Accounts payable	116,547	14,630	131,177
Accrued expenses	43,165	5,988	49,153
Deposits held for others	6,647	22,694	29,341
Deferred revenue	43,937	-	43,937
Due to fiduciary fund	11,815	-	11,815
Parker lawsuit liability	19,614	-	19,614
Noncurrent liabilities			
Due within 1 year	32,802	17,665	50,467
Due in more than 1 year	26,274	166,320	192,594
Total liabilities	300,801	227,297	528,098
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	60,144	-	60,144
NET POSITION			
Net investment in capital assets	751,027	2,077,858	2,828,885
Restricted for:			
Court enhancement fund	15,918	-	15,918
Debt service	-	48,779	48,779
Repairs and replacements	-	5,446	5,446
Unrestricted	908,510	54,952	963,462
Total net position	\$ 1,675,455	\$ 2,187,035	\$ 3,862,490

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	HURF Fund	Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 701,643	\$ -	\$ -	\$ 701,643
Other receivables	2,763	-	-	2,763
Due from other governments	230,220	6,214	153,509	389,943
Due from other funds	48,280	-	-	48,280
Inventories	-	-	13,893	13,893
Total assets	\$ 982,906	\$ 6,214	\$ 167,402	\$ 1,156,522
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 39,637	\$ 1,551	\$ 75,359	\$ 116,547
Accrued expenses	42,494	671	-	43,165
Deposits held for others	6,647	-	-	6,647
Unearned revenue	-	-	43,937	43,937
Due to other funds	11,815	8,873	39,407	60,095
Total liabilities	100,593	11,095	158,703	270,391
Fund balances				
Nonspendable	-	-	13,893	13,893
Restricted for:				
Court enhancement	15,918	-	-	15,918
Unassigned	866,395	(4,881)	(5,194)	856,320
Total fund balances	882,313	(4,881)	8,699	886,131
Total liabilities and fund balances	\$ 982,906	\$ 6,214	\$ 167,402	\$ 1,156,522

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	General Fund	HURF Fund	Grants Fund	Total Governmental Funds
Revenue				
Taxes	\$ 1,015,081	\$ -	\$ -	\$ 1,015,081
Intergovernmental	274,809	36,784	215,269	526,862
Charges for services	113,100	-	-	113,100
Fines and forfeits	74,711	-	-	74,711
Licenses and permits	31,317	-	-	31,317
Miscellaneous	28,366	-	-	28,366
Donations and grants	1,403	-	-	1,403
Investment earnings	444	91	-	535
Total revenue	1,539,231	36,875	215,269	1,791,375
Expenditures				
Current				
General government	389,218	-	-	389,218
Public safety	670,570	-	15,660	686,230
Public works and streets	-	69,317	-	69,317
Community development	162,433	-	188,626	351,059
Culture and recreation	92,375	-	-	92,375
Debt service				
Principal	6,208	847	-	7,055
Interest	1,115	106	-	1,221
Capital outlay	-	-	12,700	12,700
Total expenditures	1,321,919	70,270	216,986	1,609,175
Excess (deficiency) of revenue over (under) expenditures	217,312	(33,395)	(1,717)	182,200
Other financing sources (uses)				
Transfers	35,147	35,329	-	70,476
Net change in fund balances	252,459	1,934	(1,717)	252,676
Fund balances, July 1, 2016	629,854	(6,815)	10,416	633,455
Fund balances, June 30, 2017	\$ 882,313	\$ (4,881)	\$ 8,699	\$ 886,131

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2017

	Utilities Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 28,280
Cash and cash equivalents, restricted	76,919
Accounts receivable-net	48,426
Total current assets	153,625
Noncurrent assets	
Capital assets, not being depreciated	22,080
Capital assets, being depreciated, net	2,238,627
Total noncurrent assets	2,260,707
Total assets	2,414,332
LIABILITIES	
Current liabilities	
Accounts payable	14,630
Accrued expenses	2,153
Interest payable	3,835
Deposits held for customers	22,694
Compensated absences-current portion	852
Capital lease payable-current portion	6,060
Revenue bond payable-current portion	10,753
Total current liabilities	60,977
Noncurrent liabilities	
Compensated absences-net of current portion	284
Capital lease payable-net of current portion	6,354
Revenue bond payable-net of current portion	159,682
Total noncurrent liabilities	166,320
Total liabilities	227,297
NET POSITION	
Net investment in capital assets	2,077,858
Restricted for:	
Debt service	48,779
Repairs and replacements	5,446
Unrestricted	54,952
Total net position	\$ 2,187,035

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017

	Utilities Fund
Cash flows from operating activities:	
Receipts from customers	\$ 548,019
Payments to suppliers and providers of goods and services	(186,655)
Payments to employees	(154,176)
Net cash provided (used) by operating activities	207,188
Cash flows from noncapital financing activities:	
Tranfers to other funds	(70,476)
Borrowings repaid to other funds	(72,076)
Net cash provided (used) by noncapital financing	(142,552)
Cash flows from capital and related financing activities:	
Principal paid on capital lease	(5,780)
Principal paid on revenue bond maturities	(10,290)
Interest paid	(9,028)
Net cash provided (used) by capital and related financing activities	(25,098)
Cash flows from investing activities:	
Interest received on investments	46
Net increase (decrease) in cash	39,584
Cash and cash equivalents, July, 1, 2016	65,615
Cash and cash equivalents, June, 30, 2017	\$ 105,199
Cash and cash equivalents	\$ 28,280
Cash and cash equivalents, restricted	76,919
Cash and cash equivalents, June, 30, 2017	\$ 105,199

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2017

	<u>Pension Trust Fund</u>
ASSETS	
Cash	\$ 923
Investments, at fair value	131,148
Due from Town	<u>11,815</u>
Total assets	<u>143,886</u>
NET POSITION	
Held in trust for investment trust participants	<u>\$ 143,886</u>

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a general purpose local government that is governed by a separately elected Town Council. The accompanying financial statements present the activities of the Town (the primary government).

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the Town as a whole, while the fund statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

Government-wide statements—provide information about the primary government (the Town). The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the Town's governmental and business-type activities. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided;
- operating grants and contributions; and
- capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the Town levies or imposes, are reported as general revenues.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Town reports the following fund types:

The *Pension Trust Fund* accounts for the Town's Volunteer Firefighter's Relief and Pension Fund, a defined contribution plan for which the assets are held by the Town in a trustee capacity.

C. Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the Town funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The Town applies grant resources to such programs before using general revenues.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The Town's major revenue sources that are susceptible to accrual are property taxes, special assessments, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, landfill closure and postclosure care costs, and pollution remediation obligations, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

D. Cash and Investments

For the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of three months or less when purchased.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life (year)</u>
Land	\$ 5,000	N/A	N/A
Buildings and improvements	5,000	Straight-line	5-30
Machinery and equipment	5,000	Straight-line	3-20
Vehicles	5,000	Straight-line	5-10
Water system and improvements	5,000	Straight-line	15-50
Wastewater plant	5,000	Straight-line	15-50

I. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

J. Compensated Absences

Compensated absences consist of PTO leave earned by employees based on services already rendered. There is no limit as to the number of hours employees may accumulate; however, any hours earned and unused in excess of 480 at the end of the calendar year is paid out to the employees at 60%. Upon termination of employment, only 60% of accrued PTO, up to a maximum of 180 hours, is paid to employees.

Accordingly, an estimate for PTO benefits has been accrued as a liability in the financial statements.

K. Deferred Outflows/Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Town implemented this standard during this fiscal period.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2017. Upon implementation, it is anticipated that this Statement will cause a restatement of beginning net position of the Governmental Activities, Business-type Activities, and the proprietary funds.

In December 2015, the GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The Town implemented this standard during this fiscal period.

In March 2016, the GASB issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the
first

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the Town Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody's investor's service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk.

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

The Town's investment policy states that the Town will conform with Arizona Revised Statutes. The Town does not have a formal investment policy with respect to custodial credit risk, concentration of credit risk, or foreign currency risk.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July, 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 252,283	\$ -	\$ -	\$ 252,283
Capital assets being depreciated:				
Buildings and improvements	1,203,236	-	-	1,203,236
Vehicles and equipment	1,021,488	12,700	-	1,034,188
Infrastructure	153,050	-	-	153,050
Total	<u>2,377,774</u>	<u>12,700</u>	<u>-</u>	<u>2,390,474</u>
Less accumulated depreciation for:				
Buildings and improvements	(947,353)	(29,059)	-	(976,412)
Vehicles and equipment	(824,576)	(47,785)	-	(872,361)
Infrastructure	(14,172)	(3,743)	-	(17,915)
Total	<u>(1,786,101)</u>	<u>(80,587)</u>	<u>-</u>	<u>(1,866,688)</u>
Total capital assets being depreciated, net	<u>591,673</u>	<u>(67,887)</u>	<u>-</u>	<u>523,786</u>
Governmental activities capital assets, net	<u>\$ 843,956</u>	<u>\$ (67,887)</u>	<u>\$ -</u>	<u>\$ 776,069</u>
	Balance July, 1, 2016	Increases	Decreases	Balance June 30, 2017
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 22,080	\$ -	\$ -	\$ 22,080
Capital assets being depreciated:				
Buildings and infrastructure	3,544,209	-	-	3,544,209
Vehicles and equipment	188,015	-	-	188,015
Total	<u>3,732,224</u>	<u>-</u>	<u>-</u>	<u>3,732,224</u>
Less accumulated depreciation for:				
Buildings and infrastructure	(1,268,766)	(69,578)	-	(1,338,344)
Vehicles and equipment	(148,853)	(6,400)	-	(155,253)
Total	<u>(1,417,619)</u>	<u>(75,978)</u>	<u>-</u>	<u>(1,493,597)</u>
Total capital assets being depreciated, net	<u>2,314,605</u>	<u>(75,978)</u>	<u>-</u>	<u>2,238,627</u>
Business-type activities capital assets, net	<u>\$ 2,336,685</u>	<u>\$ (75,978)</u>	<u>\$ -</u>	<u>\$ 2,260,707</u>

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2017.

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within 1 year
Governmental activities:					
Compensated absences payable	\$ 37,201	\$ -	\$ (3,167)	\$ 34,034	\$ 25,526
Capital leases payable	32,097	-	(7,055)	25,042	7,276
	<u>\$ 69,298</u>	<u>\$ -</u>	<u>\$ (10,222)</u>	<u>\$ 59,076</u>	<u>\$ 32,802</u>
Business-type activities					
Compensated absences payable	\$ 308	\$ 828	\$ -	\$ 1,136	\$ 852
Capital leases payable	18,194	-	(5,780)	12,414	6,060
Revenue bonds payable	180,725	-	(10,290)	170,435	10,753
Business-type activities long-term liabilities	<u>\$ 199,227</u>	<u>\$ 828</u>	<u>\$ (16,070)</u>	<u>\$ 183,985</u>	<u>\$ 17,665</u>

The following schedule details debt service requirements to maturity for the Town’s revenue bonds at June 30, 2017:

Year Ending June 30	Business-type Activities	
	Revenue Bonds	
	Principal	Interest
2018	\$ 10,753	\$ 8,026
2019	11,237	7,531
2020	11,742	7,014
2021	12,271	6,474
2022	12,823	5,909
2023-27	73,308	20,148
2028-32	38,301	3,218
Total	<u>\$ 170,435</u>	<u>\$ 58,320</u>

Bonds Payable – The City’s bonded debt consists of sewer improvement bonds that are generally non-callable with interest payments payable semiannually. Bonds outstanding at June 30, 2017 were as follows:

Description	Original Amount	Maturity Range	Interest Rate	Outstanding Principal
Sewer revenue bonds, Series 2001	300,000	2030	4.50%	170,435

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Town participates in two separate retirement plans.

For nonpublic safety employees, the Town contributes five percent of the employees' covered payroll to a defined contribution plan. Employees may contribute to the plan; however, they are not required to make any contributions the plan. For the year ended June 30, 2017, the Town contributed a total \$20,705 on behalf of employees to the plan.

For public safety employees, the Town contributes to the Public Safety Personnel Retirement System (PSPRS). PSPRS is a component unit of the State of Arizona.

At June 30, 2016, the Town reported the following amounts related to PSPRS:

Statement of Net Position and Statement of Activities	<u>Governmental Activities</u>
Net pension assets	\$ 81,234
Deferred outflows of resources	70,855
Deferred inflows of resources	60,144
Pension expense	41,684

The Town reported \$25,388 of pension expenditures in the governmental funds for PSPRS.

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

The PSPRS issues publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

Benefits Provided – The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2017, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	2
Active employees	3
Total	5

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2017, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police
Active Members - Pension	7.65%
Town Pension	14.35%
Health insurance premium benefit	0.00%

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town's net pension liabilities as a result of these changes is not known.

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

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Discount rate	7.50%
Projected salary increases	4.0%-8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed Income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private Equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	100%	

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net Pension Liability (Asset)

PSPRS Police	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2015	\$ 277,199	\$ 396,318	\$ (119,119)
Changes for the year			
Service Cost	28,796	-	28,796
Interest on the total pension liability	22,890	-	22,890
Changes of benefit terms	31,147	-	31,147
Differences between expected and actual experience in the measurement of the pension liability	(30,273)	-	(30,273)
Changes of assumptions or other inputs	13,630	-	13,630
Contributions-employer	-	20,660	(20,660)
Contributions-employee	-	19,027	(19,027)
Net investment income	-	2,358	(2,358)
Administrative expense	-	(739)	739
Other changes	-	(13,001)	13,001
Net changes	66,190	28,305	37,885
Balances at June 30, 2016	\$ 343,389	\$ 424,623	\$ (81,234)

Sensitivity of the Town's Net Pension Liability to Changes in the Discount Rate – The following table presents the Town's net pension liabilities (assets) calculated using the discount rate of 7.50 percent, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.50%	7.50%	8.50%
Net pension liability	\$ (30,042)	\$ (81,234)	\$ (123,821)

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

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	PSPRS Police
2018	\$ (3,733)
2019	(3,733)
2020	(374)
2021	(3,350)
2022	(3,487)
Thereafter	-

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

		PSPRS Police
Actuarial value of assets (a)	\$	24,957
Actuarial accrued liability (b)	\$	16,619
Unfunded actuarial accrued liability (funding excess) (b) - (a)	\$	(8,338)
Funded ratio (a)/(b)		150.17%
Annual covered payroll (c)	\$	176,917
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll		0.00%

The actuarial methods and assumptions for the most recent valuation date are as follows:

PSPRS - OPEB Funded Status

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4%-8%
Wage growth	4%

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – CONTINGENT LIABILITIES – Continued

contribution rates were unconstitutional. These two lawsuits have been adjudicated separately where the Parker case was stayed (put on hold) pending the final outcome of Hall. Nevertheless, the facts and circumstances are essentially the same where both parties to Parker agreed, at the time of stay, to appropriately apply the remedies of Hall when finalized.

PSPRS members who became members of the system prior to July 20, 2011 and who paid employee contributions that exceeded 7.65% are eligible to receive a refund of those excess contributions unless they terminated and already received a refund. PSPRS has prepared a list of affected members for each employer, along with the amount of excess contributions that must be returned to them. The Town has estimated that the total amount of refunds due to employees (including applicable interest) will be \$19,614.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Intergovernmental	\$ 36,451	\$ 36,451	\$ 36,784	\$ 333
Investment earnings	55	55	91	36
Total revenue	<u>36,506</u>	<u>36,506</u>	<u>36,875</u>	<u>369</u>
Expenditures				
Current				
Public works and streets	98,248	98,248	69,317	28,931
Debt service				
Principal	847	847	847	-
Interest	106	106	106	-
Total expenditures	<u>99,201</u>	<u>99,201</u>	<u>70,270</u>	<u>28,931</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(62,695)</u>	<u>(62,695)</u>	<u>(33,395)</u>	<u>29,300</u>
Other financing sources (uses)				
Transfers	<u>62,695</u>	<u>62,695</u>	<u>35,329</u>	<u>(27,366)</u>
Net change in fund balances	-	-	1,934	1,934
Fund balances, July 1, 2016	<u>(6,815)</u>	<u>(6,815)</u>	<u>(6,815)</u>	<u>-</u>
Fund balances, June 30, 2017	<u>\$ (6,815)</u>	<u>\$ (6,815)</u>	<u>\$ (4,881)</u>	<u>\$ 1,934</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2017

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

Arizona Revised Statutes (A.R.S.) requires the Town to prepare and adopt a balanced budget annually for each governmental fund. The Town Council must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Town Council's approval. With the exception of the General Fund, each fund includes only one department.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The Town's budget is prepared on a basis consistent with generally accepted accounting principles.

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2017, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the magistrate court, planning and zoning, and youth departments by \$4,598, \$8,441, and \$20, respectively.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Schedule of Town Pension Contributions
June 30, 2017

PSPRS - Police

	Reporting Fiscal Year				2013 through 2007
	2017	2016	2015	2014	
Actuarially determined contribution	\$ 25,388	\$ 20,660	\$ 18,279	\$ 13,997	Information not available
Town's contributions in relation to the actuarially determined contribution	(25,388)	(20,660)	(18,279)	(13,997)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 176,917	\$ 136,151	\$ 134,655	\$ 167,936	
Town's contributions as a percentage of covered-employee payroll	14.35%	15.17%	13.57%	8.33%	

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2017

Health Insurance - Police

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2017	\$ 24,957	\$ 16,619	\$ 8,338	150.2 %	\$ 176,917	0.0 %
6/30/2016	22,725	15,449	7,276	147.1	136,151	0.0
6/30/2015	20,503	12,618	7,885	162.5	134,655	0.0

See accompanying notes to schedule of agent OPEB plans' funding progress.

TOWN OF JEROME, ARIZONA
Other Supplementary Information
Segmented Statement of Revenue, Expenses, and Changes
in Fund Net Position
Utilities Fund
Year Ended June 30, 2017

	Water Utility	Sewer Utility	Sanitation Utility	Total Utilities Fund
Operating revenue				
Charges for services	\$ 176,450	\$ 181,281	\$ 186,885	\$ 544,616
Miscellaneous	2,119	94	201	2,414
Total operating revenue	<u>178,569</u>	<u>181,375</u>	<u>187,086</u>	<u>547,030</u>
Operating expenses				
Personnel	70,159	30,307	55,025	155,491
Depreciation	54,219	21,483	276	75,978
Contract services	12,132	38,400	1,680	52,212
Repairs and maintenance	19,805	13,468	4,787	38,060
Insurance	10,248	11,614	13,663	35,525
Fees and permits	1,506	1,000	22,034	24,540
Office	6,457	4,466	2,755	13,678
Fuel	1,450	1,448	7,277	10,175
Utilities	1,413	2,570	627	4,610
Miscellaneous	1,830	452	1,304	3,586
Tools and equipment	252	1,285	237	1,774
Legal and professional	1,762	-	-	1,762
Total operating expenses	<u>181,233</u>	<u>126,493</u>	<u>109,665</u>	<u>417,391</u>
Operating income	(2,664)	54,882	77,421	129,639
Nonoperating revenue (expense)				
Interest earnings	-	46	-	46
Interest expense	(448)	(8,049)	-	(8,497)
Total nonoperating revenue (expense)	<u>(448)</u>	<u>(8,003)</u>	<u>-</u>	<u>(8,451)</u>
Income before transfers	(3,112)	46,879	77,421	121,188
Transfer out	(45,458)	(45,459)	(45,459)	(136,376)
Transfer in	30,650	35,250	-	65,900
Change in net position	(17,920)	36,670	31,962	50,712
Net position, July 1, 2016	<u>1,563,965</u>	<u>761,380</u>	<u>(189,022)</u>	<u>2,136,323</u>
Net position, June 30, 2017	<u>\$ 1,546,045</u>	<u>\$ 798,050</u>	<u>\$ (157,060)</u>	<u>\$ 2,187,035</u>

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Jerome, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Colby & Powell, PLC

February 22, 2018

Management Representations

We have requested certain representations from management that are shown in attached management representation letter.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. For the fiscal year ended June 30, 2017, Brandi Suda, assisted the Town in preparing the accounting records and trial balance for audit.

Audit Adjustments

Attached is a list of adjustments that were made during the course of our audit. Management has reviewed and approved these entries to be posted in the Town's accounting records.

Uncorrected Misstatements

There were no uncorrected misstatements, other than those that we believe were trivial to the financial statements as a whole.

Other Audit Findings or Issues

Included in our audit report issued in accordance with *Government Auditing Standards* is the Schedule of Findings and Responses. Please consult the report issued as well as the schedule for further details.

The Town met the statutory deadline for the audit which was March 31, 2018. For financial statements to be useful, it is important that they are issued timely. We recommend that the Town work to not only meet the State's deadline, but try and issue prior to the end of the calendar year.

For the year ended June 30, 2017, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the magistrate court, planning and zoning, and youth by \$4,598, \$8,441, and \$20, respectively.

This information is intended solely for the use of Town Council and management and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to provide our services to the Town of Jerome, Arizona and please contact us if you have any questions or comments regarding this letter.

Colby & Powell, PLC

Attachments

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.

8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

9) Guarantees, whether written or oral, under which the Town of Jerome is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10) We have provided you with:

a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.

b) Additional information that you have requested from us for the purpose of the audit.

c) Unrestricted access to persons within the Town from whom you determined it necessary to obtain audit evidence.

d) Minutes of the meetings of the Town of Jerome or summaries of actions of recent meetings for which minutes have not yet been prepared.

11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13) We have no knowledge of any fraud or suspected fraud that affects the Town and involves--

- Management,
- Employees who have significant roles in internal control, or
- Others where the fraud could have a material effect on the financial statements.

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the Town's financial statements communicated by employees, former employees, regulators, or others.

15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

31) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

32) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

33) Provisions for uncollectible receivables have been properly identified and recorded.

34) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

35) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

36) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

37) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

38) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

39) We have appropriately disclosed the Town of Jerome's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

40) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

41) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

42) We are in agreement with the adjusting journal entries you have recommended, and they have been posted.

43) Management has decided to not submit Management's Discussion and Analysis (MD&A) as required by U.S. generally accepted accounting principles.

Signature:

Candace B. Harrold

Title:

Town Manager/ Clerk

TOWN OF JEROME, ARIZONA

**Annual Expenditure Limitation Report
and Independent Accountants' Report
June 30, 2017**



**COLBY &
POWELL, PLC**
CERTIFIED PUBLIC ACCOUNTANTS

1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona and
The Honorable Mayor and Town Council
of the Town of Jerome, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the Town of Jerome, Arizona for the year ended June 30, 2017, and the related notes to the report. The Town's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the uniform expenditure reporting system in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the annual expenditure limitation report referred to above is presented in accordance with the uniform expenditure reporting system as described in Note 1 in all material respects.

Colby & Powell, PLC

February 22, 2018

TOWN OF JEROME, ARIZONA
Annual Expenditure Limitation Report – Part II
Year Ended June 30, 2017

Description	Governmental funds	Enterprise funds	Fiduciary funds	Total
A. Amounts reported on the reconciliation, line D	\$1,609,175	\$ 365,980	\$ 28,097	\$2,003,252
B. Less exclusions claimed:	-	-	-	-
Total exclusions claimed	-	-	-	-
C. Amounts subject to the expenditure limitation	<u>\$1,609,175</u>	<u>\$ 365,980</u>	<u>\$ 28,097</u>	<u>\$2,003,252</u>

See accompanying notes to report.

TOWN OF JEROME, ARIZONA
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the uniform expenditure reporting system (UERS), as required by Arizona Revised Statutes §41-1279.07, and in accordance with the voter-approved alternative expenditure limitation adopted April 19, 2016, as authorized by the Arizona Constitution, Article IX, §20(9).

In accordance with the UERS, a note to the AELR is presented below for any exclusion claimed on part II and each subtraction or addition in the reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the statement of revenues, expenditures, and changes in fund balances for the governmental funds; statement of revenues, expenses, and changes in fund net position for the proprietary funds; statement of cash flows for the proprietary funds; and the statement of changes in fiduciary net position for the fiduciary funds.

NOTE 2 – PRINCIPAL PAYMENTS ON LONG-TERM DEBT

The addition of \$16,070 for principal payments on long-term debt in the enterprise funds consists of principal paid of \$5,780 on a capital lease and \$10,290 on the Town revenue bonds payable.