

**TOWN OF JEROME, ARIZONA**

Annual Financial Statements  
and Independent Auditors' Report

June 30, 2017

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## **INDEPENDENT AUDITORS' REPORT**

To the Town Council  
Town of Jerome, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jerome, Arizona, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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.

### *Other Information*

The Segmented Statement of Revenue, Expenses, and Changes in Fund Net Position is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining Segmented Statement of Revenue, Expenses, and Changes in Fund Net Position is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2018, on our consideration of the Town of Jerome, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Jerome, Arizona's internal control over financial reporting and compliance.

### **Other Reporting Required by Arizona Revised Statutes**

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Town's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

*Colby & Powell, PLC*

February 22, 2018

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
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
<b>Total assets</b>	<b>1,965,545</b>	<b>2,414,332</b>	<b>4,379,877</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	70,855	-	70,855
<b>LIABILITIES</b>			
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
<b>Total liabilities</b>	<b>300,801</b>	<b>227,297</b>	<b>528,098</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	60,144	-	60,144
<b>NET POSITION</b>			
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
<b>Total net position</b>	<b>\$ 1,675,455</b>	<b>\$ 2,187,035</b>	<b>\$ 3,862,490</b>

*See accompanying notes to financial statements.*

**TOWN OF JEROME, ARIZONA**  
**Statement of Activities**  
**June 30, 2017**

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities							
General government	\$ 422,634	\$ 11,856	\$ -	\$ -	\$ (410,778)	\$ -	\$ (410,778)
Public safety	757,856	116,253	28,382	15,804	(597,417)	-	(597,417)
Public works and streets	75,092	-	36,784	-	(38,308)	-	(38,308)
Community development	351,684	78,299	174,653	-	(98,732)	-	(98,732)
Culture and recreation	95,047	-	20,027	-	(75,020)	-	(75,020)
Interest on long-term debt	1,221	-	-	-	(1,221)	-	(1,221)
<b>Total governmental activities</b>	<b>1,703,534</b>	<b>206,408</b>	<b>259,846</b>	<b>15,804</b>	<b>(1,221,476)</b>	<b>-</b>	<b>(1,221,476)</b>
Business-type activities							
Utilities	425,888	547,030	-	-	-	121,142	121,142
<b>Total business-type activities</b>	<b>425,888</b>	<b>547,030</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>121,142</b>	<b>121,142</b>
<b>Total primary government</b>	<b>\$ 2,129,422</b>	<b>\$ 753,438</b>	<b>\$ 259,846</b>	<b>\$ 15,804</b>	<b>(1,221,476)</b>	<b>121,142</b>	<b>(1,100,334)</b>
<b>General revenue:</b>							
Taxes:							
Property					48,373	-	48,373
Sales					966,707	-	966,707
Franchise fees					16,729	-	16,729
State sales tax revenue sharing					41,905	-	41,905
Urban revenue sharing					183,694	-	183,694
Vehicle license taxes					29,352	-	29,352
Investment income (loss)					251	46	297
Miscellaneous					22,022	-	22,022
Total general revenue					1,309,317	46	1,309,363
Transfers					70,476	(70,476)	-
Change in net position					158,317	50,712	209,029
Net position, July 1, 2016					1,517,138	2,136,323	3,653,461
Net position, June 30, 2017					\$ 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
<b>ASSETS</b>				
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
<b>Total assets</b>	<b>\$ 982,906</b>	<b>\$ 6,214</b>	<b>\$ 167,402</b>	<b>\$ 1,156,522</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>100,593</b>	<b>11,095</b>	<b>158,703</b>	<b>270,391</b>
<b>Fund balances</b>				
Nonspendable	-	-	13,893	13,893
Restricted for:				
Court enhancement	15,918	-	-	15,918
Unassigned	866,395	(4,881)	(5,194)	856,320
<b>Total fund balances</b>	<b>882,313</b>	<b>(4,881)</b>	<b>8,699</b>	<b>886,131</b>
<b>Total liabilities and fund balances</b>	<b>\$ 982,906</b>	<b>\$ 6,214</b>	<b>\$ 167,402</b>	<b>\$ 1,156,522</b>

*See accompanying notes to financial statements.*

**TOWN OF JEROME, ARIZONA**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**Governmental Funds**  
**June 30, 2017**

Fund balances-total governmental funds	\$ 886,131
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	776,069
Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.	81,234
Long-term liabilities, such as bonds payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	(78,690)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>10,711</u>
<b>Net position of governmental activities</b>	<b><u>\$1,675,455</u></b>

*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
<b>Revenue</b>				
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
<b>Total revenue</b>	<u>1,539,231</u>	<u>36,875</u>	<u>215,269</u>	<u>1,791,375</u>
<b>Expenditures</b>				
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
<b>Total expenditures</b>	<u>1,321,919</u>	<u>70,270</u>	<u>216,986</u>	<u>1,609,175</u>
Excess (deficiency) of revenue over (under) expenditures	<u>217,312</u>	<u>(33,395)</u>	<u>(1,717)</u>	<u>182,200</u>
<b>Other financing sources (uses)</b>				
Transfers	<u>35,147</u>	<u>35,329</u>	<u>-</u>	<u>70,476</u>
<b>Net change in fund balances</b>	252,459	1,934	(1,717)	252,676
Fund balances, July 1, 2016	<u>629,854</u>	<u>(6,815)</u>	<u>10,416</u>	<u>633,455</u>
<b>Fund balances, June 30, 2017</b>	<u>\$ 882,313</u>	<u>\$ (4,881)</u>	<u>\$ 8,699</u>	<u>\$ 886,131</u>

*See accompanying notes to financial statements.*

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

Net change in fund balances-total governmental funds		\$ 252,676
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Current year capital acquisitions	12,700	
Current year depreciation expense	<u>(80,587)</u>	(67,887)
<p>Town pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
Town pension contributions	24,604	
Pension expense	<u>(41,684)</u>	(17,080)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
		7,055
<p>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 governmental funds.</p>		
Decrease in compensated absences payable	3,167	
Parker lawsuit liability	<u>(19,614)</u>	(16,447)
<b>Change in net position of governmental activities</b>		<u><u>\$ 158,317</u></u>

*See accompanying notes to financial statements.*

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

	<u>Utilities Fund</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 28,280
Cash and cash equivalents, restricted	76,919
Accounts receivable-net	<u>48,426</u>
<b>Total current assets</b>	<u>153,625</u>
Noncurrent assets	
Capital assets, not being depreciated	22,080
Capital assets, being depreciated, net	<u>2,238,627</u>
<b>Total noncurrent assets</b>	<u>2,260,707</u>
<b>Total assets</b>	<u>2,414,332</u>
<b>LIABILITIES</b>	
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	<u>10,753</u>
<b>Total current liabilities</b>	<u>60,977</u>
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	<u>159,682</u>
<b>Total noncurrent liabilities</b>	<u>166,320</u>
<b>Total liabilities</b>	<u>227,297</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,077,858
Restricted for:	
Debt service	48,779
Repairs and replacements	5,446
Unrestricted	<u>54,952</u>
<b>Total net position</b>	<u>\$ 2,187,035</u>

*See accompanying notes to financial statements.*

**TOWN OF JEROME, ARIZONA**  
**Statement of Revenue, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2017**

	Utilities Fund
<b>Operating revenue</b>	
Charges for services	
Sewer user fees	\$ 181,281
Water user fees	176,450
Sanitation user fees	186,885
Miscellaneous	2,414
	547,030
<b>Operating expenses</b>	
Personnel	155,491
Depreciation	75,978
Contract services	52,212
Repairs and maintenance	38,060
Insurance	35,525
Fees and permits	24,540
Office	13,678
Fuel	10,175
Utilities	4,610
Miscellaneous	3,586
Tools and equipment	1,774
Legal and professional	1,762
	417,391
<b>Operating income</b>	129,639
<b>Nonoperating revenue (expense)</b>	
Interest earnings	46
Interest expense	(8,497)
	(8,451)
<b>Income before transfers</b>	121,188
Transfers	(70,476)
	50,712
<b>Change in net position</b>	50,712
Net position, July 1, 2016	2,136,323
<b>Net position, June 30, 2017</b>	\$ 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
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 548,019
Payments to suppliers and providers of goods and services	(186,655)
Payments to employees	(154,176)
<b>Net cash provided (used) by operating activities</b>	<b>207,188</b>
<b>Cash flows from noncapital financing activities:</b>	
Transfers to other funds	(70,476)
Borrowings repaid to other funds	(72,076)
<b>Net cash provided (used) by noncapital financing</b>	<b>(142,552)</b>
<b>Cash flows from capital and related financing activities:</b>	
Principal paid on capital lease	(5,780)
Principal paid on revenue bond maturities	(10,290)
Interest paid	(9,028)
<b>Net cash provided (used) by capital and related financing         activities</b>	<b>(25,098)</b>
<b>Cash flows from investing activities:</b>	
Interest received on investments	46
<b>Net increase (decrease) in cash</b>	<b>39,584</b>
Cash and cash equivalents, July, 1, 2016	65,615
<b>Cash and cash equivalents, June, 30, 2017</b>	<b>\$ 105,199</b>
Cash and cash equivalents	\$ 28,280
Cash and cash equivalents, restricted	76,919
<b>Cash and cash equivalents, June, 30, 2017</b>	<b>\$ 105,199</b>

*See accompanying notes to financial statements.*

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

	Utilities Fund
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>	
Operating income	\$ 129,639
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	75,978
(Increase) decrease in:	
Account receivable	(1,101)
Increase (decrease) in:	
Accounts payable	(733)
Accrued expenses	487
Deposits held for customers	2,090
Compensated absences	828
	828
<b>Net cash provided (used) by operating activities</b>	<b>\$ 207,188</b>

*See accompanying notes to financial statements.*



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

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

*See accompanying notes to financial statements.*

**TOWN OF JEROME, ARIZONA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**Year Ended June 30, 2017**

	<u>Pension Trust Fund</u>
<b>Additions:</b>	
Contributions	\$ 12,366
Investment income:	
Interest and dividends	4,944
Unrealized gain (loss)	<u>22,218</u>
<b>Total additions</b>	<b>39,528</b>
<b>Distributions:</b>	
Distributions to participants	24,216
Administrative fees	<u>3,881</u>
<b>Total distributions</b>	<b><u>28,097</u></b>
Change in net position	11,431
Net Position, July 1, 2016	<u>132,455</u>
Net Position, June 30, 2017	<u><u>\$ 143,886</u></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***

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements—Provide information about the Town’s funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund’s principal activity. Accordingly, revenues, such as user charges and insurance premiums, in which each party receives and gives up essentially equal values are operating revenues. Other revenues, such as subsidies, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

The Town reports the following major governmental funds:

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

The ***HURF Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund which is legally restricted to expenditures for specified purposes.

The ***Grants Fund*** accounts for financial resources received from various entities. Restrictions on the use of these resources are derived from the agreements from which the resources were provided.

The Town reports the following major enterprise fund:

The ***Utilities Fund*** accounts for operations of the Town-owned water, sewer, and sanitation, that are financed and operated in a manner similar to private business enterprises, in which the intent of the Town Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or for which the Town Council has decided that periodic determination of revenue

**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***

**E. Property Tax Calendar**

Property taxes are recognized as revenue 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 are reported as unavailable revenue. Property taxes collected in advance of the fiscal year for which they are levied are reported as unearned revenue.

The Town 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.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

**F. Allowance for Uncollectible Accounts**

Allowances for uncollectible accounts receivable in the General and Utilities Funds are estimated by the Town. The amount recorded as uncollectible at June 30, 2017 totaled \$0 and \$15,000 respectively.

**G. Inventories**

The Town accounts for its inventories in the governmental funds using the consumption method. Inventories of the governmental funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of consumption.

These inventories are stated at cost using the first-in, first-out (FIFO) method of valuation.

**H. Capital Assets**

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

**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***

**L. Fund Balance Reporting**

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. 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, and unrestricted, which includes 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.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the Town Council has approved, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but that are neither restricted nor committed. The Town Council has authorized the Town manager to assign 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.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the Town's policy to use (the Town will use) restricted fund balance first. It is the Town's policy to use (the Town will use) committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

**M. Impact of Recently Issued Accounting Principles**

In June 2015, the GASB issued Statement 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*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing



**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**  
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***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In June 2017, the GASB issued Statement 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**N. Pensions**

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

**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 2 – DEPOSITS AND INVESTMENTS – Continued**

*Deposits*—At June 30, 2017, the carrying amount of the Town’s total cash in bank was \$805,575 and the bank balances were \$831,563. Of the bank balances, \$518,480 was covered by federal depository insurance or similar insurance. The remainder was covered by collateral held by the pledging financial institution in the Town’s name.

*Investments*—The Town reported investments in the State Treasurer’s Investment Pool 5 with a reported amount of \$1,614. The Standard and Poor’s credit quality rating of the pool is AAA.

The Town’s Pension Trust Fund had investments in mutual funds of \$131,148 at June 30, 2017, categorized within the fair value hierarchy established by generally accepted accounting principles as Level 1. Investments categorized as Level 1 are valued using prices quoted in active markets for those investments.

Investments in the State Treasurer’s investment pools are valued at the pool’s share price multiplied by the number of shares the Town held. The fair value of a participant’s position in the pools approximates the value of that participant’s pool shares. The State Board of Investment provides oversight for the State Treasurer’s investment pools.

Restricted cash and cash equivalents on the Statement of Net Position consists of cash restricted for debt service and customer deposits.

A reconciliation of cash, deposits, and investments to amounts shown on the statements of net position follows:

	Governmental activities	Business-type activities	Pension Trust Fund	Total
Cash and cash equivalents:				
Amount of deposits	\$ 699,453	\$ 105,199	\$ 923	\$ 805,575
State Treasurer's investment pool 5	1,614	-	-	1,614
Cash on hand	576	-	-	576
Total	<u>\$ 701,643</u>	<u>\$ 105,199</u>	<u>\$ 923</u>	<u>\$ 807,765</u>

**NOTE 3 – DUE FROM OTHER GOVERNMENTS**

Amount due from other governments at June 30, 2017, included \$15,482 in state-shared revenue, \$7,110 in state-shared revenue from sales taxes, \$5,060 in county-shared revenue from auto lieu taxes, \$2,941 in property taxes, \$170,474 from city sales taxes, \$29,153 from wildland fire charges, \$6,214 from Highway User Revenue Fund (HURF) taxes, and \$153,509 from grants.

**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
<b>Governmental activities:</b>				
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
<b>Total</b>	<b>2,377,774</b>	<b>12,700</b>	<b>-</b>	<b>2,390,474</b>
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)
<b>Total</b>	<b>(1,786,101)</b>	<b>(80,587)</b>	<b>-</b>	<b>(1,866,688)</b>
<b>Total capital assets being depreciated, net</b>	<b>591,673</b>	<b>(67,887)</b>	<b>-</b>	<b>523,786</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 843,956</b>	<b>\$ (67,887)</b>	<b>\$ -</b>	<b>\$ 776,069</b>
	Balance July, 1, 2016	Increases	Decreases	Balance June 30, 2017
<b>Business-type activities:</b>				
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
<b>Total</b>	<b>3,732,224</b>	<b>-</b>	<b>-</b>	<b>3,732,224</b>
Less accumulated depreciation for:				
Buildings and infrastructure	(1,268,766)	(69,578)	-	(1,338,344)
Vehicles and equipment	(148,853)	(6,400)	-	(155,253)
<b>Total</b>	<b>(1,417,619)</b>	<b>(75,978)</b>	<b>-</b>	<b>(1,493,597)</b>
<b>Total capital assets being depreciated, net</b>	<b>2,314,605</b>	<b>(75,978)</b>	<b>-</b>	<b>2,238,627</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 2,336,685</b>	<b>\$ (75,978)</b>	<b>\$ -</b>	<b>\$ 2,260,707</b>

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

***NOTE 4 – CAPITAL ASSETS – Continued***

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 34,032
Public safety	39,573
Public works and streets	5,567
Community development	625
Culture and recreation	790
	<hr/>
Total governmental activities depreciation expense	<u>\$ 80,587</u>
Business-type activities:	
Water	\$ 54,219
Sewer	21,483
Sanitation and recycling	276
	<hr/>
Total business-type activities depreciation expense	<u>\$ 75,978</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	<u>Business-type Activities</u>	
	Revenue Bonds	
	<u>Principal</u>	<u>Interest</u>
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	<u>38,301</u>	<u>3,218</u>
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:

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

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

**NOTE 5 – LONG-TERM LIABILITIES – Continued**

Capital leases—The Town has acquired vehicles and equipment under the provisions of long-term lease agreements classified as a capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease terms.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities	Total
Vehicles	\$ 29,300	\$ -	\$ 29,300
Equipment	10,199	23,800	33,999
Less: accumulated depreciation	(12,210)	(4,562)	(16,772)
Carrying value	<u>\$ 27,289</u>	<u>\$ 19,238</u>	<u>\$ 46,527</u>

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

Year Ending June 30	Governmental Activities	Business-Type Activities	Total
2018	\$ 8,210	\$ 6,518	\$ 14,728
2019	8,210	6,518	14,728
2020	5,416	1	5,417
2021	5,416	-	5,416
Total minimum lease payments	27,252	13,037	40,289
Less amount representing interest	(2,210)	(623)	(2,833)
Present value of net minimum lease payments	<u>\$ 25,042</u>	<u>\$ 12,414</u>	<u>\$ 37,456</u>

**NOTE 6 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all such risks of loss, including workers’ compensation and employees’ health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



**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:

<b>Statement of Net Position and Statement of Activities</b>	<b>Governmental Activities</b>
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](http://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**

Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**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:

	<b>PSPRS Police</b>
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.

	<b>PSPRS Police</b>
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**

For the agent plans, the Town’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2017, were:

	<b>PSPRS Police</b>	
Contributions Made	\$	25,388
<b>Health Insurance Premium Benefit</b>		
Annual OPEB cost		-
Contributions made		-

During fiscal year 2017, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

**Net Pension Liability (Asset)** – At June 30, 2017, the Town reported the following net pension liability:

	<b>Net Pension Liability (Asset)</b>	
PSPRS Police	\$	(81,234)

The net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS’ automatic cost-of-living adjustments. The statutory adjustments changed the basis for cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS plans.

**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	<u>100%</u>	

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

***NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

**Pension Discount Rates** – At June 30, 2016, the discount rate used to measure the PSPRS total pension liabilities was 7.50 percent, which was a decrease of 0.35 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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)**

<b>PSPRS Police</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (Asset) (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</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:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
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**

**Pension Expense** – For the year ended June 30, 2017, the Town recognized the following pension expense:

	<b>Pension Expense (Income)</b>
PSPRS Police	\$ 41,684

**Pension Deferred Outflows/Inflows of Resources** – At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 53,430
Changes of assumptions or other inputs	12,477	-
Net difference between projected and actual earnings on pension plan investments	32,990	6,714
Town contributions subsequent to the measurement date	25,388	-
<b>Total</b>	<b>\$ 70,855</b>	<b>\$ 60,144</b>



**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,	<b>PSPRS Police</b>
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**

Projections of benefits are based on (1) the plans as understood by the Town and plans’ members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans’ members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial methods and assumptions used to establish the fiscal year 2017 contribution requirements are as follows:

**PSPRS - OPEB Contribution Requirements**

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open
Remaining amortization period	21 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	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

**Agent Plan OPEB Trend Information** – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

Year ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Police			
2017	\$ -	100%	\$ -
2016	-	100%	-
2015	1,828	100%	-

**Agent Plan OPEB Funded Status** – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2017, along with the actuarial assumptions and methods used in those valuations follow.

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

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

		<b>PSPRS Police</b>
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 8 – INTERFUND BALANCES AND ACTIVITY**

Interfund receivables and payables – Interfund balances at June 30, 2017, were as follows:

	Payable to
Payable from	General Fund
HURF Fund	\$ 8,873
Grants Fund	39,407
Total	\$ 48,280

The purpose of the interfund balances between the General Fund, HURF Fund, and Grants Fund shown above were to help the HURF and Grants Funds pay for expenditures expected to be reimbursed in future periods from HURF and grants proceeds.

Transfer To	Transfer From			Total
	General Fund	Utilities Fund	HURF Fund	
General Fund	\$ -	\$ 136,376	\$ 9,522	\$ 145,898
HURF Fund	44,851	-	-	44,851
Utilities Fund	65,900	-	-	65,900
	\$ 110,751	\$ 136,376	\$ 9,522	\$ 256,649

The transfers to the General Fund were to reimburse the General Fund for administrative costs. The Town transferred \$9,401 from the HURF Fund to the General Fund for administrative costs. In addition, the Town transferred \$44,851 from the General Fund to the HURF Fund to cover expenditures of the HURF Fund in excess of current year revenues.

**NOTE 9 – CONTINGENT LIABILITIES**

In 2011, legislators passed Senate Bill 1609, which contained several provisions meant to shore up the plans administered by PSPRS. One of those provisions was a gradual increase in member contribution rates from 7% to 11% in the elected officials' plan (EORP) and from 7.65% to 11.65% in the public safety plan (PSPRS). In August 2011, those provisions were challenged via two separate, but parallel, lawsuits—Hall for EORP and Parker for PSPRS. In November 2016, the Supreme Court upheld the lower court decision in Hall that ruled those increased member

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

***NOTE 9 – CONTIGENT 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**  
**General Fund**  
**Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Taxes	\$ 962,500	\$ 962,500	\$ 1,015,081	\$ 52,581
Intergovernmental	273,856	273,856	274,809	953
Charges for services	191,390	191,390	113,100	(78,290)
Fines and forfeits	66,650	66,650	74,711	8,061
Licenses and permits	34,500	34,500	31,317	(3,183)
Miscellaneous	24,500	24,500	28,366	3,866
Donations and grants	3,500	3,500	1,403	(2,097)
Investment earnings	100	100	444	344
<b>Total revenue</b>	<b>1,556,996</b>	<b>1,556,996</b>	<b>1,539,231</b>	<b>(17,765)</b>
<b>Expenditures</b>				
General government	397,328	397,328	389,218	8,110
Magistrate court	64,102	64,102	68,700	(4,598)
Police	403,482	403,482	378,863	24,619
Fire	224,285	224,285	219,539	4,746
Library	78,037	78,037	74,584	3,453
Planning and zoning	55,168	55,168	63,609	(8,441)
Parks	18,374	18,374	15,711	2,663
Properties	151,010	151,010	99,778	51,232
Youth	3,013	3,013	3,033	(20)
Capital	39,240	39,240	-	39,240
Contingency	486,000	486,000	8,884	477,116
<b>Total expenditures</b>	<b>1,920,039</b>	<b>1,920,039</b>	<b>1,321,919</b>	<b>598,120</b>
Excess (deficiency) of revenue over (under) expenditures	(363,043)	(363,043)	217,312	580,355
<b>Other financing sources (uses)</b>				
Sale of assets	305,000	305,000	-	(305,000)
Transfers	22,303	22,303	35,147	12,844
<b>Total other financing sources (uses)</b>	<b>327,303</b>	<b>327,303</b>	<b>35,147</b>	<b>(292,156)</b>
<b>Net change in fund balances</b>	<b>(35,740)</b>	<b>(35,740)</b>	<b>252,459</b>	<b>288,199</b>
Fund balances, July 1, 2016	629,854	629,854	629,854	-
<b>Fund balances, June 30, 2017</b>	<b>\$ 594,114</b>	<b>\$ 594,114</b>	<b>\$ 882,313</b>	<b>\$ 288,199</b>

*See accompanying notes to budgetary comparison schedule.*

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

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

*See accompanying notes to budgetary comparison schedule.*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 1,210,500	\$ 1,210,500	\$ 215,269	\$ (995,231)
<b>Expenditures</b>				
Current				
Public safety	1,009,174	1,009,174	15,660	993,514
Community development	188,626	188,626	188,626	-
Capital outlay	12,700	12,700	12,700	-
<b>Total expenditures</b>	<b>1,210,500</b>	<b>1,210,500</b>	<b>216,986</b>	<b>993,514</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>(1,717)</b>	<b>(1,717)</b>
Fund balances, July 1, 2016	10,416	10,416	10,416	-
<b>Fund balances, June 30, 2017</b>	<b>\$ 10,416</b>	<b>\$ 10,416</b>	<b>\$ 8,699</b>	<b>\$ (1,717)</b>

*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 Changes in the Town's**  
**Net Pension Liability (Asset) and Related Ratios**  
**Agent Pension Plans**  
**June 30, 2017**

**PSPRS Police**

	Reporting Fiscal Year (Measurement Date)			2014 through 2007
	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability				Information not available
Service cost	\$ 28,796	\$ 33,397	\$ 32,631	
Interest on the total pension liability	22,890	19,718	18,410	
Changes of benefit terms	31,147	-	(1,024)	
Differences between expected and actual experience in the measurement of the pension liability	(30,273)	(10,398)	(36,345)	
Changes of assumptions or other inputs	13,630	-	2,606	
Net change in total pension liability	<u>66,190</u>	<u>42,717</u>	<u>16,278</u>	
Total pension liability - beginning	<u>277,199</u>	<u>234,482</u>	<u>218,204</u>	
Total pension liability - ending (a)	<u>\$ 343,389</u>	<u>\$ 277,199</u>	<u>\$ 234,482</u>	
Plan fiduciary net position				
Contributions - employer	\$ 20,660	\$ 18,279	\$ 13,997	
Contributions - employee	19,027	18,421	15,379	
Net investment income	2,358	13,372	40,722	
Administrative expense	(739)	(707)	-	
Other changes	(13,001)	(269)	(26,233)	
Net change in plan fiduciary net position	<u>28,305</u>	<u>49,096</u>	<u>43,865</u>	
Plan fiduciary net position - beginning	<u>396,318</u>	<u>347,222</u>	<u>303,357</u>	
Plan fiduciary net position - ending (b)	<u>\$ 424,623</u>	<u>\$ 396,318</u>	<u>\$ 347,222</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ (81,234)</u>	<u>\$ (119,119)</u>	<u>\$ (112,740)</u>	
Plan fiduciary net position as a percentage of the total pension liability	123.66%	142.97%	148.08%	
Covered-employee payroll	\$ 136,151	\$ 134,655	\$ 167,936	
Town's net pension liability (asset) as a percentage of covered-employee payroll	-59.66%	-88.46%	-67.13%	

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

**PSPRS - Police**

	<b>Reporting Fiscal Year</b>				<b>2013 through 2007</b>
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	
Actuarially determined contribution	\$ 25,388	\$ 20,660	\$ 18,279	\$ 13,997	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(25,388)</u>	<u>(20,660)</u>	<u>(18,279)</u>	<u>(13,997)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 176,917</u>	<u>\$ 136,151</u>	<u>\$ 134,655</u>	<u>\$ 167,936</u>	
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**  
**Notes to Pension Plan Schedules**  
**June 30, 2017**

***NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES***

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

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2015 actuarial	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0%. In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%.
Wage growth	In 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

**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**  
**Required Supplementary Information**  
**Notes to Schedule of Agent OPEB Plans' Funding Progress**  
**June 30, 2016**

***NOTE 1 – FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS***

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

**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
<b>Operating revenue</b>				
Charges for services	\$ 176,450	\$ 181,281	\$ 186,885	\$ 544,616
Miscellaneous	2,119	94	201	2,414
<b>Total operating revenue</b>	<u>178,569</u>	<u>181,375</u>	<u>187,086</u>	<u>547,030</u>
<b>Operating expenses</b>				
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
<b>Total operating expenses</b>	<u>181,233</u>	<u>126,493</u>	<u>109,665</u>	<u>417,391</u>
<b>Operating income</b>	(2,664)	54,882	77,421	129,639
<b>Nonoperating revenue (expense)</b>				
Interest earnings	-	46	-	46
Interest expense	(448)	(8,049)	-	(8,497)
<b>Total nonoperating revenue (expense)</b>	<u>(448)</u>	<u>(8,003)</u>	<u>-</u>	<u>(8,451)</u>
<b>Income before transfers</b>	(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
<b>Change in net position</b>	(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>
<b>Net position, June 30, 2017</b>	<u>\$ 1,546,045</u>	<u>\$ 798,050</u>	<u>\$ (157,060)</u>	<u>\$ 2,187,035</u>



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**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Town Council  
Town of Jerome, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jerome, Arizona, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Jerome, Arizona's basic financial statements and have issued our report thereon dated February 22, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Jerome, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Jerome, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Jerome, Arizona's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did



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



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

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

February 22, 2018

Honorable Members of  
the Jerome Town Council

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Jerome, Arizona, as of and for the year ended June 30, 2017. Professional standards require that we provide information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 16, 2018. Professional standards also require that we communicate to you the following information related to our audit.

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Jerome, Arizona are described in Note 1 to the financial statements. GASB's 72 and 76 were implemented by the Town for the fiscal year ending June 30, 2017. Further information regarding their impact on the Town's financial statements can be found in Note 1 to the financial statements.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **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.



Attachments



# TOWN OF JEROME

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

Founded 1876  
Incorporated 1899  
January 19, 2018

Colby and Powell, PLC  
1535 W Harvard Ave., Ste. 101  
Gilbert, AZ 85233

This representation letter is provided in connection with your audit(s) of the financial statements of the Town of Jerome, Arizona, which comprise the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of January 19, 2018, the following representations made to you during your audit.

## Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 16, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

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.

17) We have disclosed to you the identity of the Town's related parties and all the related party relationships and transactions of which we are aware.

**Government-specific**

18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19) We have a process to track the status of audit findings and recommendations.

20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

21) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

22) The Town of Jerome has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

24) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

25) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

26) The Town of Jerome has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

27) The Town of Jerome has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

28) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

29) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.

30) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

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. Lavey*  
Title: *Town Manager/Clerk*

Client: **TOJ - Town of Jerome, Arizona**  
 Engagement: **AUD17 - Town of Jerome, Arizona**  
 Period Ending: **6/30/2017**  
 Trial Balance: **TB**  
 Workpaper: **370.01 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
Client entry JE				
1.10.1900	Due From Other Funds		300.00	
5.40.4100	Operating Grants Revenue		300.00	
1.10.4201	Fire Dept Contributions			300.00
5.40.2990	Due To Other Funds			300.00
<b>Total</b>			<b>600.00</b>	<b>600.00</b>
<b>Adjusting Journal Entries JE # 2</b>				
Client entry AJE #38 Record additional accounts payable				
1.17.6285	Utilities		139.73	
1.18.6285	Utilities		4,236.13	
2.50.6285	Utilities Exp - Water		1.86	
2.51.6285	Utilities		184.05	
1.10.2001	Accounts Payable			4,375.86
2.00.2001	Accounts Payable			185.91
<b>Total</b>			<b>4,561.77</b>	<b>4,561.77</b>
<b>Adjusting Journal Entries JE # 3</b>				
Client entry AJE #39 Reclass RICO grant expense				
1.13.6195	Operating Supplies - Police		5,113.44	
5.40.2990	Due To Other Funds		5,113.44	
1.10.1900	Due From Other Funds			5,113.44
5.40.6236	RICO Exp - Opr Grants			5,113.44
<b>Total</b>			<b>10,226.88</b>	<b>10,226.88</b>
<b>Adjusting Journal Entries JE # 4</b>				
Adjust inventory to actual				
5.40.6250	GR Small Tools and Equipment		3,920.00	
5.40.1800	Inventory			3,920.00
<b>Total</b>			<b>3,920.00</b>	<b>3,920.00</b>
<b>Adjusting Journal Entries JE # 5</b>				
Adj to depreciation schedule				
2.50.6120	Depreciation Expenses		335.44	
2.00.1555	Operating Equipment			335.44
<b>Total</b>			<b>335.44</b>	<b>335.44</b>



**TOWN OF JEROME, ARIZONA**

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

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## **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 I**  
**Year Ended June 30, 2017**

1. Voter-approved alternative expenditure limitation	\$3,937,240
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>2,003,252</u>
3. Amount under the expenditure limitation	<u><u>\$1,933,988</u></u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: \_\_\_\_\_

Name and Title: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Date: \_\_\_\_\_

*See accompanying notes to report.*

**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**  
**Annual Expenditure Limitation Report – Reconciliation**  
**Year Ended June 30, 2017**

Description	Governmental funds	Enterprise funds	Fiduciary funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$1,609,175	\$ 425,888	\$ 28,097	\$2,063,160
B. Subtractions:				
1. Items not requiring use of current financial resources:				
a. Depreciation	-	75,978	-	75,978
Total subtractions	-	75,978	-	75,978
C. Additions:				
1. Principal payments on long-term debt	-	16,070	-	16,070
Total additions	-	16,070	-	16,070
D. Amounts reported on part II, line A	<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.