

TOWN OF JEROME, ARIZONA

Annual Financial Statements
and Independent Auditors' Report

June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Jerome, Arizona

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, 2019, 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, 2019, 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 and net pension liability and other post-employment benefit plan information, as listed in the table of contents, 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 January 6, 2019, 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 solely 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 the effectiveness of the Town of Jerome. Arizona's 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 comply with the authorized transportation purposes, insofar as they relate to accounting matters, for Highway User Revenue Fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues it received. 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 authorized transportation purposes referred to above, insofar as they relate to accounting matters.

Colby & Powell, PLC

January 6, 2019

TOWN OF JEROME, ARIZONA
Statement of Net Position
June 30, 2019

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 889,276	\$ 68,198	\$ 957,474
Cash and cash equivalents, restricted	-	78,002	78,002
Other receivables	3,343	47,190	50,533
Due from other governments	281,842	-	281,842
Inventories	13,193	-	13,193
Net pension/OPEB asset	23,696	-	23,696
Capital assets, not being depreciated	252,283	22,080	274,363
Capital assets, being depreciated, net	855,942	2,102,261	2,958,203
Total assets	<u>2,319,575</u>	<u>2,317,731</u>	<u>4,637,306</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	200,820	-	200,820
LIABILITIES			
Accounts payable	42,685	10,951	53,636
Accrued expenses	29,484	5,702	35,186
Deposits held for others	6,761	23,754	30,515
Deferred revenue	98,704	-	98,704
Due to fiduciary fund	14,195	-	14,195
Noncurrent liabilities			
Due within 1 year	32,266	14,873	47,139
Due in more than 1 year	20,064	142,810	162,874
Total liabilities	<u>244,159</u>	<u>198,090</u>	<u>442,249</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	33,564	-	33,564
NET POSITION			
Net investment in capital assets	1,095,009	1,968,986	3,063,995
Restricted for:			
Court enhancement fund	18,957	-	18,957
Debt service	-	48,757	48,757
Repairs and replacements	-	5,491	5,491
Unrestricted	1,128,706	96,407	1,225,113
Total net position	<u>\$ 2,242,672</u>	<u>\$ 2,119,641</u>	<u>\$ 4,362,313</u>

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Activities
June 30, 2019

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	
Primary government:							
Governmental activities							
General government	\$ 525,578	\$ 12,875	\$ -	\$ -	\$ (512,703)	\$ -	\$ (512,703)
Public safety	926,281	193,167	142,284	438,129	(152,701)	-	(152,701)
Public works and streets	91,659	-	35,657	23,654	(32,348)	-	(32,348)
Community development	411,987	89,049	198,777	-	(124,161)	-	(124,161)
Culture and recreation	99,696	-	20,430	-	(79,266)	-	(79,266)
Interest on long-term debt	925	-	-	-	(925)	-	(925)
Total governmental activities	<u>2,056,126</u>	<u>295,091</u>	<u>397,148</u>	<u>461,783</u>	<u>(902,104)</u>	<u>-</u>	<u>(902,104)</u>
Business-type activities							
Utilities	458,574	553,142	-	-	-	94,568	94,568
Total business-type activities	<u>458,574</u>	<u>553,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,568</u>	<u>94,568</u>
Total primary government	<u>\$ 2,514,700</u>	<u>\$ 848,233</u>	<u>\$ 397,148</u>	<u>\$ 461,783</u>	<u>(902,104)</u>	<u>94,568</u>	<u>(807,536)</u>
General revenues:							
Taxes:							
Property taxes					46,582	-	46,582
Sales taxes					995,913	-	995,913
Franchise taxes					17,032	-	17,032
State sales tax revenue sharing					40,148	-	40,148
Urban revenue sharing					166,513	-	166,513
Vehicle license taxes					27,887	-	27,887
Investment earnings					1,985	50	2,035
Gain on disposal of assets					3,396	-	3,396
Miscellaneous					7,572	-	7,572
Transfers					<u>137,052</u>	<u>(137,052)</u>	<u>-</u>
Total general revenues and transfers					<u>1,444,080</u>	<u>(137,002)</u>	<u>1,307,078</u>
Change in net position					541,976	(42,434)	499,542
Net position, beginning of year					1,700,696	2,162,075	3,862,771
Net position, end of year					<u>\$ 2,242,672</u>	<u>\$ 2,119,641</u>	<u>\$ 4,362,313</u>

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	HURF Fund	Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 834,813	\$ -	\$ 54,463	\$ 889,276
Other receivables	3,343	-	-	3,343
Due from other governments	153,307	3,626	124,909	281,842
Due from other funds	5,128	-	-	5,128
Inventories	-	-	13,193	13,193
Total assets	\$ 996,591	\$ 3,626	\$ 192,565	\$ 1,192,782
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 39,120	\$ 1,339	\$ 2,226	\$ 42,685
Accrued expenses	28,729	755	-	29,484
Deposits held for others	6,761	-	-	6,761
Unearned revenue	-	-	98,704	98,704
Due to other funds	14,195	5,128	-	19,323
Total liabilities	88,805	7,222	100,930	196,957
Fund balances				
Nonspendable	-	-	13,193	13,193
Restricted				
Court enhancement	18,957	-	-	18,957
Unassigned	888,829	(3,596)	78,442	963,675
Total fund balances	907,786	(3,596)	91,635	995,825
Total liabilities and fund balances	\$ 996,591	\$ 3,626	\$ 192,565	\$ 1,192,782

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, 2019

Fund balances-total governmental funds	\$ 995,825
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.	1,108,225
Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.	23,696
Long-term liabilities, such as net pension/OPEB liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	(52,330)
Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>167,256</u>
Net position of governmental activities	<u><u>\$ 2,242,672</u></u>

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, 2019

	General Fund	HURF Fund	Grants Fund	Total Governmental Funds
Revenues				
Intergovernmental	\$ 301,626	\$ 36,357	\$ 799,910	\$ 1,137,893
Taxes	1,042,496	-	-	1,042,496
Charges for services	140,325	-	-	140,325
Fines and forfeits	81,932	-	-	81,932
Licenses and permits	34,786	-	-	34,786
Miscellaneous	10,797	-	-	10,797
Investment earnings	5,621	336	-	5,957
Donations and grants	3,468	-	-	3,468
Total revenues	<u>1,621,051</u>	<u>36,693</u>	<u>799,910</u>	<u>2,457,654</u>
Expenditures				
Current				
General government	437,196	-	56,709	493,905
Public safety	872,428	-	92,497	964,925
Public works and streets	-	85,995	-	85,995
Community development	213,185	-	198,751	411,936
Culture and recreation	99,079	-	-	99,079
Debt service				
Principal	6,888	1,017	-	7,905
Interest	804	121	-	925
Capital outlay	34,454	-	440,904	475,358
Total expenditures	<u>1,664,034</u>	<u>87,133</u>	<u>788,861</u>	<u>2,540,028</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(42,983)</u>	<u>(50,440)</u>	<u>11,049</u>	<u>(82,374)</u>
Other financing sources (uses)				
Capital lease acquisitions	13,484	-	-	13,484
Transfers	13,208	46,844	77,000	137,052
Total other financing sources (uses)	<u>26,692</u>	<u>46,844</u>	<u>77,000</u>	<u>150,536</u>
Net change in fund balances	(16,291)	(3,596)	88,049	68,162
Fund balances, beginning of year	<u>924,077</u>	<u>-</u>	<u>3,586</u>	<u>927,663</u>
Fund balances, end of year	<u><u>\$ 907,786</u></u>	<u><u>\$ (3,596)</u></u>	<u><u>\$ 91,635</u></u>	<u><u>\$ 995,825</u></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, 2019

Net change in fund balances-total governmental funds \$ 68,162

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

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

Capital outlay	475,358	
Depreciation expense	<u>(74,640)</u>	400,718

In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold.

(6,799)

Town pension/OPEB 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/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.

Town pension/OPEB contributions	30,311	
Pension/OPEB income	<u>42,104</u>	72,415

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt principal repaid	7,905	
Capital leases incurred	<u>(3,289)</u>	4,616

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

Decrease in compensated absences payable		<u>2,864</u>
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Change in net position of governmental activities \$ 541,976

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2019

	Utilities Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 68,198
Cash and cash equivalents, restricted	78,002
Accounts receivable-net	47,190
Total current assets	193,390
Noncurrent assets	
Capital assets, not being depreciated	22,080
Capital assets, being depreciated, net	2,102,261
Total noncurrent assets	2,124,341
Total assets	2,317,731
LIABILITIES	
Current liabilities	
Accounts payable	10,951
Accrued expenses	2,362
Interest payable	3,340
Deposits held for customers	23,754
Compensated absences-current portion	1,746
Capital lease payable-current portion	1,385
Revenue bond payable-current portion	11,742
Total current liabilities	55,280
Noncurrent liabilities	
Compensated absences-net of current portion	582
Capital lease payable-net of current portion	5,524
Revenue bond payable-net of current portion	136,704
Total noncurrent liabilities	142,810
Total liabilities	198,090
NET POSITION	
Net investment in capital assets	1,968,986
Restricted for:	
Debt service	48,757
Repairs and replacements	5,491
Unrestricted	96,407
Total net position	\$ 2,119,641

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, 2019

	Utilities Fund
Operating revenues	
Charges for services	
Sanitation user fees	\$ 188,107
Sewer user fees	182,923
Water user fees	178,938
Miscellaneous	3,174
Total operating revenues	553,142
Operating expenses	
Personnel	187,455
Depreciation	72,677
Contract services	51,418
Repairs and maintenance	39,216
Insurance	29,445
Fees and permits	23,476
Office	21,195
Fuel	10,624
Utilities	5,694
Legal and professional	4,111
Tools and equipment	3,093
Miscellaneous	2,708
Total operating expenses	451,112
Operating income (loss)	102,030
Nonoperating revenues (expenses)	
Interest expense	(7,462)
Interest earnings	50
Total nonoperating revenues (expenses)	(7,412)
Income (loss) before transfers	94,618
Transfers	(137,052)
Increase (decrease) in net position	(42,434)
Net position, beginning of year	2,162,075
Net position, end of year	\$ 2,119,641

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	Utilities Fund
Cash flows from operating activities:	
Receipts from customers	\$ 558,550
Payments to suppliers and providers of goods and services	(197,804)
Payments to employee wages and benefits	(186,369)
Net cash provided by (used for) operating activities	174,377
Cash flows from noncapital financing activities:	
Transfers to other funds	(137,052)
Cash flows from capital and related financing activities:	
Principal paid on capital lease	(7,765)
Principal paid on revenue bond maturities	(11,237)
Interest paid	(7,715)
Proceeds from the sale of capital assets	(611)
Net cash provided by (used for) capital and related financing activities	(27,328)
Cash flows from investing activities:	
Interest received on investments	50
Net increase (decrease) in cash and cash equivalents	10,047
Cash and cash equivalents, beginning of year	136,153
Cash and cash equivalents, end of year	\$ 146,200
Cash and cash equivalents	\$ 68,198
Cash and cash equivalents, restricted	78,002
Cash and cash equivalents, end of year	\$ 146,200

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019
(Continued)

	Utilities Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 102,030
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	72,677
Changes in assets and liabilities:	
Account receivable	4,309
Accounts payable	(6,824)
Accrued expenses	411
Deposits held for customers	1,099
Compensated absences	675
Net cash provided by (used for) operating activities	\$ 174,377

Noncash investing, capital, and noncapital financing activities: The Town acquired \$24,796 of capital assets financed with a capital lease.

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2019

	Pension Trust Fund
ASSETS	
Cash	\$ 13,493
Investments, at fair value	129,085
Due from Town	14,195
Total assets	156,773
 NET POSITION	
Held in trust for investment trust participants	\$ 156,773

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2019

	Pension Trust Fund
Additions:	
Contributions	\$ 14,164
Investment income:	
Interest and dividends	7,209
Unrealized gain (loss)	(1,049)
Total additions	20,324
 Deductions:	
Distributions to participants	13,499
Administrative fees	2,097
Total deductions:	15,596
Change in net position	4,728
Net position, beginning of year	152,045
Net position, end of year	\$ 156,773

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Jerome, Arizona, conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's significant accounting policies are as 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.

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.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 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.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 post closure 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.

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.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2019 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.

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 (years)</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

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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. Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the 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.

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.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

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.

Deposits—At June 30, 2019, the carrying amount of the Town’s total cash in bank was \$1,033,229 and the bank balances were \$1,108,242. Of the bank balances, \$504,005 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 \$1,672. 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 \$129,085 at June 30, 2019, 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.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

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:

Cash, deposits, and investments:	
Cash on hand	\$ 575
Amount of deposits	1,033,229
Amount of investments	<u>1,672</u>
Total	<u>1,035,476</u>
Less amount representing restricted cash	<u>(78,002)</u>
Total cash and cash equivalents	<u><u>\$ 957,474</u></u>

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amount due from other governments at June 30, 2019, included \$1,531 in state-shared revenue from sales taxes, \$1,209 in county-shared revenue from auto lieu taxes, \$11,658 in property taxes, \$138,909 from city sales taxes, \$3,626 from Highway User Revenue Fund (HURF) taxes, and \$124,909 from grants.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July, 1, 2018	Increases	Decreases	Balance June 30, 2019
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 252,283	\$ -	\$ -	\$ 252,283
Capital assets being depreciated:				
Buildings and improvements	1,203,236	-	-	1,203,236
Vehicles and equipment	1,034,188	451,704	(10,199)	1,475,693
Infrastructure	153,050	23,654	-	176,704
Total	<u>2,390,474</u>	<u>475,358</u>	<u>(10,199)</u>	<u>2,855,633</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,001,297)	(24,885)	-	(1,026,182)
Vehicles and equipment	(905,496)	(46,012)	3,400	(948,108)
Infrastructure	(21,658)	(3,743)	-	(25,401)
Total	<u>(1,928,451)</u>	<u>(74,640)</u>	<u>3,400</u>	<u>(1,999,691)</u>
Total capital assets being depreciated, net	<u>462,023</u>	<u>400,718</u>	<u>(6,799)</u>	<u>855,942</u>
Governmental activities capital assets, net	<u>\$ 714,306</u>	<u>\$ 400,718</u>	<u>\$ (6,799)</u>	<u>\$ 1,108,225</u>
	Balance July, 1, 2018	Increases	Decreases	Balance June 30, 2019
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 22,080	\$ -	\$ -	\$ 22,080
Capital assets being depreciated:				
Buildings and infrastructure	3,544,209	-	-	3,544,209
Vehicles and equipment	188,015	24,796	(23,800)	189,011
Total	<u>3,732,224</u>	<u>24,796</u>	<u>(23,800)</u>	<u>3,733,220</u>
Less accumulated depreciation for:				
Buildings and infrastructure	(1,407,755)	(69,411)	-	(1,477,166)
Vehicles and equipment	(158,461)	(3,266)	7,934	(153,793)
Total	<u>(1,566,216)</u>	<u>(72,677)</u>	<u>7,934</u>	<u>(1,630,959)</u>
Total capital assets being depreciated, net	<u>2,166,008</u>	<u>(47,881)</u>	<u>(15,866)</u>	<u>2,102,261</u>
Business-type activities capital assets, net	<u>\$ 2,188,088</u>	<u>\$ (47,881)</u>	<u>\$ (15,866)</u>	<u>\$ 2,124,341</u>

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 4 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 32,405
Public safety	35,062
Public works and streets	5,792
Community development	625
Culture and recreation	756
Total governmental activities depreciation expense	<u>\$ 74,640</u>
Business-type activities:	
Water	\$ 51,725
Sewer	20,676
Sanitation and recycling	276
Total business-type activities depreciation expense	<u>\$ 72,677</u>

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2019.

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within 1 year
Governmental activities:					
Capital leases payable	\$ 17,832	\$ 3,289	\$ 7,905	\$ 13,216	\$ 5,627
Compensated absences payable	38,382	-	2,864	35,518	26,639
Total governmental activities long-term liabilities	<u>\$ 56,214</u>	<u>\$ 3,289</u>	<u>\$ 10,769</u>	<u>\$ 48,734</u>	<u>\$ 32,266</u>
Business-type activities:					
Revenue bonds payable	\$ 159,683	\$ -	\$ 11,237	\$ 148,446	\$ 11,742
Capital leases payable	6,355	8,319	7,765	6,909	1,385
Compensated absences payable	1,653	675	-	2,328	1,746
Total business-type activities long-term liabilities	<u>\$ 167,691</u>	<u>\$ 8,994</u>	<u>\$ 19,002</u>	<u>\$ 157,683</u>	<u>\$ 14,873</u>

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 5 – LONG-TERM LIABILITIES – Continued

Bonds – The Town’s bonded debt consists of revenue bonds that are generally non-callable with interest payable semiannually. Bond proceeds were used primarily for acquiring and constructing capital facilities for the sewer system. Revenue bonds are repaid from charges for services, net of operating expenses, from sewer customers in the Utility Fund.

The following bonds were outstanding at June 30, 2019:

Description	Original Amount	Maturity Range	Interest Rate	Outstanding Principal
Sewer revenue bonds, Series 2001	300,000	2030	4.50%	148,446

The following schedule details debt service requirements to maturity for the Town’s bonds payable at June 30, 2019:

Year Ending June 30	Business-type Activities	
	Revenue Bonds	
	Principal	Interest
2020	\$ 11,742	\$ 7,014
2021	12,271	6,474
2022	12,823	5,909
2023	13,400	5,319
2024	14,003	4,703
2025-29	80,054	13,250
2030-34	4,152	93
Total	<u>\$ 148,446</u>	<u>\$ 42,763</u>

The Town has pledged future sewer customer revenues, net of specified operating expenses, to repay \$148,446 million in sewer revenue bonds issued in June 2001. Proceeds from the bonds provided funds to renovate, improve, better and extend the sewer system of the Town. The bonds are payable solely from sewer customer net revenues and are payable through 2030. The total principal and interest remaining to be paid on the bonds is \$191,209. Principal and interest paid for the current year and total customer net revenues were \$18,768 and \$19,372, respectively.

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.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 5 – LONG-TERM LIABILITIES – Continued

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities	Total
Vehicles	\$ 29,300	\$ -	\$ 29,300
Equipment	10,656	24,796	35,452
Less: accumulated depreciation	(22,597)	(1,446)	(24,043)
Carrying value	<u>\$ 17,359</u>	<u>\$ 23,350</u>	<u>\$ 40,709</u>

The following schedule details minimum lease payments to maturity for the Town’s capital leases payable at June 30, 2019:

Year Ending June 30	Governmental Activities	Business-type Activities	Total
2020	\$ 6,197	\$ 1,821	\$ 8,018
2021	6,197	1,821	8,018
2022	781	1,821	2,602
2023	781	1,821	2,602
2024	325	759	1,084
Total minimum lease payments	<u>13,956</u>	<u>8,043</u>	<u>22,324</u>
Less amount representing interest	(740)	(1,134)	(1,874)
Present value of net minimum lease payments	<u>\$ 13,216</u>	<u>\$ 6,909</u>	<u>\$ 20,450</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, 2019

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, 2019, the Town contributed a total \$45,426 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, 2019, the Town reported the following amounts related to PSPRS:

Statement of Net Position and Statement of Activities	Governmental Activities
Net pension and OPEB asset	\$ 23,696
Net pension and OPEB liability	3,596
Deferred outflows of resources related to pensions and OPEB	200,820
Deferred inflows of resources related to pensions and OPEB	33,564
Pension and OPEB (income) expense	(42,104)

The Town reported \$30,311 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

Plan Description – Town police employees participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-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. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the Town's financial statements.

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

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

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 36 consecutive months of last 20 years
Benefit percentage		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited services over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% 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 inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Police	
	Pension	Health
Inactive employees entitled to but not yet receiving benefits	1	-
Active employees	4	4
Total	5	4

Contributions – 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, 2019, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member- Pension	Town-Pension	Town-Health Insurance
PSPRS Police	7.65% - 11.65%	14.41%	0.50%

The Town’s contributions to the plans for the year ended June 30, 2019, were:

	Pension	Health Insurance Premium Benefit
PSPRS Police	\$ 29,294	\$ 1,016

During fiscal year 2019, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Liability – At June 30, 2019, the Town reported the following assets and liabilities:

	Net Pension (Asset) Liability	Net OPEB (Asset) Liability
PSPRS Police	\$ (23,696)	\$ 3,596

The net pension and OPEB assets/liabilities were measured as of June 30, 2018. The total liability used to calculate the net asset was determined by an actuarial valuation as of that date.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Discount Rates – At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liability was 7.4 percent, which was the same as the discount rate used as of June 30, 2017. 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the Net Pension/OPEB Liability (Asset)

	Pension		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 416,422	\$ 513,513	\$ (97,091)
Changes for the year			
Service Cost	43,075	-	43,075
Interest on the total liability	32,409	-	32,409
Differences between expected and actual experience in the measurement of the liability	182,031	-	182,031
Contributions-employer	-	33,078	(33,078)
Contributions-employee	-	16,778	(16,778)
Net investment income	-	43,209	(43,209)
Hall/Parker Settlement	-	(19,614)	19,614
Administrative expense	-	(1,358)	1,358
Other changes	-	112,027	(112,027)
Net changes	257,515	184,120	73,395
Balances at June 30, 2019	\$ 673,937	\$ 697,633	\$ (23,696)

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

PSPRS - Police	Health Insurance Premium Benefit		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 16,619	\$ 24,083	\$ (7,464)
Changes for the year			
Service Cost	1,601	-	1,601
Interest on the total liability	1,289	-	1,289
Differences between expected and actual experience in the measurement of the liability	10,803	-	10,803
Contributions-employer	-	957	(957)
Net investment income	-	1,703	(1,703)
Administrative expense	-	(26)	26
Other changes	-	(1)	1
Net changes	13,693	2,633	11,060
Balances at June 30, 2019	\$ 30,312	\$ 26,716	\$ 3,596

Sensitivity of the Town’s Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents the Town’s net pension/OPEB (assets) liabilities calculated using the discount rate of 7.4 percent, as well as what the Town’s net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PSPRS Police			
Net pension (asset) liability	\$ 85,030	\$ (23,696)	\$ (112,588)
Net OPEB (asset) liability	7,913	3,596	(2)

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

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Expense – For the year ended June 30, 2019, the Town recognized the following pension and OPEB expense:

	Pension Expense		OPEB Expense
PSPRS Police	\$ (44,332)	\$	2,228

Deferred Outflows/Inflows of Resources – At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS - Police	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 144,491	\$ 31,943	\$ 9,318	\$ 263
Changes of assumptions or other inputs	12,881	-	-	906
Net difference between projected and actual earnings on plan investments	3,820	-	-	452
Town contributions subsequent to the measurement date	29,294	-	1,016	-
Total	\$ 190,486	\$ 31,943	\$ 10,334	\$ 1,621

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

	PSPRS Police	
	Pension	Health
Year ended June 30,		
2020	\$ 34,590	\$ 1,128
2021	31,614	1,128
2022	31,173	1,128
2023	31,872	1,308
2024	-	1,286
Thereafter	-	1,719

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

Interfund payables – Interfund payables at June 30, 2019, were as follows:

Payable from	Payable to General Fund
HURF Fund	\$ 5,128

The purpose of the interfund payables shown above was to temporarily fund the operations of the aforementioned departments/activities.

Interfund transfers – Interfund transfers for the year ended June 30, 2019, were as follows:

Transfer To	Transfer From			Total
	General Fund	Utilities Fund	HURF Fund	
General Fund	\$ -	\$ 156,352	\$ 11,290	\$ 167,642
HURF Fund	58,134	-	-	58,134
Grants Funds	77,000	-	-	77,000
Utilities Fund	19,300	-	-	19,300
	\$ 154,434	\$ 156,352	\$ 11,290	\$ 322,076

The purpose of the interfund transfer shown above to the General Fund from the Utilities Fund and the HURF Fund was to reimburse for administrative costs. The purpose of the interfund transfer from the General Fund to the HURF Fund was to pay for street expenditures incurred over current year revenues and the fund balance. The purpose of the interfund transfer from the General Fund to the Grants Fund was to help pay for expenditures not reimbursable under grant contracts. The purpose of the transfer to the Utilities Fund from the General Fund was to set aside savings for future capital improvements.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,197,500	\$ 1,197,500	\$ 1,042,496	\$ (155,004)
Intergovernmental	278,113	278,113	301,626	23,513
Charges for services	340,522	340,522	140,325	(200,197)
Fines and forfeits	62,100	62,100	81,932	19,832
Licenses and permits	34,000	34,000	34,786	786
Miscellaneous	75,000	75,000	10,797	(64,203)
Donations and grants	4,500	4,500	3,468	(1,032)
Investment earnings	250	250	5,621	5,371
Total revenues	<u>1,991,985</u>	<u>1,991,985</u>	<u>1,621,051</u>	<u>(370,934)</u>
Expenditures				
General government	508,711	508,711	438,356	70,355
Magistrate court	78,161	78,161	77,271	890
Police	474,391	474,391	457,343	17,048
Fire	346,943	346,943	283,908	63,035
Library	96,652	96,652	86,948	9,704
Planning and zoning	91,507	91,507	81,397	10,110
Parks	20,251	20,251	13,458	6,793
Properties	284,411	284,411	131,578	152,833
Capital	40,000	40,000	34,454	5,546
Contingency	1,640,000	1,640,000	59,321	1,580,679
Total expenditures	<u>3,581,027</u>	<u>3,581,027</u>	<u>1,664,034</u>	<u>1,916,993</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,589,042)</u>	<u>(1,589,042)</u>	<u>(42,983)</u>	<u>1,546,059</u>
Other financing sources (uses)				
Capital lease acquisitions	-	-	13,484	13,484
Sale of assets	1,000,000	1,000,000	-	(1,000,000)
Transfers	217,600	217,600	13,208	(204,392)
Total other financing sources (uses)	<u>1,217,600</u>	<u>1,217,600</u>	<u>26,692</u>	<u>(1,190,908)</u>
Net change in fund balances	(371,442)	(371,442)	(16,291)	355,151
Fund balances, beginning of year	<u>924,077</u>	<u>924,077</u>	<u>924,077</u>	<u>-</u>
Fund balances, end of year	<u>\$ 552,635</u>	<u>\$ 552,635</u>	<u>\$ 907,786</u>	<u>\$ 355,151</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 39,420	\$ 39,420	\$ 36,357	\$ (3,063)
Investment earnings	180	180	336	156
Total revenues	<u>39,600</u>	<u>39,600</u>	<u>36,693</u>	<u>(2,907)</u>
Expenditures				
Current				
Public works and streets	164,762	164,762	85,995	78,767
Debt service				
Principal	1,017	1,017	1,017	-
Interest	121	121	121	-
Total expenditures	<u>165,900</u>	<u>165,900</u>	<u>87,133</u>	<u>78,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(126,300)</u>	<u>(126,300)</u>	<u>(50,440)</u>	<u>75,860</u>
Other financing sources (uses)				
Transfers	126,300	126,300	46,844	(79,456)
Total other financing sources (uses)	<u>126,300</u>	<u>126,300</u>	<u>46,844</u>	<u>(79,456)</u>
Net change in fund balances	-	-	(3,596)	(3,596)
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,596)</u>	<u>\$ (3,596)</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,691,300	\$ 1,691,300	\$ 799,910	\$ (891,390)
Expenditures				
Current				
General government	56,709	56,709	56,709	-
Public safety	1,071,936	1,071,936	92,497	979,439
Community development	198,751	198,751	198,751	-
Capital outlay	440,904	440,904	440,904	-
Total expenditures	<u>1,768,300</u>	<u>1,768,300</u>	<u>788,861</u>	<u>979,439</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(77,000)</u>	<u>(77,000)</u>	<u>11,049</u>	<u>88,049</u>
Other financing sources (uses)				
Transfers	<u>77,000</u>	<u>77,000</u>	<u>77,000</u>	<u>-</u>
Total other financing sources (uses)	<u>77,000</u>	<u>77,000</u>	<u>77,000</u>	<u>-</u>
Net change in fund balances	-	-	88,049	88,049
Fund balances, beginning of year	<u>3,586</u>	<u>3,586</u>	<u>3,586</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,586</u>	<u>\$ 3,586</u>	<u>\$ 91,635</u>	<u>\$ 88,049</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2019

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.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Schedule of Changes in Town's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Pension Plans
June 30, 2019

PSPRS - Pension

	Reporting Fiscal Year (Measurement Date)					2014 through 2010
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability						Information not available
Service cost	\$ 43,075	\$ 43,451	\$ 28,796	\$ 33,397	\$ 32,631	
Interest on the total pension liability	32,409	27,384	22,890	19,718	18,410	
Changes of benefit terms	-	(3,199)	31,147	-	(1,024)	
Differences between expected and actual experience in the measurement of the pension liability	182,031	(5,961)	(30,273)	(10,398)	(36,345)	
Changes of assumptions or other inputs	-	11,358	13,630	-	2,606	
Net change in total pension liability	<u>257,515</u>	<u>73,033</u>	<u>66,190</u>	<u>42,717</u>	<u>16,278</u>	
Total pension liability - beginning	<u>416,422</u>	<u>343,389</u>	<u>277,199</u>	<u>234,482</u>	<u>218,204</u>	
Total pension liability - ending (a)	<u>\$ 673,937</u>	<u>\$ 416,422</u>	<u>\$ 343,389</u>	<u>\$ 277,199</u>	<u>\$ 234,482</u>	
Plan fiduciary net position						
Contributions - employer	\$ 33,078	\$ 20,572	\$ 20,660	\$ 18,279	\$ 13,997	
Contributions - employee	16,778	17,348	19,027	18,421	15,379	
Net investment income	43,209	51,823	2,358	13,372	40,722	
Hall/Parker Settlement	(19,614)	-	-	-	-	
Administrative expense	(1,358)	(859)	(739)	(707)	-	
Other changes	<u>112,027</u>	<u>6</u>	<u>(13,001)</u>	<u>(269)</u>	<u>(26,233)</u>	
Net change in plan fiduciary net position	184,120	88,890	28,305	49,096	43,865	
Plan fiduciary net position - beginning	<u>513,513</u>	<u>424,623</u>	<u>396,318</u>	<u>347,222</u>	<u>303,357</u>	
Plan fiduciary net position - ending (b)	<u>\$ 697,633</u>	<u>\$ 513,513</u>	<u>\$ 424,623</u>	<u>\$ 396,318</u>	<u>\$ 347,222</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ (23,696)</u>	<u>\$ (97,091)</u>	<u>\$ (81,234)</u>	<u>\$ (119,119)</u>	<u>\$ (112,740)</u>	
Plan fiduciary net position as a percentage of the total pension liability	103.52%	123.32%	123.66%	142.97%	148.08%	
Covered payroll	\$ 195,265	\$ 176,917	\$ 136,151	\$ 134,655	\$ 167,936	
Town's net pension (asset) liability as a percentage of covered payroll	-12.14%	-54.88%	-59.66%	-88.46%	-67.13%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Schedule of Changes in Town's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Pension Plans
June 30, 2019

PSPRS - Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010
Total OPEB liability			
Service cost	\$ 1,601	\$ 1,521	Information
Interest on the total OPEB liability	1,289	1,216	not available
Differences between expected and actual experience in the measurement of the OPEB liability	10,803	(353)	
Changes of assumptions or other inputs	-	(1,214)	
Benefit payments	-	-	
Net change in total OPEB liability	13,693	1,170	
Total OPEB liability - beginning	16,619	15,449	
Total OPEB liability - ending (a)	<u>\$ 30,312</u>	<u>\$ 16,619</u>	
Plan fiduciary net position			
Contributions - employer	\$ 957	\$ 651	
Net investment income	1,703	2,500	
Administrative expense	(26)	(23)	
Other changes	(1)	-	
Net change in plan fiduciary net position	2,633	3,128	
Plan fiduciary net position - beginning	24,083	20,955	
Plan fiduciary net position - ending (b)	<u>\$ 26,716</u>	<u>\$ 24,083</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ 3,596</u>	<u>\$ (7,464)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	88.14%	144.91%	
Covered payroll	\$ 195,265	\$ 176,917	
Town's net OPEB (asset) liability as a percentage of covered payroll	1.84%	-4.22%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2019

	PSPRS - Pension						2013 through 2010
	Reporting Fiscal Year						
	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 29,294	\$ 33,078	\$ 20,572	\$ 20,660	\$ 18,279	\$ 13,997	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(29,294)</u>	<u>(33,078)</u>	<u>(20,572)</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>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 203,292</u>	<u>\$ 195,265</u>	<u>\$ 176,917</u>	<u>\$ 136,151</u>	<u>\$ 134,655</u>	<u>\$ 167,936</u>	
Town's contributions as a percentage of covered payroll	14.41%	16.94%	11.63%	15.17%	13.57%	8.33%	

	PSPRS - Health Insurance Premium Benefit				2016 through 2010
	Reporting Fiscal Year				
	2019	2018	2017		
Actuarially determined contribution	\$ 1,016	\$ 957	\$ 651	Information not available	
Town's contributions in relation to the actuarially determined contribution	<u>(1,016)</u>	<u>(957)</u>	<u>(651)</u>		
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Town's covered payroll	<u>\$ 203,292</u>	<u>\$ 195,265</u>	<u>\$ 176,917</u>		
Town's contributions as a percentage of covered payroll	0.50%	0.49%	0.37%		

See accompanying notes to pension/OPEB plan schedules.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2019

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-of-pay, closed
Remaining amortization period as of the 2017 actuarial valuation	19 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 – FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members’ employee contribution rates. These changes are reflected in the plans’ pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law’s effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law’s effective date.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2019

NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued

These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

TOWN OF JEROME, ARIZONA
Other Supplementary Information
Segmented Statement of Revenue, Expenses, and Changes
in Fund Net Position
Utilities Fund
Year Ended June 30, 2019

	Water Utility	Sewer Utility	Sanitation Utility	Total Utilities Fund
Operating revenues				
Charges for services	\$ 178,938	\$ 182,923	\$ 188,107	\$ 549,968
Miscellaneous	2,434	-	740	3,174
Total operating revenues	<u>181,372</u>	<u>182,923</u>	<u>188,847</u>	<u>553,142</u>
Operating expenses				
Personnel	77,220	41,676	68,559	187,455
Repairs and maintenance	10,436	23,087	5,693	39,216
Depreciation	51,725	20,676	276	72,677
Contract services	11,338	38,401	1,679	51,418
Insurance	8,494	9,626	11,325	29,445
Fees and permits	2,272	251	20,953	23,476
Office	4,471	14,894	1,830	21,195
Fuel	1,719	1,555	7,350	10,624
Tools and equipment	683	1,978	432	3,093
Utilities	1,159	3,813	722	5,694
Miscellaneous	1,077	350	1,281	2,708
Legal and professional	4,014	97	-	4,111
Total operating expenses	<u>174,608</u>	<u>156,404</u>	<u>120,100</u>	<u>451,112</u>
Operating income	6,764	26,519	68,747	102,030
Nonoperating revenues (expenses)				
Interest earnings	-	50	-	50
Interest expense	(265)	(7,197)	-	(7,462)
Total nonoperating revenues (expenses)	<u>(265)</u>	<u>(7,147)</u>	<u>-</u>	<u>(7,412)</u>
Income (loss) before transfers	6,499	19,372	68,747	94,618
Transfer out	(50,450)	(50,451)	(55,451)	(156,352)
Transfer in	11,300	5,800	2,200	19,300
Increase (decrease) in net position	(32,651)	(25,279)	15,496	(42,434)
Net position, beginning of year	<u>1,544,283</u>	<u>771,622</u>	<u>(153,830)</u>	<u>2,162,075</u>
Net position, end of year	<u>\$ 1,511,632</u>	<u>\$ 746,343</u>	<u>\$ (138,334)</u>	<u>\$ 2,119,641</u>



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *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, 2019, 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 January 6, 2019.

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

January 6, 2019