

TOWN OF JEROME, ARIZONA

Annual Financial Statements
and Independent Auditors' Report

June 30, 2013

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
Government-wide Statements	
Statement of Net Position	4
Statement of Activities.....	5
Fund Statements	
Governmental Funds	
Balance Sheet.....	6
Reconciliation of the Balance Sheet to the Statement of Net Position	7
Statement of Revenue, Expenditures, and Changes in Fund Balances.....	8
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	9
Proprietary Funds	
Statement of Net Position	10
Statement of Revenue, Expenses, and Changes in Fund Net Position	11
Statement of Cash Flows	12
Fiduciary Funds	
Statement of Fiduciary Net Position.....	14
Statement of Changes in Fiduciary Net Position.....	15
Notes to Financial Statements	16
Required Supplementary Information	
Budgetary Comparison Schedules	29
Notes to Budgetary Comparison Schedules.....	32
Schedule of Agent Retirement Plan Funding Progress.....	33
Other Supplementary Information	
Segmented Statement of Revenue, Expenses, and Changes in Fund Net Position	34

TABLE OF CONTENTS - Continued

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 <i>Government Auditing Standards</i>	35
Schedule of Findings and Responses.....	37



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, 2013, 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, 2013, 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 information and the schedule of agent retirement plan funding progress on pages 29 to 32 and page 33 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Jerome, Arizona's basic financial statements. The Segmented Statement of Revenue, Expenses, and Changes in Fund Net Position are presented for purposes of additional analysis and is not a required part of the basic financial statements.

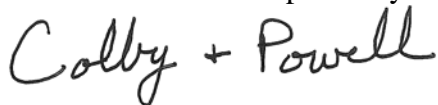
The Segmented Statement of Revenue, Expenses, and Changes in Fund Net Position is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing 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 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 June 11, 2014, 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. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.



June 11, 2014

TOWN OF JEROME, ARIZONA
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 447,297	\$ 81,331	\$ 528,628
Other receivables	3,197	49,391	52,588
Due from other governments	149,198	-	149,198
Interfund balances	77,644	(77,644)	-
Other assets	9,882	-	9,882
Capital assets, not being depreciated	252,283	19,982	272,265
Capital assets, being depreciated, net	793,383	2,143,820	2,937,203
Total assets	1,732,884	2,216,880	3,949,764
LIABILITIES			
Accounts payable	47,082	20,946	68,028
Accrued expenses	49,709	8,777	58,486
Claims payable	50,000	-	50,000
Deposits held for others	3,865	16,694	20,559
Deferred revenue	24,097	-	24,097
Due to fiduciary fund	1,680	-	1,680
Noncurrent liabilities			
Due within 1 year	22,271	10,195	32,466
Due in more than 1 year	7,424	200,387	207,811
Total liabilities	206,128	256,999	463,127
NET POSITION			
Invested in capital assets, net of related debt	1,045,666	1,954,790	3,000,456
Restricted for:			
Court enhancement fund	31,312	-	31,312
Unrestricted	449,778	5,091	454,869
Total net position	\$ 1,526,756	1,959,881	\$ 3,486,637

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Activities
June 30, 2013

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	\$ 457,198	\$ 17,532	\$ -	\$ -	\$ (439,666)	\$ -	\$ (439,666)
Public safety	668,900	84,809	23,200	2,109	(558,782)	-	(558,782)
Public works and streets	47,517	-	31,216	48,417	32,116	-	32,116
Community development	152,614	76,490	993	-	(75,131)	-	(75,131)
Culture and recreation	89,084	-	24,501	-	(64,583)	-	(64,583)
Total governmental activities	<u>1,415,313</u>	<u>178,831</u>	<u>79,910</u>	<u>50,526</u>	<u>(1,106,046)</u>	<u>-</u>	<u>(1,106,046)</u>
Business-type activities							
Utilities	460,609	505,985	-	292,924	-	338,300	338,300
Total business-type activities	<u>460,609</u>	<u>505,985</u>	<u>-</u>	<u>292,924</u>	<u>-</u>	<u>338,300</u>	<u>338,300</u>
Total primary government	<u>\$ 1,875,922</u>	<u>\$ 684,816</u>	<u>\$ 79,910</u>	<u>\$ 343,450</u>	<u>(1,106,046)</u>	<u>338,300</u>	<u>(767,746)</u>
General revenue:							
Taxes:							
Property					47,391	-	47,391
Sales					709,091	-	709,091
Franchise fees					16,027	-	16,027
State sales tax revenue sharing					36,500	-	36,500
Urban revenue sharing					154,399	-	154,399
Vehicle license taxes					23,250	-	23,250
Investment income (loss)					2,638	47	2,685
Miscellaneous					19,265	-	19,265
Total general revenue					<u>1,008,561</u>	<u>47</u>	<u>1,008,608</u>
Transfers					105,777	(105,777)	-
Change in net position					8,292	232,570	240,862
Net position, July 1, 2012					1,518,464	1,727,311	3,245,775
Net position, June 30, 2013					<u>\$ 1,526,756</u>	<u>\$ 1,959,881</u>	<u>\$ 3,486,637</u>

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	HURF Fund	Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 424,677	\$ 22,620	\$ -	\$ 447,297
Other receivables	3,197	-	-	3,197
Due from other governments	135,507	5,625	8,066	149,198
Due from other funds	103,947	-	17,578	121,525
Other assets	9,882	-	-	9,882
Total assets	\$ 677,210	\$ 28,245	\$ 25,644	\$ 731,099
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 41,062	\$ 1,990	\$ 4,030	\$ 47,082
Accrued expenses	49,484	225	-	49,709
Deposits held for others	3,865	-	-	3,865
Deferred revenue	639	-	23,458	24,097
Due to other funds	16,826	26,030	2,705	45,561
Total liabilities	111,876	28,245	30,193	170,314
Fund balances				
Restricted for:				
Court enhancement	31,312	-	-	31,312
Unassigned	534,022	-	(4,549)	529,473
Total fund balances	565,334	-	(4,549)	560,785
Total liabilities and fund balances	\$ 677,210	\$ 28,245	\$ 25,644	\$ 731,099

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, 2013

Fund balances--total governmental funds	\$ 560,785
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.	1,045,666
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.	<u>(79,695)</u>
Net position of governmental activities	<u><u>\$ 1,526,756</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, 2013

	General Fund	HURF Fund	Grants Fund	Total Governmental Funds
Revenue				
Taxes	\$ 756,482	\$ -	\$ -	\$ 756,482
Intergovernmental	237,716	31,216	54,453	323,385
Charges for services	81,901	-	-	81,901
Fines and forfeits	70,359	-	-	70,359
Licenses and permits	33,605	-	-	33,605
Miscellaneous	30,367	-	-	30,367
Donations and grants	15,329	-	3,762	19,091
Investment earnings	2,620	18	-	2,638
Total revenue	<u>1,228,379</u>	<u>31,234</u>	<u>58,215</u>	<u>1,317,828</u>
Expenditures				
Current				
General government	345,451	-	31,116	376,567
Public safety	560,863	-	3,762	564,625
Public works and streets	-	43,748	-	43,748
Community development	152,265	-	-	152,265
Culture and recreation	74,977	-	13,932	88,909
Capital outlay	35,000	-	10,272	45,272
Total expenditures	<u>1,168,556</u>	<u>43,748</u>	<u>59,082</u>	<u>1,271,386</u>
Excess (deficiency) of revenue over (under) expenditures	<u>59,823</u>	<u>(12,514)</u>	<u>(867)</u>	<u>46,442</u>
Other financing sources (uses)				
Transfers in	122,050	28,787	10,886	161,723
Transfers out	(39,673)	(16,273)	-	(55,946)
Total other financing sources (uses)	<u>82,377</u>	<u>12,514</u>	<u>10,886</u>	<u>105,777</u>
Net change in fund balances	142,200	-	10,019	152,219
Fund balances, July 1, 2012	<u>423,134</u>	<u>-</u>	<u>(14,568)</u>	<u>408,566</u>
Fund balances, June 30, 2013	<u>\$ 565,334</u>	<u>\$ -</u>	<u>\$ (4,549)</u>	<u>\$ 560,785</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, 2013

Net change in fund balances--total governmental funds		\$ 152,219
<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>		
Capital outlay	45,272	
Depreciation expense	<u>(131,107)</u>	(85,835)
<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>		
Increase in claims payable	(50,000)	
Increase in compensated absences	<u>(8,092)</u>	(58,092)
Change in net position of governmental activities		<u><u>\$ 8,292</u></u>

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2013

ASSETS	Utilities Fund
Current assets	
Cash and cash equivalents, restricted	\$ 81,331
Accounts receivable-net	49,391
Total current assets	130,722
Noncurrent assets	
Capital assets, net of accumulated depreciation, where applicable:	
Buildings and infrastructure, net	2,102,851
Vehicles and equipment, net	40,969
Construction in progress	19,982
Total noncurrent assets	2,163,802
Total assets	2,294,524
 LIABILITIES	
Current liabilities	
Accounts payable	20,946
Accrued expenses	8,777
Deposits held for customers	16,694
Due to other funds	77,644
Compensated absences-current portion	1,178
Revenue bond payable-current portion	9,017
Total current liabilities	134,256
Noncurrent liabilities	
Compensated absences-net of current portion	393
Revenue bond payable-net of current portion	199,995
Total noncurrent liabilities	200,388
Total liabilities	334,643
 NET POSITION	
Net investment in capital assets	1,954,790
Unrestricted	5,091
Total net position	\$ 1,959,881

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, 2013

	Utilities Fund
Operating revenue	
Charges for services	
Water user fees	\$ 167,158
Sewer user fees	172,548
Sanitation user fees	147,784
Miscellaneous	18,495
	505,985
Operating expenses	
Personnel	183,557
Depreciation	64,494
Repairs and maintenance	54,543
Contract services	41,525
Fees and permits	30,453
Insurance	25,067
Fuel	18,431
Office	10,444
Legal and professional	8,820
Utilities	5,340
Miscellaneous	2,564
Tools and equipment	5,173
	450,411
Operating income	55,574
Nonoperating revenue (expense)	
Interest earnings	47
Interest expense	(10,198)
	(10,151)
Income before transfers and capital grants	45,423
Transfer out	(105,777)
Capital grant	292,924
	232,570
Change in net position	232,570
Net position, July 1, 2012	1,727,311
Net position, June 30, 2013	\$ 1,959,881

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Utilities Fund
Cash flows from operating activities:	
Receipts from customers	\$ 502,681
Payments to suppliers and providers of goods and services	(225,299)
Payments to employees	(142,664)
Net cash provided (used) by operating activities	134,718
Cash flows from noncapital financing activities:	
Transfers to other funds	(105,777)
Advances from other funds	14,462
Net cash provided (used) by noncapital financing activities	(91,315)
Cash flows from capital and related financing activities:	
Purchase of capital assets	(317,502)
Principal paid on revenue bond maturities	(21,928)
Interest paid on revenue bonds	(10,198)
Capital grant proceeds	292,924
Net cash provided (used) by capital and related financing activities	(56,704)
Cash flows from investing activities:	
Interest received on investments	47
Net cash provided (used) by noncapital financing activities	47
Net increase (decrease) in cash	(13,254)
Cash, July, 1, 2012	94,585
Cash, June, 30, 2013	\$ 81,331

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013
(Continued)

		Utilities Fund
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$	55,574
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation		64,494
(Increase) decrease in:		
Account receivable		(5,407)
Increase (decrease) in:		
Accounts payable		18,151
Accrued expenses		2,661
Deposits held for customers		2,103
Compensated absences		(2,858)
		(2,858)
Net cash provided (used) by operating activities	\$	134,718

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2013

	Investment Trust Fund
ASSETS	
Investments, at fair value	\$ 159,530
Due from Town	1,680
Total assets	<u>161,210</u>
NET POSITION	
Held in trust for investment trust participants	<u>\$ 161,210</u>

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2013

	Investment Trust Fund
Additions:	
Contributions	\$ 9,652
Investment income:	
Interest and dividends	2,729
Unrealized gain	16,455
Total additions	28,836
Distributions:	
Distributions to participants	42,056
Administrative fees	4,040
Total distributions	46,096
Change in net position	(17,260)
Net Position, July 1, 2012	178,470
Net Position, June 30, 2013	\$ 161,210

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2013

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 financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

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 financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the Town. 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, are reported as general revenues.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2013

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 operating revenues, such as charges for services, result from transactions associated with the fund’s principal activity in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues.

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 and from State of Arizona Local Transportation Assistance Fund which are 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.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Town reports the following fund types:

The ***Investment Trust Fund*** accounts for pension funds for various firefighters. The Town acts as a trustee for such funds and does not have title to the assets or liabilities accounted for in this fund.

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.

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 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and compensated absences, 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 purposes of its statement of cash flows, the Town considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Property Tax Calendar

Property taxes are levied on or before the third Monday in August and are 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.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2013 totaled \$27,963 and \$7,000 respectively.

G. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

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 reported in the government-wide statements and proprietary funds 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

H. Investment Income

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

I. Compensated Absences

Compensated absences consist of vacation leave earned by employees based on services already rendered.

Employees may accumulate up to 160 hours of vacation hours. Upon termination of employment, all unused vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate up to 96 hours of sick leave hours but any sick hours in excess of the maximum amount that are unused at year-end are forfeited. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J. Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) Statement No. 54 requires fund balances to be properly reported within one of the fund balance categories listed below:

1. *Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact such as fund balance associated with inventories, prepaids, long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution provisions or enabling legislation, or external resource providers,
3. *Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the town council,
4. *Assigned* fund balances are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the Town's governmental funds and includes all spendable amounts not contained in other classifications.

The Town's policy for committed fund balances is through formal resolutions passed through the elected town council. The process of rescinding a committed fund balance requires the same process. The Town's policy for assigned fund balances is through motions passed by the elected town council. Assigned fund balances do not require a formal resolution.

When expenditures incur for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the Town's policy is to apply the expenditure first to restricted, and then to unrestricted in the following order of committed, assigned, and then unassigned.

K. Impact of Recently Issued Accounting Principles

In December 2010, the GASB issued Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants'(AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 does not have any impact on the Town's financial statements.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

In June 2011, the GASB issued Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of Net Position is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

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; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

The Town has not formally adopted deposit and investment policies that limit the Town’s allowable deposits or investments and which address the specific types of risk to which the Town is exposed such as interest rate risk, credit risk, and custodial credit risk.

Deposits—At June 30, 2013, the carrying amount of the Town’s total nonpooled cash in bank was \$527,038, and the bank balance was \$563,970. Of the bank balance, \$340,440 was covered by federal depository insurance; the remainder was covered by collateral held by the pledging financial institution’s trust department or agent in the Town’s name.

Investments—At June 30, 2013, the investments consisted of the following.

<u>Investment</u>	<u>Rating Organization</u>	<u>Credit Rating</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Arizona LGIP Pool 5	S&P	AAA	<u>\$ 1,590</u>	<u>\$ 1,590</u>

The State Board of Investment provides oversight for the State Treasurer’s pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amount due from other governments at June 30, 2013, included \$13,946 in state-shared revenue, \$5,625 from Highway User Revenue Fund (HURF) taxes, \$6,275 in state-shared revenue from sales taxes, \$3,044 in county-shared revenue from auto lieu taxes, \$6,669 in property taxes, \$105,573 from city sales taxes, and \$8,066 from grants.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July, 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 252,283	\$ -	\$ -	\$ 252,283
Total capital assets not being depreciated	<u>252,283</u>	<u>-</u>	<u>-</u>	<u>252,283</u>
Capital assets being depreciated:				
Buildings and improvements	1,133,298	-	-	1,133,298
Vehicles and equipment	888,626	45,272	-	933,898
Infrastructure	136,463	-	-	136,463
Total	<u>2,158,387</u>	<u>45,272</u>	<u>-</u>	<u>2,203,659</u>
Less accumulated depreciation for:				
Buildings and improvements	(727,989)	(54,662)	-	(782,651)
Vehicles and equipment	(551,180)	(73,033)	-	(624,213)
Infrastructure	-	(3,412)	-	(3,412)
Total	<u>(1,279,169)</u>	<u>(131,107)</u>	<u>-</u>	<u>(1,410,276)</u>
Total capital assets being depreciated, net	<u>879,218</u>	<u>(85,835)</u>	<u>-</u>	<u>793,383</u>
Governmental activities capital assets, net	<u>\$ 1,131,501</u>	<u>\$ (85,835)</u>	<u>\$ -</u>	<u>\$ 1,045,666</u>

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 4 – CAPITAL ASSETS – Continued

	Balance <u>July, 1, 2012</u>	Increases	Decreases	Balance <u>June 30, 2013</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 28,083	\$ 19,982	\$ (28,083)	\$ 19,982
Total capital assets not being depreciated	<u>28,083</u>	<u>19,982</u>	<u>(28,083)</u>	<u>19,982</u>
Capital assets being depreciated:				
Buildings and infrastructure	2,852,208	320,555	-	3,172,763
Vehicles and equipment	176,145	5,048	-	181,193
Total	<u>3,028,353</u>	<u>325,603</u>	<u>-</u>	<u>3,353,956</u>
Less accumulated depreciation for:				
Buildings and infrastructure	(1,015,514)	(54,398)	-	(1,069,912)
Vehicles and equipment	(130,128)	(10,096)	-	(140,224)
Total	<u>(1,145,642)</u>	<u>(64,494)</u>	<u>-</u>	<u>(1,210,136)</u>
Total capital assets being depreciated, net	<u>1,882,711</u>	<u>261,109</u>	<u>-</u>	<u>2,143,820</u>
Business-type activities capital assets, net	<u>\$ 1,910,794</u>	<u>\$ 281,091</u>	<u>\$ (28,083)</u>	<u>\$ 2,163,802</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 22,539
Public safety	104,275
Public works and streets	3,769
Community Development	349
Culture and recreation	175
Total governmental activities depreciation expense	<u>\$ 131,107</u>
Business-type activities:	
Water	\$ 39,115
Sewer	18,694
Sanitation and recycling	6,685
Total business-type activities depreciation expense	<u>\$ 64,494</u>

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2013.

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due within 1 year
Governmental activities:					
Compensated absences payable	\$ 21,603	\$ 8,092	\$ -	\$ 29,695	\$ 22,271
	<u>\$ 21,603</u>	<u>\$ 8,092</u>	<u>\$ -</u>	<u>\$ 29,695</u>	<u>\$ 22,271</u>
Business-type activities					
Compensated absences payable	\$ 4,428	\$ -	\$ (2,858)	\$ 1,570	\$ 1,178
Revenue bonds payable	230,940	-	(21,928)	209,012	9,017
	<u>235,368</u>	<u>-</u>	<u>(24,786)</u>	<u>210,582</u>	<u>10,195</u>

The following schedule details debt service requirements to maturity for the Town’s revenue bonds at June 30, 2013:

Year Ending June 30	Business-type Activities	
	Revenue Bonds	
	Principal	Interest
2014	\$ 9,017	\$ 9,497
2015	9,423	9,386
2016	9,847	8,953
2017	10,290	8,500
2018	10,753	8,026
2019-2023	61,473	32,249
2024-2028	76,607	16,775
2029-2030	<u>21,602</u>	<u>1,271</u>
Total	<u>\$ 209,012</u>	<u>\$ 94,657</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, 2013 were as follows:

Description	Original Amount	Maturity Range	Interest Rate	Outstanding Principal
Sewer revenue bonds, Series 2001	300,000	2030	4.50%	209,012

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2013

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.

Subsequent to the year end, the Town at the advice of its insurance carrier settled a lawsuit with a business in Jerome. Although the Town's insurance carrier will cover most of the settlement, the Town's portion of the settlement will total \$50,000, which has been accrued as claims payable at June 30, 2013.

NOTE 7 – RETIREMENT PLANS

Plan Descriptions—The Town contributes to the two plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Town's Volunteer Fire Department's Alternative Pension and Benefit Plan* is a discretionary defined contribution pension plan administered by the Town and Board of Trustees for the Town's volunteer firefighters. Approximately 20 volunteer firefighters participate in the plan. The plan is authorized by Title 9, Chapter VIII, Article 4 of the Arizona Revised Statutes. As of June 30, 2013, the fund held no securities other than mutual funds.

As established by the plan, the only eligibility requirement is that all volunteer firefighters of the Town must participate in the pension plan after one year of service. For the year ended June 30, 2013, the Town contributed \$8,000.

The *Public Safety Personnel Retirement System (PSPRS)* administers agent multiple-employer defined benefit pension and health insurance premium plans that cover public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016-4416, or by calling (602) 255-5575.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 7 – RETIREMENT PLANS – Continued

Funding Policy—The Arizona State Legislature establishes and may amend active plan members’ and the Town’s contribution rates.

Agent plans – For the year ended June 30, 2013, active PSPRS members were required by statute to contribute 9.55 percent of the members’ annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 15.60 percent, of which 1.40 percent was the health insurance premium portion.

The contribution requirements for the year ended June 30, 2013, were established by the June 30, 2013 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans 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 status presented below 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.

Projections of benefits are based on 1) the plans as understood by the Town of Jerome, Arizona and plan 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 plan 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 significant actuarial methods and assumptions used to establish the fiscal year 2013 contribution requirements are as follows:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	years for overfunded
Asset valuation method	7-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.50% - 8.50%
Payroll growth	4.50%

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 7 – RETIREMENT PLANS – Continued

Trend Information – Annual pension cost information for the current and two preceding years follows:

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contribute	Net Pension Obligation
Pension	2013	\$ 23,873	100 %	\$ -
	2012	17,611	100	-
	2011	15,470	100	-
Health Insurance	2013	\$ 1,331	100 %	\$ -
	2012	1,199	100	-
	2011	2,243	100	-

Schedules of Funded Status – Following are the schedules of funded status of the plans as of the most recent valuation date, June 30, 2013, and the previous two fiscal years. The fiscal year 2013 actuarial methods and assumptions used for the schedules are not significantly different than the fiscal year 2012 actuarial methods and assumptions as described on page above.

Pension

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)
06/30/13	\$ 338,991	\$ 218,204	\$ 120,787	155.4 %	\$ 170,819	0.0 %
06/30/12	261,838	145,803	116,035	179.6	118,752	0.0
06/30/11	218,240	134,821	83,419	161.9	86,248	0.0

Health Insurance

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)
06/30/13	\$ -	\$ 10,210	\$ (10,210)	0.0 %	\$ 170,819	6.0 %
06/30/12	-	6,480	(6,480)	0.0	118,752	5.5
06/30/11	-	6,533	(6,533)	0.0	86,248	7.6

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables – Interfund balances at June 30, 2013, were as follows:

Payable from	Payable to			Total
	General Fund	Investment Trust Fund	Grants Fund	
General Fund	\$ -	\$ 1,680	\$ 15,146	\$ 16,826
HURF Fund	23,598	-	2,432	26,030
Grants Fund	2,705	-	-	2,705
Utilities Fund	77,644	-	-	77,644
Total	\$ 103,947	\$ 1,680	\$ 17,578	\$ 123,205

The purpose of the interfund balances between the General Fund and the Grants Fund shown above were to help the Grants Fund pay for expenditures expected to be reimbursed in future periods from grants with the State of Arizona. The purpose of the interfund balances between the General Fund and the Utilities Fund shown above were to help the Utilities Fund pay for operating expenses in the current and prior years which the fund could not cover itself and is not expected to be repaid within one year.

Transfers between funds at June 30, 2013 are as follows:

Transfer To	Transfer From			Total
	General Fund	HURF Fund	Utilities Fund	
General Fund	\$ -	\$ 16,273	\$ 105,777	\$ 122,050
HURF/LTAF Fund	28,787	-	-	28,787
Grants Fund	10,886	-	-	10,886
	\$ 39,673	\$ 16,273	\$ 105,777	\$ 161,723

Transfers were made to cover administrative costs of the HURF Fund and Utilities Fund.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Taxes	\$ 702,500	\$ 702,500	\$ 756,482	\$ 53,982
Intergovernmental	265,114	265,114	237,716	(27,398)
Charges for services	107,430	107,430	81,901	(25,529)
Fines and forfeits	75,650	75,650	70,359	(5,291)
Licenses and permits	31,000	31,000	33,605	2,605
Miscellaneous	46,607	46,607	30,367	(16,240)
Donations and grants	21,454	21,454	15,329	(6,125)
Investment earnings	250	250	2,620	2,370
Total revenue	<u>1,250,005</u>	<u>1,250,005</u>	<u>1,228,379</u>	<u>(21,626)</u>
Expenditures				
Current				
General government	979,324	979,324	345,451	633,873
Public safety	602,519	602,519	560,863	41,656
Community development	159,602	159,602	152,265	7,337
Culture and recreation	84,610	84,610	74,977	9,633
Capital outlay	-	-	35,000	(35,000)
Total expenditures	<u>1,826,055</u>	<u>1,826,055</u>	<u>1,168,556</u>	<u>657,499</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(576,050)</u>	<u>(576,050)</u>	<u>59,823</u>	<u>635,873</u>
Other financing sources (uses)				
Sale of assets	454,000	454,000	-	(454,000)
Transfers in	122,050	122,050	122,050	-
Transfers out	(43,749)	(43,749)	(39,673)	4,076
Total other financing sources (uses)	<u>532,301</u>	<u>532,301</u>	<u>82,377</u>	<u>(449,924)</u>
Net change in fund balances	(43,749)	(43,749)	142,200	185,949
Fund balances, July 1, 2012	<u>423,134</u>	<u>423,134</u>	<u>423,134</u>	<u>-</u>
Fund balances, June 30, 2013	<u><u>\$ 379,385</u></u>	<u><u>\$ 379,385</u></u>	<u><u>\$ 565,334</u></u>	<u><u>\$ 185,949</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 31,300	\$ 31,300	\$ 31,216	\$ (84)
Investment earnings	70	70	18	(52)
Total revenue	<u>31,370</u>	<u>31,370</u>	<u>31,234</u>	<u>(136)</u>
Expenditures				
Current				
Public works and streets	82,415	82,415	43,748	38,667
Total expenditures	<u>82,415</u>	<u>82,415</u>	<u>43,748</u>	<u>38,667</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(51,045)</u>	<u>(51,045)</u>	<u>(12,514)</u>	<u>38,531</u>
Other financing sources (uses)				
Transfers in	51,045	51,045	28,787	(22,258)
Transfers out	-	-	(16,273)	(16,273)
Total other financing sources (uses)	<u>51,045</u>	<u>51,045</u>	<u>12,514</u>	<u>(38,531)</u>
Net change in fund balances	-	-	-	-
Fund balances, July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 1,431,900	\$ 1,431,900	\$ 347,377	\$ (1,084,523)
Donations and grants	-	-	3,762	3,762
Total revenue	<u>1,431,900</u>	<u>1,431,900</u>	<u>351,139</u>	<u>(1,080,761)</u>
Expenditures				
Current				
General government	290,150	290,150	6,323	283,827
Public safety	-	-	3,762	(3,762)
Culture and recreation	-	-	13,932	(13,932)
Capital outlay	1,141,750	1,141,750	327,989	813,761
Total expenditures	<u>1,431,900</u>	<u>1,431,900</u>	<u>352,006</u>	<u>1,079,894</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>(867)</u>	<u>(867)</u>
Other financing sources (uses)				
Transfers in	-	-	10,886	10,886
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>10,886</u>	<u>10,886</u>
Net change in fund balances	-	-	10,019	10,019
Fund balances, July 1, 2012	<u>(14,568)</u>	<u>(14,568)</u>	<u>(14,568)</u>	<u>-</u>
Fund balances, June 30, 2013	<u>\$ (14,568)</u>	<u>\$ (14,568)</u>	<u>\$ (4,549)</u>	<u>\$ 10,019</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2013

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.

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 Agent Retirement Plan Funding Progress
June 30, 2013

Public Safety Personnel Retirement System

Pension

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)
06/30/13	\$ 338,991	\$ 218,204	\$ 120,787	155.4 %	\$ 170,819	0.0 %
06/30/12	261,838	145,803	116,035	179.6	118,752	0.0
06/30/11	218,240	134,821	83,419	161.9	86,248	0.0

Health Insurance

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)
06/30/13	\$ -	\$ 10,210	\$ (10,210)	0.0 %	\$ 170,819	6.0 %
06/30/12	-	6,480	(6,480)	0.0	118,752	5.5
06/30/11	-	6,533	(6,533)	0.0	86,248	7.6

TOWN OF JEROME, ARIZONA
Supplementary Information
Segmented Statement of Revenue, Expenses, and Changes
in Fund Net Position
Utilities Fund
Year Ended June 30, 2013

	Water Utility	Sewer Utility	Sanitation Utility	Utilities Fund
Operating revenue				
Charges for services	\$ 167,158	\$ 172,548	\$ 147,784	\$ 487,490
Miscellaneous	14,117	142	4,236	18,495
Total operating revenue	<u>181,275</u>	<u>172,690</u>	<u>152,020</u>	<u>505,985</u>
Operating expenses				
Personnel	91,115	39,762	52,680	183,557
Depreciation	39,115	18,694	6,685	64,494
Repairs and maintenance	18,657	21,374	14,512	54,543
Contract services	3,316	36,481	1,728	41,525
Fees and permits	-	7,668	22,785	30,453
Insurance	7,231	8,195	9,641	25,067
Fuel	2,944	2,368	13,119	18,431
Office	4,605	4,279	1,560	10,444
Legal and professional	5,931	2,889	-	8,820
Utilities	1,351	2,975	1,014	5,340
Miscellaneous	961	1,155	448	2,564
Tools and equipment	2,702	1,641	830	5,173
Total operating expenses	<u>177,928</u>	<u>147,481</u>	<u>125,002</u>	<u>450,411</u>
Operating income	3,347	25,209	27,018	55,574
Nonoperating revenue (expense)				
Interest earnings	-	47	-	47
Interest expense	-	(10,198)	-	(10,198)
Total nonoperating revenue (expense)	<u>-</u>	<u>(10,151)</u>	<u>-</u>	<u>(10,151)</u>
Income before transfers and capital grants	3,347	15,058	27,018	45,423
Transfer out	(40,683)	(32,547)	(32,547)	(105,777)
Capital grant	292,924	-	-	292,924
Change in net position	255,588	(17,489)	(5,529)	232,570
Net position, July 1, 2012	<u>1,132,251</u>	<u>794,737</u>	<u>(199,677)</u>	<u>1,727,311</u>
Net position, June 30, 2013	<u>\$ 1,387,839</u>	<u>\$ 777,248</u>	<u>\$ (205,206)</u>	<u>\$ 1,959,881</u>



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

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

**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, 2013, 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 June 11, 2014.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies with reference

numbers **13-01** and **13-02** described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

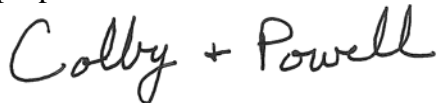
As part of obtaining reasonable assurance about whether the Town of Jerome, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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*.

Town of Jerome, Arizona's Response to Findings

The Town of Jerome, Arizona's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Jerome, Arizona's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



June 11, 2014

TOWN OF JEROME, ARIZONA
Schedule of Findings and Responses
June 30, 2013

Financial Statement Findings

Audit findings and responses are as follows:

Item: 13-01

Subject: Accounting policies and procedures manual

Criteria/Specific Requirements: Written policies and procedures may prevent or reduce misunderstandings and errors that can result in inaccurate accounting records.

Condition: The Town does not maintain a written accounting policies and procedures manual.

Cause and Effect: Over the years, the Town has incorporated policies and procedures in maintaining internal controls and effective procedures over the accounting processes. However, current internal controls and procedures have not been documented in formal written procedures. The lack of written procedures may result in inefficiencies through common usage and during times of employee turnover.

Recommendation: We recommend that policies and procedures be in writing, to avoid the acceptance of weak procedures established through common usage and to assist in maintaining procedures at times of employee turnover.

Response: Management agrees with the audit finding and, over the past year, has been implementing a written policies and procedures manual.

Item: 13-02

Subject: Capital assets

Criteria/Specific Requirements: Significant assets should be inventoried on a regular basis.

Condition: The Town does not inventory significant capital assets on a regular basis.

Cause and Effect: Most capital assets are never physically inventoried. By inventorying capital assets on a regular basis, it will help to detect the loss or unauthorized use of valuable Town property, help determine accurate amounts and values of insurable assets, and assist in planning for capital expenditures.

Recommendation: We recommend that periodic physical counts of property, especially removable equipment items, be taken and compared to the detailed capital asset ledgers.

Response: Management agrees with the audit finding and is in the process of implementing procedures to regularly inventory capital assets.