

CITY OF JEROME, IDAHO

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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March 27, 2019

Independent Auditor's Report

Mayor and Council
City of Jerome
Jerome, Idaho 83338

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jerome, Idaho, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Jerome, Idaho, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jerome, Idaho, as of September 30, 2018, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the PERSI Base Plan and FRF Schedules, and the Notes to Required Supplementary Information identified 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Jerome, Idaho. The combining and individual nonmajor fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were 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 combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2019, on our consideration of internal control over financial reporting of the City of Jerome, Idaho, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Jerome's internal control over financial reporting and compliance.

Retroat, Harberd & Assoc., P.A.

CITY OF JEROME
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018

I. Background.

As a result of heightened fiscal responsibility, taxpayers demand better accounting of how and where their money is being spent. With the drafting in June 1999 of GASB 34 – the Government Accounting Standards Board Statement Number 34 – the scope of maintaining public asset records has been changing.

GASB 34 requires all government entities, including local and state governments, school districts, publicly operated hospitals, public utilities, and state universities, and all other public entities that collected tax revenues, to report on the value and condition of all capital and infrastructure assets. Two reporting methods are outlined in the statement: (1) the standard approach, which is a simple depreciation method; and (2) the modified method, which takes into account maintenance expenses and the value that these expenses add to an asset. This method requires a current inventory of all assets, a condition assessment every three years, and estimates of annual maintenance costs. In either case, local and state governments now must adhere to some of the accounting standards that have been required of private sector firms for years.

At the conclusion of Fiscal Year 2004, the City of Jerome implemented a new accounting reporting requirement. Fiscal Year 2018 represents the fourteenth year in which the City has followed the financial standards established with the adoption of GASB-34.

As part of these new standards, the City is now required to provide an overview of its financial activities in a narrative form called the “Management’s Discussion and Analysis”. This report highlights the general fiscal health of the City, outlines key financial decisions that were initiated by the City’s leadership and identifies future financial priorities and activities as determined by the Mayor, City Council and City Staff. In order to fully understand the financial statements included in the City’s Audit, residents should first read the Management’s Discussion and Analysis document. It is our goal that through its reading, our citizens will be better informed and involved.

II. Understanding this Report.

This Management’s Discussion and Analysis report is broken into three major components that include a Financial Statements Overview, a Debt Management and Administration Overview and a glimpse into the Fiscal Year 2019 Priorities. This report covers the Fiscal Year 2018 that began on October 1, 2017 and ended on September 30, 2018. Fiscal Year 2019 priorities address those financial activities that the City leadership is currently addressing as of the date of this analysis.

Like the report issued at the conclusion of the previous fiscal year, the Fiscal Year 2018 Management Discussion and Analysis provides financial comparisons and financial trends analysis, all designed to provide the reader with a greater understanding of the City’s overall financial health.

The City’s financial statements are broken into two categories: Government Wide Financial Statements and Fund Financial Statements.

- A. Government-Wide Financial Statements. Government-wide financial statements, presented on pages 13-14 of the audit, are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private sector business. The statement of net position presents information on all of the City of Jerome’s assets and liabilities with the difference between the two reported as net position. Over time,

CITY OF JEROME
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018

increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. In other words, it will help to show how solvent the City is.

The statement of activities presents information showing how the government's assets and liabilities changed during the most recent fiscal year. All changes in net position are reported as they occur, regardless of the timing of related cash flows. This is accrual accounting and thus, revenues and expenses are reported in this statement for some items that might not reflect actual cash flows until future fiscal periods (i.e., delinquent taxes and earned but unused compensated absences such as personal time off and short term disability).

The government-wide financial statements distinguish functions of the City of Jerome as either governmental activities, those activities that are supported primarily by taxes and intergovernmental activity, or business-type activities, those activities that are intended to recover all or a significant portion of their costs through user fees and charges.

The governmental activities of the City of Jerome include general government administration and operations, transportation assets, capital projects and asset depreciation. Business-type activities of the City of Jerome include water and sewer administration and operations.

- B. **Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been separated for specific activities or objectives. All of the funds of the City of Jerome can be divided into two categories: government funds or proprietary funds.

(1) Government Funds. Government funds are used to account for essentially the same activities as previously identified under governmental activities in the government-wide financial statement. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of City liquid resources as well as balances of liquid resources at the end of the fiscal year. Such information is helpful when determining the City's near-term financing requirements and health.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for both as readers may better understand the long-term impact of the government's near-term financing decisions.

The City of Jerome maintains four (4) individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Street Fund, Library Fund and Park Fund which are considered to be major funds. The other fund, which consists of the Cafeteria Fund, is considered an agency fund and the information related to this fund is presented on page 21 of the financial statements.

CITY OF JEROME
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018

(2) Proprietary Funds. The City of Jerome maintains one type of proprietary funds called enterprise funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City of Jerome uses enterprise funds to account for its water and sewer operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the irrigation, sanitation, water, and sewer operations, all of which are considered to be major funds of the City of Jerome. Data for these funds is found on pages 18-20 of the financial statements.

If the reader comes upon either "Notes to the Financial Statements" or "Other Information", these sections are to provide additional narrative and required supplementary information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

III. Health of the City – Financial Statements Overview

Government-Wide Financial Analysis. One important question to ask about the City's finances is, "Is the City better or worse off as a result of the previous year's activities?" The information in the government-wide financial statement helps answer this question because it captures all City assets and liabilities using the accrual basis of accounting with the addition of reporting depreciation on capital assets. In this way, all of the City's financial transactions both in revenues and expenses are captured both for the long-term and the near-term and one can see the true financial health of the City.

For the City of Jerome for the Fiscal Year 2018, changes in governmental and business-type assets and liabilities are illustrated in Table 3.1, which appears on the following page.

CITY OF JEROME MANAGEMENT'S
DISCUSSION AND ANALYSIS For the Year Ended
September 30, 2018

Table 3.1 Net Position - FY 2017 & FY 2018						
	Governmental Activities FY 2017	Governmental Activities FY 2018	Business-Type Activities FY 2017	Business-Type Activities FY 2018	Total FY 2017	Total FY 2018
Current Assets	\$4,366,505	\$5,933,348	\$18,283,206	\$15,703,668	\$22,649,711	\$21,637,016
Capital Assets - Net	\$13,067,977	\$14,486,802	\$46,659,570	\$60,250,969	\$59,727,547	\$74,737,771
Net Pension Assets	\$901,121	\$1,154,622	\$0	\$0	\$901,121	\$1,154,622
Total Assets	\$18,335,603	\$21,574,772	\$64,942,776	\$75,954,637	\$83,278,379	\$97,529,409
Total Deferred Outflows	\$277,652	\$166,993	\$184,319	\$305,339	\$461,971	\$472,332
Current Liabilities	\$552,104	\$1,914,858	\$4,847,694	\$1,812,608	\$5,399,798	\$3,727,466
Non-Current Liabilities	\$1,173,278	\$1,109,940	\$27,881,212	\$39,165,606	\$29,054,490	\$40,275,546
Net Pension Liability	\$1,107,493	\$1,029,766	\$899,615	\$832,651	\$2,007,108	\$1,862,417
Total Liabilities	\$2,832,875	\$4,054,564	\$33,628,521	\$41,810,865	\$36,461,396	\$45,865,429
Total Deferred Inflows	\$237,699	\$274,770	\$154,916	\$174,017	\$392,615	\$448,787
Net Position:						
Invested in Capital Assets	\$12,091,256	\$13,591,892	\$16,121,266	\$20,945,165	\$28,212,522	\$34,537,057
Restricted	\$14,144	\$17,925	\$12,580,256	\$11,914,440	\$12,594,400	\$11,932,365
Unrestricted	\$3,437,281	\$3,802,914	\$2,642,136	\$1,415,489	\$6,079,417	\$5,218,403
Total Net Position	\$15,542,681	\$17,412,731	\$31,343,658	\$34,275,094	\$46,886,339	\$51,687,825

As indicated in Table 3.1, the large proportion of the City of Jerome's net assets of \$51,687,825 are reflected in capital assets (land, buildings, machinery, equipment, etc.) less any debt used to acquire those assets that is still outstanding. The City of Jerome uses these assets to provide services to its citizens and so consequently, these assets are not available for future spending.

When looking at the City's net assets, the other area to look at is the restricted and unrestricted totals. The \$11,932,365 in the restricted column for Fiscal Year 2018 represents amounts that are subject to external restrictions on how they may be used. The majority of these assets are related to debt service required for the issuance of revenue related debt in the water and sewer enterprises and leases in governmental activities. The remaining \$5,218,403 in the unrestricted category represents assets that could be used to meet the City's ongoing obligations to citizens and creditors. For comparison purposes, at the end of Fiscal Year 2017, the City of Jerome had total restricted net assets of \$12,594,400 – which is a decrease of \$662,035, or five and twenty-six hundredths percent (5.26%) and total unrestricted net assets of \$6,079,417 – which is a decrease of \$861,014, or fourteen and sixteen hundredths percent (14.169%).

At the end of the fiscal year, the City of Jerome is able to report positive balances in its net position for both governmental and business-type activities.

CITY OF JEROME
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018

Table 3.2 Change in Net Position - FY 2017 & FY 2018						
	Governmental Activities FY 2017	Governmental Activities FY 2018	Business-Type Activities FY 2017	Business-Type Activities FY 2018	Total FY 2017	Total FY 2018
Revenues						
Program Revenues:						
Charges for Service	\$663,476	\$936,283	\$9,454,823	\$10,530,514	\$10,118,299	\$11,466,797
Operating Grants & Contributions	\$233,480	\$52,926			\$233,480	\$52,926
Capital Grants & Contributions	\$489,010	\$994,053			\$489,010	\$994,053
General Revenues:						
Property & Other Taxes	\$4,520,894	\$4,655,069			\$4,520,894	\$4,655,069
Other Governmental License & Permits	\$1,648,173	\$1,719,475			\$1,648,173	\$1,719,475
Investment Earnings	\$31,013	\$64,129	\$125,392	\$226,462	\$156,405	\$290,591
Net Change in value of investments	\$1,084	(\$2,943)	\$10,519	(\$14,498)	\$11,603	(\$17,441)
Total Revenues	\$7,587,130	\$8,418,992	\$9,590,734	\$10,742,478	\$17,177,864	\$19,161,470
Expenses						
General Government	\$4,313,892	\$4,165,794			\$4,313,892	\$4,165,794
Street Services	\$1,554,046	\$1,611,983			\$1,554,046	\$1,611,983
Library Services	\$436,056	\$462,518			\$436,056	\$462,518
Park Services	\$181,746	\$192,578			\$181,746	\$192,578
Irrigation			\$139,137	\$149,321	\$139,137	\$149,321
Sanitation			\$314,814	\$336,348	\$314,814	\$336,348
Water			\$2,097,049	\$2,135,429	\$2,097,049	\$2,135,429
Sewer			\$4,487,257	\$4,850,436	\$4,487,257	\$4,850,436
Total Expenses	\$6,485,740	\$6,432,873	\$7,038,257	\$7,471,534	\$13,523,997	\$13,904,407
Change in Net Position	\$1,101,390	\$1,986,119	\$2,552,477	\$3,270,944	\$3,653,867	\$5,257,063
Net Position - beginning as reported	\$14,436,461	\$15,542,681	\$28,789,995	\$31,343,658	\$43,226,456	\$46,886,339
Prior Period adjustment	\$4,830	(\$116,069)	\$1,186	(\$339,508)	\$6,016	(\$455,577)
Net Position - beginning as corrected	\$14,441,291	\$15,426,612	\$28,791,181	\$31,004,150	\$43,232,472	\$46,430,762
Increase in contributed capital						
Net Position - ending	\$15,542,681	\$17,412,731	\$31,343,658	\$34,275,094	\$46,886,339	\$51,687,825

CITY OF JEROME
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018

Table 3.2, Change in Net Position, reflects the overall change in net position for the City of Jerome. For the fiscal year, the City's total revenues were \$19,161,470 while total expenses were \$13,904,407. This indicates that the City was able to cover its year's overall costs. When looking at the Governmental and Business-Type Activities, the City reports a \$1,986,119 and \$3,270,944 change in net position, respectively.

Fund Financial Analysis. As noted earlier, the City of Jerome uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Government Funds. The focus of the City of Jerome governmental fund reporting is to provide information on near-term inflows, outflows, and balances of expendable resources. Perhaps the key area to look at in government fund balance sheets is the final unassigned fund balance as they indicate resources available for spending at the end of the fiscal year.

At the end of this last fiscal year, the City of Jerome reported positive combined ending fund balances of \$3,725,645, which accounts for financial activities in the General Fund, Street Fund, Park Fund and Library Fund. For comparison purposes, the combined ending fund balances at the conclusion of Fiscal Year 2017 were \$3,584,224. This represents an increase of \$141,421 or three and ninety-five hundredths percent (3.95%). The City of Jerome reports positive balances in all of the governmental funds.

Proprietary Funds. The City of Jerome's proprietary funds include the Irrigation, Sanitation, Water, and Sewer Enterprise Funds. The City of Jerome reports a positive combined ending operating balance of \$34,275,094 for the Proprietary Funds part of which is attributed to \$60,250,969 in accumulated depreciated assets. When analyzing cash flows, the combined ending cash and cash equivalent balance at the end of the year was a positive \$13,123,908 which is a decrease of \$2,711,724 from the previous year. The Water and Sewer Enterprise Funds have a combined unrestricted pooled cash reserve of \$1,065,484. (Not allocated to any debt payment).

The unassigned fund balance of the general fund increased by \$242,085 and the committed fund balance of the Street fund decreased by \$444,729, due to reserve spending on street capital improvements. Net Position did improve in both the Water and Sewer funds due to new investments made in water and sewer infrastructure projects during the year. The combined total of net investment in capital assets, net of related debt, restricted and unrestricted net position is \$51,687,825. The City leadership is proactively analyzing financial activities in both the restricted and unrestricted net assets for both governmental and proprietary funds.

CITY OF JEROME
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018

IV. Capital Assets and Debt Management Administration

Capital Assets. The City of Jerome's investment in capital assets for its governmental and business-type activities as of September 30, 2018 was \$74,737,771. This is an increase of \$15,010,224 from the previous year and reflects the following investments:

Table 4.1 Capital Assets				
	Balance 1-Oct-17	Increases	Decreases	Balance 30-Sep-18
Governmental Activities:				
Land	\$842,589			\$842,589
Buildings	\$4,075,749	\$48,290		\$4,124,039
Machinery and Equipment	\$6,168,089	\$413,249	(\$90,230)	\$6,491,108
Infrastructure	\$9,585,088	\$852,569		\$10,437,657
Construction in Progress	\$181,029	\$1,016,864	(\$181,029)	\$1,016,864
Less Accumulated Depreciation for:				
Buildings	\$1,825,088	\$115,408		\$1,940,496
Machinery and Equipment	\$4,114,489	\$245,302	(\$63,270)	\$4,296,521
Infrastructure	\$1,844,990	\$343,448		\$2,188,438
Net Capital Assets	\$13,067,977	\$1,626,814	(\$207,989)	\$14,486,802
Business Type Activities:				
Land	\$757,102			\$757,102
Buildings	\$19,324,774	\$1,000,000		\$20,324,774
Machinery and Equipment	\$2,558,562	\$55,482		\$2,614,044
Infrastructure	\$24,571,247	\$4,095,723		\$28,666,970
Construction in Progress	\$15,567,310	\$11,761,244	(\$1,963,008)	\$25,365,546
Less Accumulated Depreciation for:				
Infrastructure	\$4,889,801	\$683,744		\$5,573,545
Buildings	\$9,410,937	\$497,339		\$9,908,276
Machinery and Equipment	\$1,818,687	\$176,959		\$1,995,646
Net Capital Assets	\$46,659,570	\$15,554,407	(\$1,963,008)	\$60,250,969

Of the capital expenditures \$615,687 was received as a grant source in the fiscal year from the City of Jerome's Urban Renewal Agency (JURA) to fund street improvements in JURA Area 2. Additionally, \$361,950 and \$11,228,119 were received in loan proceeds from the Idaho Department of Environmental Quality as part of the City's \$1.75 million and \$22.2 million loans for wastewater collection system and plant upgrades.

Beginning in 2016, the City of Jerome began to save funds toward a future law enforcement facility to replace the existing building. Funds are budgeted every year in the law enforcement budget under a line item titled "Capital/Equipment Replacement." Although the line item is used to balance the budget, no expenditure is made resulting in a large budget variance. Total funds saved for the facility as of September 30, 2018 is \$778,586.

CITY OF JEROME
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018

Debt Management and Administration. The City of Jerome currently maintains long-term debt in the amount of \$41,147,922. Included in long-term debt is the following:

- Revenue Bonds in the amount of \$21,140,516 in the Water and Sewer Funds (annual payments estimated at \$1,792,697),
- General Obligation Bond in the amount of \$485,972 for the Senior Citizen Center (annual payment of \$60,350),
- Idaho Department of Environmental Quality note payable in the amount of \$18,553,360 in the Sewer Fund,
- Lease/Purchase agreement on fire pumper in the amount of \$408,937 (annual payments of \$56,210),
- Debt payable to employees for compensated absences (e.g., vacation and compensated time) in the amount of \$479,605,
- Customer deposits to be refunded at a future date in the amount of \$79,532.

The table of long-term debt is as follows:

Table 4.2 Long-Term Debt				
	Balance	Additions	Payment	Balance
	1-Oct-17		Adjustments	30-Sep-18
Governmental Activities:				
Loan Payable/Capital	\$455,312		(\$46,375)	\$408,937
Bonds Payable	\$521,408		(\$35,436)	\$485,972
Compensated Absences	\$277,933	\$302,407	(\$277,933)	\$302,407
Business-Type Activities:				
Customer Deposits	\$73,560	\$5,972		\$79,532
Loans Payable:	\$6,899,857	\$11,653,503		\$18,553,360
Revenue Bonds	\$23,977,618	\$5,450,950	(\$8,288,052)	\$21,140,516
Compensated Absences	\$165,177	\$177,198	(\$165,177)	\$177,198
Total	\$32,370,865	\$17,590,030	(\$8,812,973)	\$41,147,922

CITY OF JEROME
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018

V. Fiscal Year 2019 Fiscal Priorities

In May of 2018, the Mayor, City Council and City Staff developed the Fiscal Year 2019 spending priorities to help focus the efforts of the City’s resources in the current fiscal year that began on October 1, 2018 and ends on September 30, 2019. The priorities with significant allocations are illustrated in Table 5.1.

Table 5.1 2019 Fiscal Priorities		
Capital Improvements	Projected Cost	Explanation
100 W Main to 100 N 100 N. N. Lincoln to 100W Frontage Road N. Date Main to 7 th Ave. W. N. Davis Main to 8 th	\$528,477 \$317,599 \$196,191 \$198,629 \$206,077	Street improvement funded from State IOEM grant funds
10 th Street Well Project	\$1,550,000	The City will be replacing the 10 th Street Well funded from City Capital Reserves
Sewer System Improvements	\$23.95 million	The City of Jerome, Idaho, has obtained loans in the amounts of \$1,750,000 and \$22,200,000 from the Idaho Department of Environmental Quality Drinking Water State Revolving Fund. The projects are for wastewater collection system and plant improvements and are in process at September 30, 2018. Of the \$1,750,000 loan, \$1,625,296 and \$18,102,324 of the \$22,200,000 loan was spent as of September 30, 2018. All of the projects are expected to be completed in the next year.

VI. Jerome Urban Renewal Agency

The Urban Renewal Agency of the City of Jerome, Idaho (JURA) was organized under Idaho law in 1994. The agency currently has three separate revenue allocation areas. Area 2 is commonly referred to as the “Southeast Industrial Project Area”. Area 3 is called the “Downtown Improvement Project Area” and Area 4 has not yet been assigned a project name. Previously, the Agency had an additional revenue allocation area. Area 1 was commonly referred to as the “South Lincoln Project Area”.

Under governmental accounting standards the Agency is considered a component unit of the City so a summary of its financial information is discretely presented in the City’s financial statements. The Agency’s financial statements are available upon request.

CITY OF JEROME
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018

Conclusion. This financial report is designed to provide a general overview of the City of Jerome's finances for all those with an interest in the government's finances and activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ross Hyatt, Finance Director, 152 East Avenue A, Jerome, Idaho 83338.

A handwritten signature in black ink, appearing to read "Ross Hyatt", written in a cursive style.

Ross Hyatt
Finance Director
City of Jerome

CITY OF JEROME, IDAHO
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		
ASSETS:				
Cash and cash equivalents	\$ 3,727,853	\$ 1,129,936	\$ 4,857,789	\$ 1,842,328
Prepaid expenses	112,634	11,410	124,044	-
Receivables	1,461,674	1,813,107	3,274,781	-
Inventories	-	367,171	367,171	-
Restricted assets:				
Cash and cash equivalents	621,155	11,993,972	12,615,127	438,559
Capital assets:				
Land and construction in progress	842,589	26,122,648	26,965,237	-
Buildings, equipment and infrastructure, less accumulated depreciation	13,644,213	34,128,321	47,772,534	-
Other assets	10,032	388,072	398,104	4,267
Net pension assets	1,154,622	-	1,154,622	-
Total assets	<u>21,574,772</u>	<u>75,954,637</u>	<u>97,529,409</u>	<u>2,285,154</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Differences between expected and actual experience	7,674	196,766	204,440	-
Changes in pension assumptions or other inputs	66,059	55,126	121,185	-
Employer contributions to pension plan made subsequent to the measurement date for the net pension liability	93,260	53,447	146,707	-
	<u>166,993</u>	<u>305,339</u>	<u>472,332</u>	<u>-</u>
LIABILITIES:				
Accounts payable and other accrued liabilities	1,827,182	1,027,608	2,854,790	728,313
Long-term liabilities:				
Current portion	87,376	785,000	872,376	1,378,362
Noncurrent portion	1,109,940	39,165,606	40,275,546	2,533,844
Net pension liability	1,029,766	832,651	1,862,417	-
Total liabilities	<u>4,054,264</u>	<u>41,810,865</u>	<u>45,865,129</u>	<u>4,640,519</u>
DEFERRED INFLOWS OF RESOURCES:				
Differences between expected and actual experience	78,942	61,715	140,657	-
Net difference between projected and actual earnings on pension plan investments	159,897	82,136	242,033	-
Change in proportionate share percentage from prior year	35,931	30,166	66,097	-
	<u>274,770</u>	<u>174,017</u>	<u>448,787</u>	<u>-</u>
NET POSITION:				
Net investment in capital assets, net of related debt	13,591,892	20,945,165	34,537,057	-
Restricted for:				
Capital projects	-	6,756,679	6,756,679	-
Other	17,925	5,157,761	5,175,686	438,559
Unrestricted	3,802,914	1,415,489	5,218,403	(2,793,924)
Total net position	<u>\$ 17,412,731</u>	<u>\$ 34,275,094</u>	<u>\$ 51,687,825</u>	<u>\$ (2,355,365)</u>

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	Component Unit
Primary Government:								
Governmental Activities:								
General government	\$ 4,165,794	\$ 679,040	\$ 42,511	\$ -	\$ (3,444,243)	\$ -	\$ (3,444,243)	\$ -
Street services	1,611,983	234,007	-	994,053	(383,923)	-	(383,923)	-
Library services	462,518	22,423	10,415	-	(429,680)	-	(429,680)	-
Parks services	192,578	813	-	-	(191,765)	-	(191,765)	-
Total governmental activities	<u>6,432,873</u>	<u>936,283</u>	<u>52,926</u>	<u>994,053</u>	<u>(4,449,611)</u>	<u>-</u>	<u>(4,449,611)</u>	<u>-</u>
Business-type Activities:								
Irrigation	149,321	190,246	-	-	-	40,925	40,925	-
Sanitation	336,348	328,654	-	-	-	(7,694)	(7,694)	-
Water	2,135,429	2,585,299	-	-	-	449,870	449,870	-
Sewer	4,850,436	7,426,315	-	-	-	2,575,879	2,575,879	-
Total business-type activities	<u>7,471,534</u>	<u>10,530,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,058,980</u>	<u>3,058,980</u>	<u>-</u>
Total primary government	<u>\$ 13,904,407</u>	<u>\$ 11,466,797</u>	<u>\$ 52,926</u>	<u>\$ 994,053</u>	<u>(4,449,611)</u>	<u>3,058,980</u>	<u>(1,390,631)</u>	<u>-</u>
Component Unit:	<u>\$ 1,117,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,117,629)</u>
General Revenues:								
Property and other taxes					4,655,069	-	4,655,069	1,660,893
State shared revenue					1,719,475	-	1,719,475	-
Unrestricted investment earnings					64,129	226,462	290,591	27,881
Net change in value of investments					(2,943)	(14,498)	(17,441)	-
Total general revenues					<u>6,435,730</u>	<u>211,964</u>	<u>6,647,694</u>	<u>1,688,774</u>
Change in net position					<u>1,986,119</u>	<u>3,270,944</u>	<u>5,257,063</u>	<u>571,145</u>
Net position:								
Net position beginning of year, as reported					15,542,681	31,343,658	46,886,339	(2,976,391)
Prior period adjustment to record correct previous investment deferred outflow of resources and long-term debt					(116,069)	(339,508)	(455,577)	49,881
Net position beginning of year, as corrected					<u>15,426,612</u>	<u>31,004,150</u>	<u>46,430,762</u>	<u>(2,926,510)</u>
Net position-end of year					<u>\$ 17,412,731</u>	<u>\$ 34,275,094</u>	<u>\$ 51,687,825</u>	<u>\$ (2,355,365)</u>

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

<u>ASSETS:</u>	<u>General</u>	<u>Street</u>	<u>Library</u>	<u>Park</u>	<u>Total Governmental</u>
Pooled cash and cash equivalents	\$ 2,265,186	\$ 1,127,980	\$ 202,153	\$ 123,783	\$ 3,719,102
Non-pooled cash and cash equivalents	150	-	200	-	350
Prepaid workers compensation premium	102,734	-	-	-	102,734
Prepaid assessment	9,900	-	-	-	9,900
Receivables:					
Due from Irrigation Fund	2,513	-	-	-	2,513
Delinquent property taxes	161,491	37,296	18,162	9,425	226,374
Sales tax	71,762	12,435	7,278	3,620	95,095
Agriculture equipment tax	313	54	32	16	415
Highway user fee	-	138,371	-	-	138,371
Jerome Highway District	-	7,302	-	-	7,302
State revenue sharing	152,769	-	-	-	152,769
State grant	-	42,520	-	-	42,520
Other	47,593	748,724	-	-	796,317
Restricted assets:					
Pooled cash and cash equivalents	16,399	603,230	-	1,526	621,155
TOTAL ASSETS	\$ 2,830,810	\$ 2,717,912	\$ 227,825	\$ 138,370	\$ 5,914,917
 <u>LIABILITIES:</u>					
Accounts payable - trade	\$ 84,896	\$ 913,919	\$ 10,168	\$ 3,566	\$ 1,012,549
Miscellaneous payable	109,838	27	14	7	109,886
IOEM payable	-	603,230	-	-	603,230
Accrued payroll	33,893	10,312	5,648	1,370	51,223
TOTAL LIABILITIES	228,627	1,527,488	15,830	4,943	1,776,888
 <u>DEFERRED INFLOWS OF RESOURCES:</u>					
Unavailable revenue	151,829	234,609	17,082	8,864	412,384
TOTAL DEFERRED INFLOWS OF RESOURCES	151,829	234,609	17,082	8,864	412,384
 <u>FUND BALANCES:</u>					
Nonspendable	112,634	-	-	-	112,634
Restricted	16,399	-	-	1,526	17,925
Committed	813,586	872,809	192,346	123,037	2,001,778
Assigned	126,802	83,006	2,567	-	212,375
Unassigned	1,380,933	-	-	-	1,380,933
TOTAL FUND BALANCES	2,450,354	955,815	194,913	124,563	3,725,645
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,830,810	\$ 2,717,912	\$ 227,825	\$ 138,370	\$ 5,914,917
 <u>Reconciliation to the Statement of Net Position:</u>					
Total Fund Balances - Governmental Funds					\$ 3,725,645
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					14,486,802
Property tax revenues and other billed revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred outflows of resources in the funds					376,936
Deferred charges and related amortization are recognized in full in the year incurred and are not capitalized and amortized in the funds					10,032
Net pension assets not reported in the funds					1,154,622
Payables expected to be paid in the next year but not soon enough to use the current period's revenues are not included in the funds					(6,444)
Pension related deferred outflows of resources not reported in the funds					166,993
Pension related deferred inflows of resources not reported in the funds					(274,770)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds					
Long-term debt including amortized premium on bonds					(1,197,319)
Net pension liability					(1,029,766)
Total Net Position - Governmental Activities					<u>\$ 17,412,731</u>

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	<u>General</u>	<u>Street</u>	<u>Library</u>	<u>Park</u>	<u>Total</u> <u>Governmental</u>
<u>REVENUES:</u>					
Property taxes	\$ 3,428,652	\$ 748,434	\$ 368,934	\$ 188,835	\$ 4,734,855
Penalties - property tax	21,475	5,133	2,449	1,292	30,349
Business and franchise taxes	196,977	66,419	-	-	263,396
Payment in lieu of taxes	8,979	1,956	965	493	12,393
Licenses and permits	171,118	-	-	-	171,118
State shared	893,684	776,671	32,396	16,725	1,719,476
Grant income	42,511	184,352	3,500	-	230,363
Rent	35,024	-	-	-	35,024
Interest	33,409	26,224	2,778	1,718	64,129
Contributions	8,114	615,687	6,915	717	631,433
Refunds and reimbursements	179,867	166,368	842	96	347,173
Fines	56,512	-	6,551	-	63,063
Miscellaneous	5,898	1,220	15,031	-	22,149
Sale of city property	25,530	-	-	-	25,530
Total revenue	<u>5,107,750</u>	<u>2,592,464</u>	<u>440,361</u>	<u>209,876</u>	<u>8,350,451</u>
<u>EXPENDITURES:</u>					
Current:					
Salaries	2,193,188	508,707	227,368	66,001	2,995,264
Personnel benefits	936,780	199,127	92,508	26,520	1,254,935
Operating supplies	103,361	78,427	11,560	7,762	201,110
Public relations	66,705	-	-	-	66,705
Professional services	191,669	-	-	9,477	201,146
Advertising and publishing	6,973	114	-	-	7,087
Insurance	55,959	46,590	-	-	102,549
Travel and meetings	3,651	-	-	-	3,651
Dues and subscriptions	16,608	660	12,698	260	30,226
Personnel training	72,943	1,800	5,047	305	80,095
Telephone	41,525	3,469	3,192	43	48,229
Utilities	40,082	11,645	9,292	43,114	104,133
Gas and Oil	55,555	10,523	-	2,637	68,715
Repairs and maintenance	105,178	211,682	14,690	4,743	336,293
Other purchased services	14,845	5,958	414	6,275	27,492
Cost share with Jerome County	98,860	-	-	-	98,860
Uniforms	23,897	1,969	-	549	26,415
Medical services	7,120	112	-	154	7,386
Books and magazines	-	-	46,764	-	46,764
Street lighting	-	84,267	-	-	84,267
Miscellaneous	8,346	1,096	430	2,844	12,716
Blue Cross Grant Agreements	19,962	-	-	-	19,962
Capital outlay	379,649	1,762,894	-	7,400	2,149,943
Debt service	115,660	-	-	-	115,660
Total expenditures	<u>4,558,516</u>	<u>2,929,040</u>	<u>423,963</u>	<u>178,084</u>	<u>8,089,603</u>
<u>EXCESS (DEFICIENCY) OF REVENUE OVER</u>	<u>549,234</u>	<u>(336,576)</u>	<u>16,398</u>	<u>31,792</u>	<u>260,848</u>
<u>EXPENDITURES</u>					
<u>OTHER FINANCING SOURCES (USES):</u>					
Net change in fair value of investments	(1,451)	(1,210)	(191)	(91)	(2,943)
Transfers in (out)	(93,169)	(25,443)	(4,417)	6,545	(116,484)
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>(94,620)</u>	<u>(26,653)</u>	<u>(4,608)</u>	<u>6,454</u>	<u>(119,427)</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>454,614</u>	<u>(363,229)</u>	<u>11,790</u>	<u>38,246</u>	<u>141,421</u>
<u>FUND BALANCE SEPTEMBER 30, 2017</u>	<u>1,995,740</u>	<u>1,319,044</u>	<u>183,123</u>	<u>86,317</u>	<u>3,584,224</u>
<u>FUND BALANCE SEPTEMBER 30, 2018</u>	<u>\$ 2,450,354</u>	<u>\$ 955,815</u>	<u>\$ 194,913</u>	<u>\$ 124,563</u>	<u>\$ 3,725,645</u>

Continued on next page

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

Continued from previous page

Reconciliation to the Statement of Activities:

Total net changes in fund balances - governmental funds (from previous page)	\$ 141,421
Repayment of note principal is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets	81,811
Governmental funds report the acquisition or construction of capital assets as expenditures, while governmental activities report depreciation expense to allocate the cost of these assets over their estimated useful life. In the current period, these amounts are:	
Capital outlay	2,149,943
Depreciation expense	(704,158)
Revenues and expenditures in the Statement of Activities that do not provide or use current financial resources are not reported as revenues or expenditures in the funds	19,116
Changes in pension related deferred outflows of resources, deferred inflows of resources, and net pension liability do not require the use of current financial resources and are not reported in the governmental funds	297,986
Change in net position of governmental activities	<u>\$ 1,986,119</u>

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO
STATEMENT OF NET POSITION-PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Business-type Activities					Governmental Activities- Internal
	Irrigation	Sanitation	Water	Sewer	Total	Service Funds
ASSETS:						
Current Assets:						
Pooled cash and cash equivalents	\$ -	\$ 64,052	\$ 218,361	\$ 847,123	\$ 1,129,536	\$ 8,401
Non-pooled cash and cash equivalents	-	-	400	-	400	-
Prepaid assessments	-	-	11,410	-	11,410	-
Patron receivables	132,961	44,969	459,143	1,181,288	1,818,361	-
Less allowance for uncollectible accounts	-	(135)	(1,516)	(3,648)	(5,299)	-
Accrued interest	45	-	-	-	45	-
Inventory of supplies	-	-	367,171	-	367,171	-
Total current assets	<u>133,006</u>	<u>108,886</u>	<u>1,054,969</u>	<u>2,024,763</u>	<u>3,321,624</u>	<u>8,401</u>
Restricted assets:						
Pooled cash and cash equivalents	-	9,615	3,202,301	5,331,530	8,543,446	-
Non-pooled cash and cash equivalents	-	-	-	3,450,526	3,450,526	-
Total restricted assets	<u>-</u>	<u>9,615</u>	<u>3,202,301</u>	<u>8,782,056</u>	<u>11,993,972</u>	<u>-</u>
Noncurrent Assets:						
Land	-	-	464,568	292,534	757,102	-
Construction in progress	-	-	144,255	25,221,291	25,365,546	-
Infrastructure	37,040	-	6,636,453	21,993,477	28,666,970	-
Buildings	-	-	1,505,565	18,819,209	20,324,774	-
Machinery and equipment	45,737	1,029	909,982	1,657,296	2,614,044	-
Less accumulated depreciation	(38,943)	(723)	(3,275,809)	(14,161,992)	(17,477,467)	-
Total noncurrent assets	<u>43,834</u>	<u>306</u>	<u>6,385,014</u>	<u>53,821,815</u>	<u>60,250,969</u>	<u>-</u>
Other Assets:						
Deferred charge - Bonds	-	-	47,274	378,551	425,825	-
Less accumulated amortization	-	-	(104)	(37,649)	(37,753)	-
	<u>-</u>	<u>-</u>	<u>47,170</u>	<u>340,902</u>	<u>388,072</u>	<u>-</u>
TOTAL ASSETS	<u>176,840</u>	<u>118,807</u>	<u>10,689,454</u>	<u>64,969,536</u>	<u>75,954,637</u>	<u>8,401</u>
DEFERRED OUTFLOWS OF RESOURCES:						
Differences between expected and actual experience	7,519	6,378	75,621	107,248	196,766	-
Changes in pension assumptions or other inputs	1,763	1,920	19,893	31,550	55,126	-
Employer contributions to pension plan made subsequent to the measurement date for the net pension liability	1,746	1,860	19,209	30,632	53,447	-
	<u>11,028</u>	<u>10,158</u>	<u>114,723</u>	<u>169,430</u>	<u>305,339</u>	<u>-</u>
LIABILITIES AND NET POSITION						
LIABILITIES:						
Current Liabilities:						
Due to General Fund	2,513	-	-	-	2,513	-
Accounts payable - trade	8,899	20,461	116,087	594,734	740,181	8,401
Accrued interest payable	-	-	4,585	242,910	247,495	-
Accrued compensation	1,307	1,066	14,523	20,523	37,419	-
Current maturity of long-term liabilities	-	-	235,000	550,000	785,000	-
Total current liabilities	<u>12,719</u>	<u>21,527</u>	<u>370,195</u>	<u>1,408,167</u>	<u>1,812,608</u>	<u>8,401</u>
Long-term Liabilities:						
Bonds payable (including amortized premium)	-	-	2,399,732	36,509,144	38,908,876	-
Customer deposits (payable from restricted assets)	-	9,615	25,280	44,637	79,532	-
Future compensated absences of employees	5,903	5,940	73,003	92,352	177,198	-
Total long-term liabilities	<u>5,903</u>	<u>15,555</u>	<u>2,498,015</u>	<u>36,646,133</u>	<u>39,165,606</u>	<u>-</u>
Net pension liability	<u>32,690</u>	<u>29,473</u>	<u>298,292</u>	<u>472,196</u>	<u>832,651</u>	<u>-</u>
TOTAL LIABILITIES	<u>51,312</u>	<u>66,555</u>	<u>3,166,502</u>	<u>38,526,496</u>	<u>41,810,865</u>	<u>8,401</u>
DEFERRED INFLOWS OF RESOURCES:						
Differences between expected and actual pension experience related to the pension plan	2,326	2,183	22,143	35,063	61,715	-
Net difference between projected and actual earnings on pension plan investments	361	2,766	29,618	49,391	82,136	-
Change in proportionate share percentage from prior year	1,092	1,029	11,325	16,720	30,166	-
	<u>3,779</u>	<u>5,978</u>	<u>63,086</u>	<u>101,174</u>	<u>174,017</u>	<u>-</u>
NET POSITION:						
Invested in capital assets, net of related debt	43,834	306	3,797,452	17,103,573	20,945,165	-
Restricted for:	-	-	-	-	-	-
Capital projects	-	-	2,697,226	4,059,453	6,756,679	-
Other	-	-	479,795	4,677,966	5,157,761	-
Unrestricted	88,943	56,126	600,116	670,304	1,415,489	-
TOTAL NET POSITION	<u>\$ 132,777</u>	<u>\$ 56,432</u>	<u>\$ 7,574,589</u>	<u>\$ 26,511,296</u>	<u>\$ 34,275,094</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Business-type Activities					Governmental Activities - Internal
	Irrigation	Sanitation	Water	Sewer	Total	Service Funds
Operating Revenues:						
Charges for services	\$ 189,624	\$ 327,945	\$ 2,567,974	\$ 7,410,331	10,495,874	\$ -
Miscellaneous income	622	709	17,325	15,984	34,640	-
Total operating revenues	<u>190,246</u>	<u>328,654</u>	<u>2,585,299</u>	<u>7,426,315</u>	<u>10,530,514</u>	<u>-</u>
Operating Expenses:						
Salaries	63,388	67,008	696,353	1,104,826	1,931,575	-
Personnel benefits	22,469	22,653	247,207	372,801	665,130	-
Office supplies	918	6,076	8,056	14,089	29,139	-
Operating supplies	24,888	666	192,398	230,305	448,257	30,165
New equipment - non-capital	-	-	8,450	5,750	14,200	4,474
Public Relations	-	-	2,500	-	2,500	-
Professional services	-	-	59,112	87,777	146,889	141,740
Purchased services	641	233,947	5,767	178,298	418,653	-
Advertising and publishing	32	-	-	152	184	765
Insurance and bonds	-	-	55,465	85,779	141,244	-
Dues and subscriptions	-	-	1,420	1,846	3,266	18,292
Personnel training	414	-	3,201	6,800	10,415	19,991
Telephone	625	-	6,491	12,854	19,970	3,833
Utilities	451	-	226,931	492,758	720,140	-
Gas and oil	1,062	-	43,785	32,279	77,126	894
Repairs	25,585	-	36,455	177,569	239,609	1,296
Cost share with Jerome County	-	-	7,306	-	7,306	-
Uniforms	1,208	-	2,914	3,985	8,107	379
Miscellaneous	515	1,456	9,346	17,628	28,945	1,250
Loss on uncollectible accounts	-	65	1,513	11,785	13,363	-
Allowance for depreciation	2,304	136	250,673	1,104,928	1,358,041	-
Total operating expenses	<u>144,500</u>	<u>332,007</u>	<u>1,865,343</u>	<u>3,942,209</u>	<u>6,284,059</u>	<u>223,079</u>
Operating income (loss)	45,746	(3,353)	719,956	3,484,106	4,246,455	(223,079)
Nonoperating Revenues (Expenses):						
Interest revenue	159	1,249	78,318	146,736	226,462	-
Net change in fair value of investments	12	(130)	(4,408)	(9,972)	(14,498)	-
Amortization of bond issue costs/discounts	-	-	(928)	(13,885)	(14,813)	-
Interest expense	-	-	(229,796)	(836,271)	(1,066,067)	-
Income before other revenues, expenses, gains, losses and transfers	45,917	(2,234)	563,142	2,770,714	3,377,539	(223,079)
Operating transfers in (out)	(4,821)	(4,341)	(39,362)	(58,071)	(106,595)	223,079
INCREASE (DECREASE) IN NET POSITION	<u>41,096</u>	<u>(6,575)</u>	<u>523,780</u>	<u>2,712,643</u>	<u>3,270,944</u>	<u>-</u>
NET POSITION:						
Net position beginning of year, as reported	89,848	59,712	6,995,156	24,198,942	31,343,658	-
Prior period adjustment to record correct previous accumulated depreciation and inventory	1,833	3,295	55,653	(400,289)	(339,508)	-
Net position beginning of year, as corrected	91,681	63,007	7,050,809	23,798,653	31,004,150	-
NET POSITION AT SEPTEMBER 30, 2018	<u>\$ 132,777</u>	<u>\$ 56,432</u>	<u>\$ 7,574,589</u>	<u>\$ 26,511,296</u>	<u>\$ 34,275,094</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Business-type Activities					Governmental Activities - Internal Service Funds
	<u>Irrigation</u>	<u>Sanitation</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
<u>Cash Flows from Operating Activities:</u>						
Cash received from customers	\$ 161,082	\$ 325,326	\$ 2,497,531	\$ 7,418,113	\$ 10,402,052	\$ -
Cash payments for employees' services and benefits	(85,993)	(91,695)	(955,225)	(1,501,708)	(2,634,621)	-
Cash payments to suppliers for goods and services	(70,439)	(239,889)	(656,290)	(2,137,067)	(3,103,685)	(249,839)
Net cash provided (used) by operating activities	<u>4,650</u>	<u>(6,258)</u>	<u>886,016</u>	<u>3,779,338</u>	<u>4,663,746</u>	<u>(249,839)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>						
Operating subsidies and transfers to other funds	(4,821)	(4,341)	(39,362)	(58,071)	(106,595)	223,079
Increase (decrease) in customer deposits	-	780	1,665	3,527	5,972	-
Net cash provided (used) by noncapital financing activities	<u>(4,821)</u>	<u>(3,561)</u>	<u>(37,697)</u>	<u>(54,544)</u>	<u>(100,623)</u>	<u>223,079</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>						
Proceeds from issuance of long-term debt	-	-	-	11,578,530	11,578,530	-
Principal payments on long-term debt	-	-	(2,675,000)	(540,000)	(3,215,000)	-
Interest payments on long-term debt	-	-	(235,006)	(665,895)	(900,901)	-
Purchase of property and equipment	-	-	(320,195)	(14,629,245)	(14,949,440)	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(3,230,201)</u>	<u>(4,256,610)</u>	<u>(7,486,811)</u>	<u>-</u>
<u>Cash Flows from Investing Activities:</u>						
Change in net value of investments	12	(130)	(4,408)	(9,972)	(14,498)	-
Interest and dividends	159	1,249	78,318	146,736	226,462	-
Net cash provided (used) by investing activities	<u>171</u>	<u>1,119</u>	<u>73,910</u>	<u>136,764</u>	<u>211,964</u>	<u>-</u>
<u>Net increase (decrease) in cash and cash equivalents</u>	<u>-</u>	<u>(8,700)</u>	<u>(2,307,972)</u>	<u>(395,052)</u>	<u>(2,711,724)</u>	<u>(26,760)</u>
<u>Cash and cash equivalents October 1, 2017</u>	<u>-</u>	<u>82,367</u>	<u>5,729,034</u>	<u>10,024,231</u>	<u>15,835,632</u>	<u>35,161</u>
<u>Cash and cash equivalents September 30, 2018</u>	<u>\$ -</u>	<u>\$ 73,667</u>	<u>\$ 3,421,062</u>	<u>\$ 9,629,179</u>	<u>\$ 13,123,908</u>	<u>\$ 8,401</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>						
Operating income (loss)	\$ 45,746	\$ (3,353)	\$ 719,956	\$ 3,484,106	\$ 4,246,455	\$ (223,079)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense	2,304	136	250,673	1,104,928	1,358,041	-
(Increase) decrease in accounts receivable	(29,164)	(3,328)	(87,768)	(8,202)	(128,462)	-
(Increase) decrease in prepaid assessments	-	-	(11,410)	-	(11,410)	-
(Increase) decrease in inventories	-	-	56,587	-	56,587	-
(Increase) decrease in deferred outflows	(159)	(241)	160	(4,711)	(4,951)	-
Increase (decrease) in accounts payable	(14,100)	2,321	(30,357)	(777,413)	(819,549)	(26,760)
Increase (decrease) in accrued liabilities	1,647	(117)	5,407	7,961	14,898	-
Increase (decrease) in net pension liability	(2,188)	(2,329)	(24,068)	(38,379)	(66,964)	-
Increase (decrease) in deferred inflows	564	653	6,836	11,048	19,101	-
<u>Net cash provided (used) by operating activities</u>	<u>\$ 4,650</u>	<u>\$ (6,258)</u>	<u>\$ 886,016</u>	<u>\$ 3,779,338</u>	<u>\$ 4,663,746</u>	<u>\$ (249,839)</u>
<u>Reconciliation of Cash and Cash Equivalents at September 30, 2018:</u>						
Pooled cash and cash equivalents in current assets	\$ -	\$ 64,052	\$ 218,361	\$ 847,123	\$ 1,129,536	\$ 8,401
Non-pooled cash and cash equivalents in current assets	-	-	400	-	400	-
Pooled cash and cash equivalents in restricted assets	-	9,615	3,202,301	5,331,530	8,543,446	-
Non-pooled cash and cash equivalents in restricted assets	-	-	-	3,450,526	3,450,526	-
	<u>\$ -</u>	<u>\$ 73,667</u>	<u>\$ 3,421,062</u>	<u>\$ 9,629,179</u>	<u>\$ 13,123,908</u>	<u>\$ 8,401</u>

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for interest by all proprietary funds was \$900,901.

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2018

<u>ASSETS:</u>	<u>CAFETERIA</u>
Pooled cash and cash equivalents	\$ 58,384
	<u>58,384</u>
 <u>LIABILITIES:</u>	
Held for the benefit of employees	<u>58,384</u>
	<u>58,384</u>
 <u>NET POSITION</u>	 <u>\$ -</u>

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Note 1 - Summary of Significant Accounting Policies

A) Basis of Presentation

The financial statements of the City of Jerome (City) are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. GASB is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments through its pronouncements.

B) Financial Reporting Entity

Reporting Entity

The City of Jerome is located in Jerome County in southern Idaho. The City provides various services and facilities including police and fire protection, building inspection; library; street and park maintenance; irrigation, sanitation and water supply; and sewage treatment/disposal. Operations of the City are the responsibility of a mayor and four council members.

As required by generally accepted accounting principles, these financial statements present the City and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the City's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the City.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Jerome Urban Renewal Agency is a discretely presented component unit of the City, and is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. A brief description of the discretely presented component unit follows:

Discretely Presented Component Unit-Jerome Urban Renewal Agency

The Jerome Urban Renewal Agency is responsible for the rehabilitation, conservation and redevelopment of deteriorated properties in areas within the City's jurisdiction. The five-member board is appointed by the City Council. The City and the Agency have an agreement that the City will make available certain personnel for administrative, engineering, budgeting, and accounting services and assistance to the Agency to the extent that the City has appropriated necessary funds to provide such assistance. The Agency has agreed to reimburse the City for these costs. The City has no responsibility for debt issuance of the Agency. The Agency is presented as a governmental fund type.

For financial reporting purposes, the City's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the City Council. The financial statements of the Jerome Urban Renewal Agency may be obtained at the City's administrative offices.

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

C) Government-Wide and Fund Financial Statements

The City's financial statements include the activities of the City. The City's *government-wide financial statements* provide both short-term and long-term information about the City's overall financial status. *Fund financial statements* focus on the individual activities of City government, reporting the City's operations in more detail than the government-wide financial statements.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting.

The Statement of Net Position presents information on all of the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, with the difference between the two presented as net position (deficit). Net position is divided into three components:

- a. Invested in capital assets, net of related debt - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- b. Restricted net position - consists of balances that are restricted by the City's creditors (for example, through debt covenants), by state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (including those who have donated to the City).
- c. Unrestricted - all other balances are reported in this category.

The Statement of Activities presents information showing how the net position changed during the most recent year. All changes in net position are reported as soon as the underlying event gives rise to the change that occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Amounts reported as program revenues on the government-wide financial statements include (a) charges for services - amounts received from customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by the City, (b) program-specific operating grants and contributions, and (c) program-specific capital grants and contributions. General revenues consist of taxes and all other revenues that do not meet the definition of program revenues. Special items are significant transactions or events within the control of management that are either unusual in nature or infrequent in occurrence.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Fund Financial Statements - The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use a current financial resources measurement focus and the modified accrual basis of accounting, focusing on the near-term inflows and outflows of spendable resources, and balances of spendable resources available at fiscal year end.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter (usually 60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes are susceptible to accrual. Other receipts become measurable and available when the cash is received by the government and are recognized as revenue at that time.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications. In addition, the City has presented certain funds as major funds because the City believes the financial position and activities of these funds are significant to the City as a whole. The City reports the following major governmental funds:

- a. General Fund - the principal operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in another fund.
- b. Street Fund - a special revenue fund used to account for and report the receipt of street maintenance assessments and state gas tax distributions restricted or committed to expenditure for striping, signing, and other traffic safety functions, as well as street cleaning, snow and ice control, and other street maintenance functions.
- c. Library Fund - a special revenue fund used to account for and report property tax revenues restricted or committed for the operation and maintenance of the City's library system.

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

- d. Park Fund - a special revenue fund used to account for and report property tax revenues restricted or committed for the operation and maintenance of the City's parks.

Proprietary Funds. Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide financial statements. The City reports the following major proprietary funds:

- a. Irrigation Fund - enterprise fund used to account for and report the receipt of irrigation assessments to expenditure for the operation and maintenance of the City's irrigation system.
- b. Sanitation Fund - enterprise fund used to account for and report the receipt of sanitation assessments to expenditure for the contract of sanitation services.
- c. Water Fund - enterprise fund used to account for and report the financial activity related to operating the City's water supply, treatment, and distribution system. Revenues consist primarily of charges for services.
- d. Sewer Fund - enterprise fund used to account for and report the financial activity related to operating the City's wastewater collection and treatment system. Revenues consist primarily of charges for services.
- e. Internal Service Funds - Engineering, Human Resources, and Information Technology funds are used to account for the operations of the respective department to provide services to other departments of the City on a cost-reimbursement basis.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Funds. Fiduciary Fund Financial Statements include a Statement of Net Position. The City's Fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above. The City reports the following fiduciary funds:

- a. Cafeteria Fund - used to account for and report the City's Internal Revenue Code Section 125 Cafeteria Plan for employees.

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

D) Use of Restricted Funds

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

E) Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

F) Receivables

All receivables are reported net of estimated uncollectible amounts. The allowance for uncollectible accounts is based on .5% of the outstanding balances of the accounts receivable in the sanitation, water and sewer funds.

G) Inventories

Inventories are carried at cost using the first-in first-out method.

H) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements and the proprietary fund statements. Assets are capitalized when they have a useful life in excess of one year and have a cost of \$5,000 or more. Purchased or constructed capital assets are valued at cost or estimated historical cost if actual cost is unavailable. Donated assets are reported at fair value at the time received.

As a Phase 3 government under GASB No. 34, the City is allowed to and has elected not to report major general infrastructure assets retroactively.

Exhaustible capital assets are depreciated on the straight-line method over the asset's estimated useful life. Depreciation expense is recorded in the government-wide financial statements and proprietary fund statements. There is no depreciation recorded for land, construction in process, or other capital assets defined as inexhaustible.

I) Deferred Outflows of Resources

In the governmental fund statements, expenditures that are unearned or unavailable are reported as deferred outflows of resources.

J) Deferred Inflows of Resources

In the governmental fund statements, revenues that are unearned or unavailable are reported as deferred inflows of resources.

K) Long-term Debt Obligations

In the government-wide financial statements and proprietary fund statements long-term debt is reported as a liability. Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest rate method. Bond premiums/discounts are presented as an addition to/reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

on debt issuances are reported as other financing sources and other financing uses, respectively.

L) Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

M) Property Tax Calendar

The City is responsible for levying property taxes but the taxes are collected by the County. Taxes are levied in September with the first half of real property taxes, along with all personal property and mobile home taxes, due on December 20th. Taxes not paid on or before December 20th are considered to be delinquent.

The second half of the real property taxes are due June 20th of the following year and are considered to be delinquent on June 21st. An initial late penalty of 2% of tax plus 1% per month interest charge is assessed on all delinquent taxes. A tax lien is filed for properties whose taxes become three years delinquent. Taxes collected by the County are remitted to the City on a monthly basis.

N) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the general fund, special revenue funds and proprietary funds. This is in conformance with Idaho State Statute which requires that appropriations lapse at the end of a fiscal year and are not available to be carried forward to be used in addition to the succeeding year's appropriation.

O) Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

P) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q) Pensions

For purposes of measuring the net pension liability (asset) and pension expense (revenue), information about the fiduciary net position of both the Public Employee Retirement System of Idaho Base Plan (Base Plan) and the Firefighters' Retirement Fund Plan (FRF) and additions to/deductions from both fiduciary net positions have been determined on the same basis as they are reported by the Base Plan and FRF. 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.

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

R) Investment Valuation

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

Fair value measurements of the City's investments are as follows at September 30, 2018:

- State Investment Pool: valued at \$15.6 million, based on quoted market prices (Level 1 inputs).
- U.S. Government Bonds: valued at \$1.5 million, based on quoted market prices (Level 1 inputs).

Note 2 - Cash and Investments

Nearly all of the cash balances of the City's funds are pooled for investment purposes. The individual funds' portions of the pool's cash and investments are reported as pooled cash and cash equivalents. Investments are stated at fair value (quoted market price or the best available estimate).

Reconciliation of carrying amount to cash numbers on balance sheets:

Sources of cash:	
Deposits with financial institutions ...	\$ 297,593
U.S. Government Bonds	1,561,125
State of Idaho Local Government	
Investment Pool	15,671,832
Petty cash	750
	<u>\$17,531,300</u>
Cash on balance sheets:	
Governmental funds:	
Pooled cash, unrestricted	\$ 3,719,102
Non-pooled cash, unrestricted	350
Pooled cash, restricted	621,155
Proprietary funds:	
Pooled cash, unrestricted	1,129,536
Non-pooled cash, unrestricted	400
Pooled cash, restricted	8,543,446
Non-pooled cash, restricted	3,450,526
Internal Service funds:	
Pooled cash, unrestricted	8,401
Fiduciary net position:	
Pooled cash, unrestricted	58,384
	<u>\$17,531,300</u>

The City of Jerome receives a large portion of revenues during the months of January and July. During the past year a significant portion of the additional funds could have been uninsured and uncollateralized.

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

As of September 30, 2018, the City had the following investments and maturities:

<u>Investment</u>	<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less Than</u>	<u>1-5</u>
		<u>1</u>	<u>=</u>
State Investment Pool	\$ 15,671,832	\$ 15,671,832	\$...
Federal Farm Credit Bank	321,949	321,949	...
Federal Farm Credit Bank	294,699	...	294,699
Federal Farm Credit Bank	297,280	...	297,280
Federal Home Loan Mortgage	323,428	...	323,428
Federal Natl Mortgage Assn	323,769	323,769	...
Total	<u>\$ 17,232,957</u>	<u>\$ 16,317,550</u>	<u>\$ 915,407</u>

Interest rate risk. Through its investment policy, the City manages its exposure to interest rate risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Interest rate risk will be mitigated by:

1. Structuring the City's portfolio so that securities mature to meet the City's cash demands for ongoing operations, thereby precluding the need to sell securities on the open market prior to their maturity.
2. Investing operating funds primarily in shorter-term securities, money market funds, or LGIP and limiting the average weighted maturity of the portfolio to three (3) years.

Credit Risk. The City has a written investment policy that allows the Treasurer to invest money only in those investment instruments allowed by Idaho 50-1013. To minimize credit risk, the City's general investment policy is to apply the prudent person standard which states that investments shall be made with judgment and care, under the circumstances prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Custodial Credit Risk. The City has a deposit policy for custodial credit risk. As of September 30, 2018, the carrying amount of the City's deposits with financial institutions (after considering outstanding and other reconciling items) was \$297,593 and the bank balances were \$513,423, of which \$134,410 was uninsured or uncollateralized. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The elected State Treasurer, following Idaho Code Section 67-2328, is authorized to sponsor an investment pool in which the City voluntarily participates. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body. Oversight is with the State Treasurer and Idaho Code defines allowable investments. All investments are entirely insured or collateralized with securities held by the Pool or by its agent in the Pool's name and the fair value of the City's position in the external investment pool is the same as the value of the pool shares. The fund was assigned a AAAf fund credit quality rating and an S1+ volatility

CITY OF JEROME, IDAHO
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YEAR ENDED SEPTEMBER 30, 2018

rating by Standard & Poor's Rating Service in 2009 but has not had a credit rating since 2009. The City's investment in the State of Idaho Local Government Investment Pool as of September 30, 2018, was \$15,671,832. The City's investment in Federal Farm Credit Bank, Federal Home Loan Mortgage, and Federal National Mortgage Association were rated Aaa by Moody's Investors Service, AA+ by Standard & Poor's, and AAA by Fitch Ratings.

Concentration of Credit Risk. It is the policy of the City to diversify its investment portfolio to avoid incurring unreasonable and avoidable risks or loss resulting from over-concentration of assets in a specific maturity, specific insurer, or specific class of securities, with the exception of U.S. Treasury Securities and authorized pools. No more than 20% of the City's total investment will be invested in corporate bonds, with no more than 5% in a single issuer. No more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution, with the exception of U.S. Treasury Securities and authorized pools.

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percentage</u>
State Investment Pool	External Investment Pool	\$ 15,671,832	90.94%
Federal Farm Credit Bank	U.S. Government Bond	913,928	5.30%
Federal Home Loan Mortgage	U.S. Government Bond	323,428	1.88%
Federal Natl Mortgage Assn	U.S. Government Bond	323,769	1.88%
Total		<u>\$ 17,232,957</u>	<u>100.00%</u>

Of the carrying amount of cash and investments, the following are restricted for a particular purpose:

<u>General Fund:</u>	
Released Evidence Drug Related	\$ 7,341
Animal Shelter	3,577
Fireworks Show	4,281
Fire Safehouse	1,200
	<u>16,399</u>
<u>Street Fund:</u>	
IOEM Grant Advances	<u>603,230</u>
<u>Park Fund:</u>	
High Five Grant	1,000
Modern Woodmen	526
	<u>1,526</u>
<u>Sanitation Fund:</u>	
Customer deposits	<u>9,615</u>
<u>Water Fund:</u>	
Customer deposits	25,280
Capital reserve fund	2,697,226
Debt reserve fund	479,795
	<u>3,202,301</u>
<u>Sewer:</u>	
Customer deposits	44,637
Capital reserve fund	5,631,828
Debt service reserve fund	3,105,591
	<u>8,782,056</u>
Total restricted funds	<u>\$12,615,127</u>

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Note 3 - Capital Assets

Capital asset activity for the fiscal year ended September 30, 2018, was as follows:

	Balance October <u>1, 2017</u>	Increases	Decreases	Balance September <u>30, 2018</u>
<u>Governmental activities:</u>				
Land	\$ 842,589	\$...	\$...	\$ 842,589
Buildings	4,075,749	48,290	...	4,124,039
Machinery and equipment	6,168,089	413,249	90,230	6,491,108
Infrastructure	9,585,088	852,569	...	10,437,657
Construction in progress	<u>181,029</u>	<u>1,016,864</u>	<u>181,029</u>	<u>1,016,864</u>
	<u>20,852,544</u>	<u>2,330,972</u>	<u>271,259</u>	<u>22,912,257</u>
Less accumulated depreciation				
for:				
Buildings	1,825,088	115,408	...	1,940,496
Machinery and equipment	4,114,489	245,302	63,270	4,296,521
Infrastructure	<u>1,844,990</u>	<u>343,448</u>	...	<u>2,188,438</u>
	<u>7,784,567</u>	<u>704,158</u>	<u>63,270</u>	<u>8,425,455</u>
Net capital assets	<u>\$13,067,977</u>	<u>\$1,626,814</u>	<u>\$ 207,989</u>	<u>\$14,486,802</u>

	Balance October <u>1, 2017</u>	Increases	Decreases	Balance September <u>30, 2018</u>
<u>Business-type activities:</u>				
Land	\$ 757,102	\$...	\$...	\$ 757,102
Infrastructure	24,571,247	4,095,723	...	28,666,970
Buildings	19,324,774	1,000,000	...	20,324,774
Machinery and equipment	2,558,562	55,482	...	2,614,044
Construction in progress	<u>15,567,310</u>	<u>11,761,244</u>	<u>1,963,008</u>	<u>25,365,546</u>
	<u>62,778,995</u>	<u>16,912,449</u>	<u>1,963,008</u>	<u>77,728,436</u>
Less accumulated depreciation				
for:				
Infrastructure	4,889,801	683,744	...	5,573,545
Buildings	9,410,937	497,339	...	9,908,276
Machinery and equipment	<u>1,818,687</u>	<u>176,959</u>	...	<u>1,995,646</u>
	<u>16,119,425</u>	<u>1,358,042</u>	...	<u>17,477,467</u>
Net capital assets	<u>\$46,659,570</u>	<u>\$15,554,407</u>	<u>\$ 1,963,008</u>	<u>\$60,250,969</u>

Depreciation expense was charged to governmental functions as follows:

General Fund:	
Administration	\$ 33,664
Building	1,586
Animal Control	1,455
Fire	111,747
Law Enforcement	<u>67,394</u>
	215,846
Streets	430,542
Library	38,076
Parks	<u>19,694</u>
	<u>\$ 704,158</u>

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Note 4 - Changes in Long-Term Liabilities (Governmental Activities)

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018	Amounts Due Within One Year
Notes payable:					
Zions Public Finance - Fire	\$ 455,312	\$...	\$ 46,375	\$ 408,937	\$ 47,376
Bonds payable:					
General Obligation Bonds (including amortized premium of \$5,972)	521,408	...	35,436	485,972	40,000
Other liabilities:					
Compensated absences	277,933	302,407	277,933	302,407	...
	<u>\$1,254,653</u>	<u>\$ 302,407</u>	<u>\$359,744</u>	<u>\$1,197,316</u>	<u>\$ 87,376</u>

Zions Public Finance lease/purchase for fire pumper - The contract interest rate is 2.16% with annual payments of \$56,210 and a maturity date of February 15, 2026. The agreement is cancelable if funds for the payment are not appropriated in any fiscal year. The principal balance as of September 30, 2018, is \$408,937.

Bonds Payable - Series 2008

General obligation bonds for the construction of a new Senior Citizen Center were issued on April 1, 2008, for \$800,000. The bonds are redeemable in annual installments and interest is payable semi-annually at various rates from 4.00% to 5.00%. The bonds have a maturity date of September 15, 2028. The total of the bonds at September 30, 2018, is \$480,000.

Compensated absences - In accordance with Statement Number 16 of the Governmental Accounting Standards Board, a liability has been accrued for employee rights to receive compensation for future absences in the amount of \$302,407.

As of September 30, 2018, debt service requirements to maturity for principal and interest, for the notes payable, are as follows:

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Sept. 30,</u>			
2019	\$ 87,376	\$ 31,783	\$ 119,159
2020	88,400	29,110	117,510
2021	89,445	26,414	115,859
2022	95,513	23,696	119,209
2023	96,604	20,355	116,959
2024-2028	431,599	48,781	480,380
	888,937	<u>\$180,139</u>	<u>\$1,069,076</u>
Premium on bonds less accumulated amortization	5,972		
Compensated Absences	302,407		
	<u>\$1,197,316</u>		

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Note 5 - Changes in Long-Term Liabilities (Business-Type Activities)

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018	Amounts Due Within One Year
Irrigation:					
Compensated absences	\$ 4,341	\$ 5,903	\$ 4,341	\$ 5,903	\$...
Sanitation:					
Compensated Absences	5,973	5,940	5,973	5,940	...
Customer deposits	8,835	780	...	9,615	...
	<u>14,808</u>	<u>6,720</u>	<u>5,973</u>	<u>15,555</u>	<u>...</u>
Water:					
Revenue Bonds (including amortized premium of \$374,732)	5,350,372	...	2,715,640	2,634,732	235,000
Compensated absences	68,201	73,003	68,201	73,003	...
Customer deposits	23,615	1,665	...	25,280	...
	<u>5,442,188</u>	<u>74,668</u>	<u>2,783,841</u>	<u>2,733,015</u>	<u>235,000</u>
Sewer:					
Notes Payable Idaho Dept of Environmental Quality	6,899,857	11,653,503	...	18,553,360	...
Revenue Bonds (including amortized premium of \$1,050,784)	18,627,246	5,450,950	5,572,412	18,505,784	550,000
Compensated absences	86,662	92,352	86,662	92,352	...
Customer deposits	41,110	3,527	...	44,637	...
	<u>25,654,875</u>	<u>17,200,332</u>	<u>5,659,074</u>	<u>37,196,133</u>	<u>550,000</u>
	<u>\$31,116,212</u>	<u>\$17,287,623</u>	<u>\$8,453,229</u>	<u>\$39,950,606</u>	<u>\$ 785,000</u>

As of September 30, 2018, debt service requirements to maturity for principal and interest, for the notes payable, are as follows:

Year Ended Sept. 30,	Principal	Interest	Total
2019	\$ 785,000	\$ 841,783	\$ 1,626,783
2020	805,000	813,883	1,618,883
2021	845,000	773,633	1,618,633
2022	895,000	731,383	1,626,383
2023	935,000	686,633	1,621,633
2024-2028	4,825,000	2,727,638	7,552,638
2029-2033	4,800,000	1,758,500	6,558,500
2034-2038	<u>5,825,000</u>	<u>728,540</u>	<u>6,553,540</u>
	19,715,000	<u>\$ 9,061,993</u>	<u>\$28,776,993</u>

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
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Premium on bonds less accumulated amortization	1,425,516
Idaho DEQ Loan, not fully funded	18,553,360
Compensated absences	177,198
Customer deposits	79,532
	<u>\$39,950,606</u>

Water Bonds Payable - Series 2017

Revenue refunding bonds for an advanced refunding of the Series 2008 Water Bonds were issued on March 1, 2017, for \$2,265,000. The bonds are redeemable in annual installments and interest is payable semi-annually at various rates from 3.00% to 5.00%. The bonds have a maturity date of September 15, 2027. The total of the bonds at September 30, 2018, is \$2,260,000.

Sewer Bonds Payable - Series 2014C

Revenue refunding bonds for an advanced refunding of the Series 2006 Sewer Bonds were issued on November 18, 2014, for \$5,130,000. The bonds are redeemable in annual installments and interest is payable semi-annually at various rates from 2.00% to 5.00%. The bonds have a maturity date of September 15, 2026. The total of the bonds at September 30, 2018, is \$4,220,000.

Sewer Bonds Payable - Series 2014A

Revenue bonds for improvements to the Sewer plant were issued on February 26, 2014, for \$13,600,000. The bonds are redeemable in annual installments and interest is payable semi-annually at various rates from 1.50% to 5.00%. The bonds have a maturity date of September 15, 2038. The total of the bonds at September 30, 2018, is \$13,235,000.

Sewer Note Payable - Idaho Department of Environmental Quality

A loan from the Idaho Department of Environmental Quality Clean Water State Revolving Fund was approved in May 2014 for \$1,750,000. The loan had not been fully funded as of September 30, 2018. The loan will carry an interest rate of 1.25% and will be payable in biannual installments over 30 years. The balance at September 30, 2018 was \$1,625,296.

Sewer Note Payable - Idaho Department of Environmental Quality

A loan from the Idaho Department of Environmental Quality Clean Water State Revolving Fund was approved in November 2014 for \$22,200,000. The loan had not been fully funded as of September 30, 2018. The loan will carry an interest rate of 1.50% and will be payable in biannual installments over 30 years. The balance at September 30, 2018 was \$16,928,064.

Compensated Absences

In accordance with Statement Number 16 of the Governmental Accounting Standards Board, a liability has been accrued at September 30, 2018, for employee rights to receive compensation for future absences in the amount of \$177,198.

Customer Deposits

According to City resolution, customer utility deposits are collected and refunded at a future date according to City policy. The balance of customer deposits at September 30, 2018, is \$79,532.

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Note 6 - Rent

The City received rent from outside sources. During the year ended September 30, 2018, the general fund received \$35,024 for rental of property owned by the City.

Note 7 - Public Employee Retirement System of Idaho Pension Plan

Plan Description

The City of Jerome contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

The City of Jerome contributes to the FRF which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Retirement System of Idaho (PERSI or System) that covers a closed group of firefighters who were hired before October 1, 1980, and who received benefits in addition to those provided under the PERSI Base Plan. The cost to administer the plan is financed through the contributions and investment earnings of the FRF. Additional FRF funding is obtained from receipts from a state fire insurance premium tax. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan and FRF is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan/System members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan/System except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

The FRF provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service as well as the final average salary. A firefighter must have 5 years of service to be

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

eligible for a lifetime retirement allowance at age 60. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance is based on Idaho Code Title 72 Chapter 14.

The benefit payments for the FRF are calculated using a benefit formula adopted by the Idaho Legislature. The FRF cost of living is based on the increase in the statewide average firefighter's wage.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan and FRF are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

For the Base Plan the contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2018 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% for police and firefighters. The City's contributions were \$459,860 for the year ended June 30, 2018.

For the FRF Plan as of June 30, 2018, the total employer rate was 25.31% which includes the employer excess rate of 13.65% plus the PERSI class 2 firefighters rate of 11.66%. The FRF member rate for the year for class B is 11.45% which is 3.09% above the class 2 rate of 8.36%. The Jerome Fire Department's contributions were \$38,192 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the City reported a liability for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions in the Base and FRF pension plans relative to the total contributions of all participating PERSI Base Plan and FRF employers. At June 30, 2018, the City's proportion was .001262640 and the FRF's proportion was .010202530.

For the year ended September 30, 2018, the City recognized a pension expense of \$148,029. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$204,440	\$140,657
Changes in pension assumptions or other inputs	\$121,185	\$0
Net difference between projected and actual earnings on pension plan investments	\$0	\$242,033

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	\$0	\$66,097
Employer contributions subsequent to the measurement date	\$146,707	\$0
Total	\$472,332	\$448,787

\$146,707 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending September 30, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2017 the beginning of the measurement period ended June 30, 2018 is 4.9 and 5.5 for the measurement period June 30, 2017 for the Base Plan.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2017 the beginning of the measurement period ended June 30, 2018 is 1 year and 1 year for the measurement period June 30, 2017 for the FRF Plan.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Base Plan

Year ended September 30, 2018:

2019	\$151,391
2020	\$17,838
2021	(\$152,612)
2022	(\$38,573)

Change in Proportionate Share	\$141,807
Amortization	(\$75,710)
	<u>\$66,097</u>

FRF Plan

Year ended September 30, 2018:

2019	\$25,774
2020	(\$5,532)
2021	(\$45,396)
2022	(\$9,953)

Change in Proportionate Share	\$28,557
Amortization	(\$28,557)
	<u>\$0</u>

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years. Unfunded actuarial accrued liability for FRF is the difference between the actuarial present value of the FRF benefits not provided by the Base Plan and the FRF assets. Currently FRF assets exceed this actuarial present value; therefore there is not an unfunded liability to amortize at this time. The maximum amortization period for the FRF permitted under Section 59-1394, Idaho code, is 50 years.

The total pension liability (asset) in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Base Plan

Inflation	3.25%
Salary increases	4.25 - 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1.00%

FRF Fund

Inflation	3.25%
Salary increases	3.75%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	3.75%

Mortality rates were based on the RP - 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

For the Base Plan an experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2018 is based on the results of an actuarial valuation date of July 1, 2018.

For the FRF Plan an experience study was performed for the period July 1, 2011

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

through June 30, 2015 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Asset as of June 30, 2018 is based on the results of an actuarial valuation date of July 1, 2018.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2018.

Capital Market Assumptions

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses

Actuarial Assumptions

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%

CITY OF JEROME, IDAHO
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Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

Base Plan

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$4,662,049	\$1,862,417	(\$455,795)

FRF Fund

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	(\$856,538)	(\$1,154,622)	(\$1,408,305)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the pension plan

At September 30, 2018, the City of Jerome reported no payables to the defined benefit pension plan for legally required employer contributions nor for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Note 8- Other Employee Benefits

The City of Jerome has instituted a "401(k)" profit-sharing retirement plan to supplement employees' income upon retirement. A cafeteria plan, by which employees can elect to reduce their gross income and choose from a variety of benefits including medical expense reimbursements, group life insurance, and dependent care reimbursements, is also in place.

Note 9 - Individual Fund Deficits

All governmental and proprietary funds showed surplus fund balances and net position, respectively. The Street and Sanitation funds showed an excess of expenditures over revenues.

Note 10 - Cost Share Agreement with Jerome County

The City of Jerome annually enters into a cost sharing arrangement with Jerome County. The agreement covers cost of law enforcement facilities, dispatching and the prosecutor's office. During the year ended September 30, 2018, the City of Jerome contributed \$106,166 to this agreement.

Note 11 - Risk

The City of Jerome has risk from employee dishonesty, employee injury, property damage and general liability. Commercial insurance is purchased to cover these risks.

Note 12 - Pledging of Net Revenues

The City has pledged future revenues derived from the operation of the City's Water Plant, net of operating and maintenance expenses, to repay a \$2,265,000 2017 Series Water Revenue Bond. The general purpose of the 2017 bond is to refund the previous 2008 revenue bond used for water system improvements in order to decrease the associated interest rate costs. The bond is payable solely from the net revenues of the Water System and payments are required through the year ending September 30, 2027. The total principal and interest remaining to be paid on the bond at September 30, 2018, is \$2,807,400. Net revenues for the year must not be less than 1.25 times the average annual debt service on the bonds, and the City met this requirement at September 30, 2018. Net revenues differ from net earnings as depreciation expense, amortization expense, and interest expense are not deducted. Principal and interest paid for the current year and net revenues were \$2,910,006 and \$1,005,177, respectively.

The City has pledged future revenues derived from the operation of the City's Sewer Plant, net of operating and maintenance expenses, to repay \$18,730,000 in sewer revenue bonds. The general purpose of the bonds is to upgrade the sewer plant and refund the previous 2006 revenue bond used for sewer plant improvements. The bonds are payable solely from the net revenues of the Sewer System and payments are required through the year ending September 30, 2038. The total principal and interest remaining to be paid on the bonds is \$25,969,590. Net revenues for the

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

year must not be less than 1.25 times the average annual debt service on bonds, and the City met this requirement at September 30, 2018. Net revenues differ from net earnings as depreciation expense, amortization expense, and interest expense are not deducted. Principal and interest paid for the current year and net revenues were \$1,205,895 and \$4,667,727, respectively.

Note 13 - Interest Expense

Interest expense in the following amounts is included under direct expenses on the Statement of Activities:

General government	\$ 34,285
Water	229,796
Sewer	836,271

Note 14 - Commitments

At year end, the City had committed to complete public works construction projects for an estimated total cost of \$5,890,248. \$3,822,652 of the total are wastewater system improvement contracts funded from Idaho Department of Environmental Quality Drinking Water State Revolving Fund loans. \$1,631,255 of the total is for street improvements funded from the Jerome Urban Renewal Agency and State grant funds and \$436,341 of the total is for water system improvements funded from City reserve funds.

Note 15 - Related Party Transactions

The following schedule presents significant transactions between the primary government and its component unit during the year ended September 30, 2018:

<u>Component Unit</u>	<u>Significant Transactions</u>
Jerome Urban Renewal Agency	Major Assets paid for by the Agency and donated to the City of Jerome for the year were: 1. South Tiger Drive Improvements for \$809,701.

At year end, there was \$726,224 in accrued reimbursement to the City for expenses incurred by the City relating to public works projects contracted in the name of the City.

Note 16 - Fund Balances

In accordance with GASB Statement No. 54, fund balances are classified as follows:

- *Nonspendable* - amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.
- *Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted fund balance policy, discretion is given to the City Finance

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Director and City Administrator as delegated by the Mayor and Council to assign amounts for specific purposes.

- *Unassigned* - all other spendable amounts.

As required by GASB 54, the City's establishment, modification, and rescinding of a committed fund balance is decided upon by passage of an annual appropriations ordinance by the Mayor and City Council, acting as the highest level of decision-making authority.

When expenditures are incurred for which both restricted and unrestricted fund balances are available, the City considers restricted fund balances to have been spent first. In the case of an expenditure being incurred for a purpose for which amounts in any of the unrestricted fund balances could be used, the City does not have a formal policy, but defaults to the order as follows: first against committed, then assigned and finally unassigned fund balance as considered to have been spent.

The City's policy regarding encumbrances and other significant commitments required to be disclosed by major funds and nonmajor funds in the aggregate per GASB 54 have been disclosed under Notes 1(N) and 15, respectively.

As of September 30, 2018, fund balances are composed of the following:

	<u>General</u>	<u>Street</u>	<u>Library</u>	<u>Park</u>
Nonspendable:				
Prepaid insurance	\$ 112,634	\$...	\$...	\$...
	<u>112,634</u>	<u>...</u>	<u>...</u>	<u>...</u>
Restricted:				
Released evidence -				
Drug related	7,341	...	...	...
Animal Shelter	3,576	...	...	...
Fire Safehouse	1,200	...	...	...
Fireworks Show	4,282	...	...	...
High Five grant	...	...	...	1,000
Modern Woodmen	...	...	...	526
	<u>16,399</u>	<u>...</u>	<u>...</u>	<u>1,526</u>
Committed:				
Building Vehicle Replacement	15,000	...	...	...
Animal Control Shelter Improvement	20,000	...	...	...
Police Building Replacement	778,586	...	...	...
Tennis Courts	...	...	...	20,000
Park Equipment	...	...	...	6,000
Playground Equipment	...	...	...	7,000
Street operations	...	743,776	...	...
Aerial Update	...	129,033	...	...
Library operations	...	...	192,346	...
Park operations	...	...	...	90,037
	<u>813,586</u>	<u>872,809</u>	<u>192,346</u>	<u>123,037</u>
Assigned:				
Released evidence -				
Non-drug related	3,742	...	...	...
Curb and gutter	...	51,250	...	...
Employee Benefits	93,224	...	...	...
Federal Signage	...	5,000	...	...
Brush Chipper	...	19,000	...	...
Service Truck Replacement	...	7,500	...	...
Senior Center Taxes	22,330	...	...	...
Equipment replacement	7,506	256	2,567	...
	<u>126,802</u>	<u>83,006</u>	<u>2,567</u>	<u>...</u>
Unassigned	<u>1,380,933</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total fund balances	<u>\$2,450,354</u>	<u>\$ 955,815</u>	<u>\$ 194,913</u>	<u>\$124,563</u>

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

The City formally adopted a fund balance policy on October 6, 2009. It states that the City will strive to maintain an unrestricted fund balance for each of the City's funds equal to a minimum of 25% of the total budgeted annual expenditures of each respective fund. This percentage is to be maintained as a precaution to provide financing for unanticipated expenditures and revenue shortfalls. The City Council will be advised annually, during the budget process, of the unrestricted fund balances. The City will strive to budget each year the amount necessary to maintain the unrestricted fund balance at the appropriate amount. Amounts in excess of the aforementioned targeted 25% will be considered for future capital replacement needs. The City Administrator and Finance Director are authorized to assign fund balances for purposes of tracking designated activities within each of the City's funds.

The purpose of the streets, library, and parks funds as special revenue funds are to carry on the operations and programs of those funds as a part of services offered by the City. A major revenue source for the special revenue funds are property taxes, while the street fund also receives funding through road and bridge taxes as well as gas taxes.

Note 17 - City Health Insurance Deductible Buy-Down Liability

The City purchases a \$2,000 deductible from SelectHealth for each employee. Employees are responsible for the first \$1,000 of that deductible. The City of Jerome then self-insures the remaining deductible between \$1,000 and \$2,000 with a maximum annual reimbursement of \$1,000 per person or \$2,000 per family. The liability for these reimbursements for the year ranges from \$0 with no claims to \$165,000.

Note 18 - Interfund Transactions

A summary of interfund receivables and payables follows:

	Receivable Fund	Payable Fund
Major Funds:		
General	\$ 2,513	\$...
Irrigation	...	2,513
	\$ 2,513	\$ 2,513

A summary of interfund transfers follows:

	Transfers In	Transfers Out
Major Funds:		
General	\$...	\$ 93,169
Street	...	25,443
Library	...	4,417
Park	9,477	2,932
Irrigation	...	4,821
Sanitation	...	4,341
Water	...	39,362
Sewer	...	58,071
Non-major Funds:		
Human Resources	12,790	...
Engineering	30,926	...
Information Technology	179,363	...
	\$ 232,556	\$ 232,556

CITY OF JEROME, IDAHO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds are eliminated in the Statement of Net Position. The interfund receivable in the General Fund and interfund payable in the Irrigation Fund for \$2,513 is due to several prior fiscal year decreases in net position in the Irrigation Fund.

Interfund Transfers

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources primarily to provide services and equipment. The Governmental and Proprietary fund financial statements generally reflect such transactions as transfers. Non-routine items occurring during the course of the year include a transfer of \$9,477 from the General Fund to the Park Fund for professional services related to North Park improvements.

Note 19 - Restatement of Prior Year Net Position

Beginning net position for Governmental Activities and Business-Type Activities has been restated to correct errors in the prior year. An error was made in the prior year in reporting the investment deferred outflow of resources across the funds and long-term debt in the Sewer Fund. A reconciliation of the prior period ending net position to the current year beginning net position for the total of both Governmental Activities and Business-Type Activities is as follows:

Beginning net position	\$ 46,886,339
Adjustment to correct investment deferred outflows and long-term debt	<u>(455,577)</u>
Beginning net position, as restated	<u>\$ 46,430,762</u>

The above adjustment decreased the change in net position \$455,577 for the prior year and had no impact on the current year change in net position.

Note 20 - Subsequent Events

The City of Jerome, Idaho, has obtained loans in the amounts of \$1,750,000 and \$22,200,000 from the Idaho Department of Environmental Quality Drinking Water State Revolving Fund. The projects are for wastewater collection system and plant improvements and are in process at September 30, 2018. Of the \$1,750,000 loan, \$1,625,296 and \$16,928,064 of the \$22,200,000 loan was spent as of September 30, 2018. All of the projects are expected to be completed in the next year.

At year end, a Company serviced by the City's utility system had an outstanding and past due sewer balance of \$43,536 related to chemical cleanup costs incurred by the City. Since the end of the fiscal year, and after discussion with Company Management, the City has determined to not enforce collection of this reimbursement. Accordingly, \$43,536 of the total past due amount was determined no longer due, owed nor payable to the City.

CITY OF JEROME, IDAHO
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance With Final Budget
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Over (Under)</u>
<u>REVENUE:</u>				
Property taxes	\$ 3,472,160	\$ 3,472,160	\$ 3,428,652	\$ (43,508)
Penalties and interest	26,793	26,793	21,475	(5,318)
Business and franchise taxes	176,000	176,000	196,977	20,977
Payment in lieu of taxes	8,615	8,615	8,979	364
Licenses and permits	136,908	136,908	171,118	34,210
State shared	822,675	822,675	893,684	71,009
Federal grants	-	-	22,104	22,104
State grants	-	-	445	445
Local grants	-	-	19,962	19,962
Court revenues	43,000	43,000	56,252	13,252
Rents	31,309	31,309	35,024	3,715
Interest	5,000	5,000	33,409	28,409
Contributions	28,000	28,000	8,114	(19,886)
Refunds and reimbursements	134,738	145,700	179,867	34,167
Fines	1,040	1,040	260	(780)
Miscellaneous	5,600	5,600	5,898	298
Sale of city property	-	23,808	25,530	1,722
Total revenue	<u>4,891,838</u>	<u>4,926,608</u>	<u>5,107,750</u>	<u>181,142</u>
<u>EXPENDITURES:</u>				
Legislative	66,261	66,261	65,740	(521)
Executive	16,847	16,847	16,900	53
Finance and administration	705,415	716,377	730,638	14,261
Law enforcement	2,319,525	2,343,333	1,904,348	(438,985)
Fire control	1,591,521	1,591,521	1,565,095	(26,426)
Building inspection	133,521	133,521	134,817	1,296
Animal control	143,016	143,016	140,978	(2,038)
Total expenditures	<u>4,976,106</u>	<u>5,010,876</u>	<u>4,558,516</u>	<u>(452,360)</u>
<u>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</u>				
	<u>(84,268)</u>	<u>(84,268)</u>	<u>549,234</u>	<u>633,502</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Net change in fair value of investments	-	-	(1,451)	(1,451)
Transfers in (out)	(96,375)	(96,375)	(93,169)	3,206
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>				
	<u>(96,375)</u>	<u>(96,375)</u>	<u>(94,620)</u>	<u>1,755</u>
<u>NET CHANGES IN FUND BALANCE</u>				
	<u>\$ (180,643)</u>	<u>\$ (180,643)</u>	<u>\$ 454,614</u>	<u>\$ 635,257</u>

CITY OF JEROME, IDAHO
 BUDGETARY COMPARISON SCHEDULE
 STREET FUND
 YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final
	Original	Final	Budgetary	Budget
	Original	Final	Basis	Over (Under)
REVENUE:				
Property taxes	\$ 756,794	\$ 756,794	\$ 748,434	\$ (8,360)
Penalties and interest	5,673	5,673	5,133	(540)
Business and franchise taxes	81,519	81,519	66,419	(15,100)
Payment in lieu of taxes	2,110	2,110	1,956	(154)
State shared	751,232	751,232	776,671	25,439
State grants	-	-	184,352	184,352
Interest	4,362	4,362	26,224	21,862
Contributions	-	1,174,057	615,687	(558,370)
Refunds and reimbursements	20,000	20,000	166,368	146,368
Miscellaneous	1,400	1,400	1,220	(180)
Total revenue	<u>1,623,090</u>	<u>2,797,147</u>	<u>2,592,464</u>	<u>(204,683)</u>
EXPENDITURES:				
Salaries	493,760	493,760	508,707	14,947
Personnel benefits	204,843	204,843	199,127	(5,716)
Office supplies and postage	500	500	1,138	638
Operating supplies	73,880	73,880	77,289	3,409
Professional services	40,000	40,000	-	(40,000)
Advertising	500	500	114	(386)
Insurance and bonds	47,323	47,323	46,590	(733)
Dues and subscriptions	400	400	660	260
Personnel training	4,240	4,240	1,800	(2,440)
Telephone	3,200	3,200	3,469	269
Utilities	8,356	8,356	11,645	3,289
Gas and oil	10,000	10,000	10,523	523
Repairs and maintenance	54,000	54,000	51,390	(2,610)
Street maintenance	378,989	378,989	160,292	(218,697)
Other purchased services	6,000	6,000	5,958	(42)
Uniforms	4,500	4,500	1,969	(2,531)
Medical services	205	205	112	(93)
Miscellaneous expense	-	-	1,096	1,096
Street lighting	86,530	86,530	84,267	(2,263)
Equipment Replacement	81,500	81,500	-	(81,500)
Capital outlay - equipment	95,163	95,163	74,490	(20,673)
Construction project	355,313	1,529,370	1,688,404	159,034
Total expenditures	<u>1,949,202</u>	<u>3,123,259</u>	<u>2,929,040</u>	<u>(194,219)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES				
	<u>(326,112)</u>	<u>(326,112)</u>	<u>(336,576)</u>	<u>(10,464)</u>
OTHER FINANCING SOURCES (USES):				
Net change in fair value of investments	-	-	(1,210)	(1,210)
Transfers in (out)	(40,686)	(40,686)	(25,443)	15,243
TOTAL OTHER FINANCING SOURCES (USES)				
	<u>(40,686)</u>	<u>(40,686)</u>	<u>(26,653)</u>	<u>14,033</u>
NET CHANGES IN FUND BALANCE				
	<u>\$ (366,798)</u>	<u>\$ (366,798)</u>	<u>\$ (363,229)</u>	<u>\$ 3,569</u>

CITY OF JEROME, IDAHO
 BUDGETARY COMPARISON SCHEDULE
 LIBRARY FUND
 YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>REVENUE:</u>				
Property taxes	\$ 373,395	\$ 373,395	\$ 368,934	\$ (4,461)
Penalties and interest	4,000	4,000	2,449	(1,551)
Payment in lieu of taxes	966	966	965	(1)
State shared revenue	32,304	32,304	32,396	92
Federal grants	-	-	3,000	3,000
State grants	-	-	500	500
Interest	395	395	2,778	2,383
Contributions	5,396	10,396	6,915	(3,481)
Refunds and reimbursements	2,926	3,926	842	(3,084)
Fines	7,599	7,599	6,551	(1,048)
Miscellaneous	13,882	13,882	15,031	1,149
Total revenue	<u>440,863</u>	<u>446,863</u>	<u>440,361</u>	<u>(6,502)</u>
<u>EXPENDITURES:</u>				
Salaries	233,820	233,820	227,368	(6,452)
Personnel benefits	91,438	91,438	92,508	1,070
Office supplies and postage	1,200	1,200	1,506	306
Office supplies and postage	13,090	13,090	10,054	(3,036)
Dues and subscriptions	1,508	1,508	12,698	11,190
Personnel training	7,542	8,542	5,047	(3,495)
Telephone	2,915	2,915	3,192	277
Utilities	9,905	9,905	9,292	(613)
Repairs	8,715	8,715	14,690	5,975
Other purchased services	805	805	414	(391)
Books and magazines	41,345	46,345	46,764	419
Miscellaneous	600	600	430	(170)
Total expenditures	<u>412,883</u>	<u>418,883</u>	<u>423,963</u>	<u>5,080</u>
<u>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</u>	<u>27,980</u>	<u>27,980</u>	<u>16,398</u>	<u>(11,582)</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Net change in fair value of investments	-	-	(191)	(191)
Transfers in (out)	(27,083)	(27,083)	(4,417)	22,666
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>(27,083)</u>	<u>(27,083)</u>	<u>(4,608)</u>	<u>22,475</u>
<u>NET CHANGES IN FUND BALANCE</u>	<u>\$ 897</u>	<u>\$ 897</u>	<u>\$ 11,790</u>	<u>\$ 10,893</u>

CITY OF JEROME, IDAHO
 BUDGETARY COMPARISON SCHEDULE
 PARK FUND
 YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance With Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Over (Under)</u>
REVENUE:				
Property taxes	\$ 190,568	\$ 190,568	\$ 188,835	\$ (1,733)
Penalties and interest	1,800	1,800	1,292	(508)
Payment in lieu of taxes	538	538	493	(45)
State shared revenue	16,304	16,304	16,725	421
Interest	132	132	1,718	1,586
Contributions	-	-	717	717
Miscellaneous	717	717	96	(621)
Total revenue	<u>210,059</u>	<u>210,059</u>	<u>209,876</u>	<u>(183)</u>
EXPENDITURES:				
Salaries	65,578	65,578	66,001	423
Personnel benefits	22,936	22,936	26,520	3,584
Office supplies and postage	50	50	76	26
Operating supplies	10,000	10,000	7,686	(2,314)
Professional services	-	9,477	9,477	-
Dues and subscriptions	300	300	260	(40)
Personnel training	707	707	305	(402)
Telephone	-	-	43	43
Utilities	52,036	52,036	43,114	(8,922)
Gas and oil	1,200	1,200	2,637	1,437
Repairs and maintenance	6,250	6,250	4,743	(1,507)
Other purchased services	15,092	15,092	6,275	(8,817)
Tree maintenance	2,000	2,000	2,771	771
Miscellaneous	990	990	776	(214)
Capital outlay - equipment	22,500	22,500	7,400	(15,100)
Total expenditures	<u>199,639</u>	<u>209,116</u>	<u>178,084</u>	<u>(31,032)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES				
	<u>10,420</u>	<u>943</u>	<u>31,792</u>	<u>30,849</u>
Net change in fair value of investments	-	-	(91)	(91)
Transfers in (out)	(5,532)	3,945	6,545	2,600
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,532)</u>	<u>3,945</u>	<u>6,454</u>	<u>2,509</u>
NET CHANGES IN FUND BALANCE	<u>\$ 4,888</u>	<u>\$ 4,888</u>	<u>\$ 38,246</u>	<u>\$ 33,358</u>

CITY OF JEROME, IDAHO
 BUDGETARY COMPARISON SCHEDULE
 IRRIGATION FUND
 YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance With Final Budget
	Original	Final	Basis	Over (Under)
<u>REVENUE:</u>				
Charges for services	\$ 195,706	\$ 195,706	\$ 189,624	\$ (6,082)
Miscellaneous	1,000	1,000	622	(378)
Total revenue	196,706	196,706	190,246	(6,460)
<u>EXPENDITURES:</u>				
Salaries	65,909	65,909	63,388	(2,521)
Personnel benefits	27,489	27,489	22,469	(5,020)
Office supplies and postage	1,700	1,700	918	(782)
Operating supplies	31,385	31,385	24,888	(6,497)
Professional services	-	-	-	-
Advertising and publishing	200	200	32	(168)
Personnel training	700	700	414	(286)
Telephone	445	445	625	180
Utilities	415	415	451	36
Gas and oil	850	850	1,062	212
Repairs and maintenance	28,000	28,000	25,585	(2,415)
Other services	1,500	1,500	641	(859)
Office supplies and postage	1,185	1,185	1,208	23
Medical services	165	165	167	2
Miscellaneous	150	150	348	198
Allowance for depreciation	-	-	2,304	2,304
Total expenditures	160,093	160,093	144,500	(15,593)
<u>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</u>	36,613	36,613	45,746	9,133
<u>OTHER FINANCING SOURCES (USES):</u>				
Interest revenue	-	-	159	159
Net change in fair value of investments	-	-	12	12
Transfers in (out)	(8,620)	(8,620)	(4,821)	3,799
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	(8,620)	(8,620)	(4,650)	3,970
<u>INCREASE (DECREASE) IN NET POSITION</u>	\$ 27,993	\$ 27,993	\$ 41,096	\$ 13,103

Reconciliation of Earnings to Budget

Earnings	\$ 27,993	\$ 27,993	\$ 41,096	\$ 13,103
Allowance for depreciation	-	-	2,304	2,304
	\$ 27,993	\$ 27,993	\$ 43,400	\$ 15,407

CITY OF JEROME, IDAHO
BUDGETARY COMPARISON SCHEDULE
SANITATION FUND
YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final
	Original	Final	Budgetary Basis	Budget Over (Under)
<u>REVENUE:</u>				
Charges for services	\$ 321,288	\$ 321,288	\$ 327,945	\$ 6,657
Miscellaneous	1,500	1,500	709	(791)
Total revenue	322,788	322,788	328,654	5,866
<u>EXPENDITURES:</u>				
Salaries	58,652	58,652	67,008	8,356
Personnel benefits	22,244	22,244	22,653	409
Office supplies and postage	6,000	6,000	6,076	76
Operating supplies	2,800	2,800	666	(2,134)
Purchased services	223,152	223,152	233,947	10,795
Loss on uncollectible accounts	300	300	65	(235)
Miscellaneous	2,000	2,000	1,456	(544)
Allowance for depreciation	-	-	136	136
Total expenditures	315,148	315,148	332,007	16,859
<u>EXCESS (DEFICIENCY) OF REVENUE</u>				
Office supplies and postage	7,640	7,640	(3,353)	(10,993)
<u>OTHER FINANCING SOURCES (USES):</u>				
Interest revenue	750	750	1,249	499
Net change in fair value of investments	-	-	(130)	(130)
Transfers in (out)	(5,551)	(5,551)	(4,341)	1,210
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	(4,801)	(4,801)	(3,222)	1,579
<u>INCREASE (DECREASE) IN NET POSITION</u>	\$ 2,839	\$ 2,839	\$ (6,575)	\$ (9,414)

Reconciliation of Earnings to Budget

Earnings	\$ 2,839	\$ 2,839	\$ (6,575)	\$ (9,414)
Allowance for depreciation	-	-	136	136
	\$ 2,839	\$ 2,839	\$ (6,439)	\$ (9,278)

CITY OF JEROME, IDAHO
 BUDGETARY COMPARISON SCHEDULE
 WATER FUND
 YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final
			Amounts	Budget
	Original	Final	Basis	Over (Under)
<u>REVENUE:</u>				
Charges for services	\$ 2,605,550	\$ 2,605,550	\$ 2,567,974	\$ (37,576)
Miscellaneous	7,843	12,170	17,325	5,155
Total revenue	2,613,393	2,617,720	2,585,299	(32,421)
<u>EXPENDITURES:</u>				
Salaries	675,136	675,136	696,353	21,217
Personnel benefits	273,272	273,272	247,207	(26,065)
Office supplies and postage	4,500	4,500	8,056	3,556
Operating supplies	143,688	143,688	192,398	48,710
New equipment - non-capital	10,466	10,466	8,450	(2,016)
Public relations	5,000	5,000	2,500	(2,500)
Professional services	46,530	46,530	59,112	12,582
Advertising and publishing	500	500	-	(500)
Insurance and bonds	55,467	55,467	55,465	(2)
Dues and subscriptions	1,910	1,910	1,420	(490)
Personnel training	7,200	7,200	3,201	(3,999)
Telephone	7,000	7,000	6,491	(509)
Office supplies and postage	229,972	229,972	226,931	(3,041)
Gas and oil	34,000	34,000	43,785	9,785
Repairs and maintenance	50,200	50,200	36,455	(13,745)
Other purchased services	12,700	12,700	5,767	(6,933)
Cost share with Jerome County	5,806	5,806	7,306	1,500
Uniforms	4,000	4,000	2,914	(1,086)
Medical services	1,130	1,130	348	(782)
Loss on uncollectible accounts	1,000	1,000	1,513	513
Miscellaneous	7,558	7,558	8,998	1,440
Allowance for depreciation	-	-	250,673	250,673
Total expenditures	1,577,035	1,577,035	1,865,343	288,308
<u>EXCESS (DEFICIENCY) OF REVENUE</u>				
<u>OVER EXPENDITURES</u>	1,036,358	1,040,685	719,956	(320,729)
<u>OTHER FINANCING SOURCES (USES):</u>				
Interest revenue	19,144	19,144	78,318	59,174
Net change in value of investments	-	-	(4,408)	(4,408)
Amortization of bond issuance costs	-	-	(928)	(928)
Interest expense	(339,850)	(339,850)	(229,796)	110,054
Transfers in (out)	(62,168)	(62,168)	(39,362)	22,806
TOTAL OTHER FINANCING SOURCES (USES)	(382,874)	(382,874)	(196,176)	186,698
<u>INCREASE (DECREASE) IN NET POSITION</u>	\$ 653,484	\$ 657,811	\$ 523,780	\$ (134,031)

Reconciliation of Earnings to Budget

Earnings	\$ 653,484	\$ 657,811	\$ 523,780	\$ (134,031)
Allowance for depreciation	-	-	250,673	250,673
Allowance for amortization	-	-	928	928
Capital outlay	(1,023,663)	(1,027,990)	(320,195)	707,795
Principal on bonds payable	-	-	(2,675,000)	(2,675,000)
	\$ (370,179)	\$ (370,179)	\$ (2,219,814)	\$ (1,849,635)

CITY OF JEROME, IDAHO
BUDGETARY COMPARISON SCHEDULE
SEWER FUND
YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final	Amounts Basis	Over (Under)
<u>REVENUE:</u>				
Charges for services	\$ 6,160,399	\$ 6,492,899	\$ 7,410,331	\$ 917,432
Miscellaneous	10,504,555	10,504,555	15,984	(10,488,571)
Total revenue	16,664,954	16,997,454	7,426,315	(9,571,139)
 <u>EXPENDITURES:</u>				
Salaries	1,080,580	1,080,580	1,104,826	24,246
Personnel benefits	412,387	412,387	372,801	(39,586)
Office supplies and postage	2,250	2,250	14,089	11,839
Operating supplies	165,541	165,541	230,305	64,764
New equipment - non-capital	4,500	4,500	5,750	1,250
Professional services	90,274	90,274	87,777	(2,497)
Advertising and publishing	-	-	152	152
Insurance and bonds	87,095	87,095	85,779	(1,316)
Personnel training	7,500	7,500	6,800	(700)
Dues and subscriptions	2,400	2,400	1,846	(554)
Telephone	12,500	12,500	12,854	354
Utilities	464,469	464,469	492,758	28,289
Office supplies and postage	28,000	28,000	32,279	4,279
Repairs and maintenance	197,640	197,640	177,569	(20,071)
Other purchased services	185,453	185,453	178,298	(7,155)
Uniforms	6,000	6,000	3,985	(2,015)
Medical services	1,500	1,500	489	(1,011)
Equipment replacement	1,052,917	1,052,917	-	(1,052,917)
Loss on uncollectible accounts	3,600	3,600	11,785	8,185
Miscellaneous	1,300	1,300	17,139	15,839
Allowance for depreciation	-	-	1,104,928	1,104,928
Total expenditures	3,805,906	3,805,906	3,942,209	136,303
 <u>EXCESS (DEFICIENCY) OF REVENUE</u>				
<u>OVER EXPENDITURES</u>	12,859,048	13,191,548	3,484,106	(9,707,442)
 <u>OTHER FINANCING SOURCES (USES):</u>				
Interest revenue	69,171	69,171	146,736	77,565
Net change in value of investments	-	-	(9,972)	(9,972)
Interest expense	(1,408,758)	(1,408,758)	(836,271)	572,487
Amortization of bond issuance costs	-	-	(13,885)	(13,885)
Special items	-	-	-	-
Transfers in (out)	(85,776)	(85,776)	(58,071)	27,705
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	(1,425,363)	(1,425,363)	(771,463)	653,900
<u>INCREASE (DECREASE) IN NET POSITION</u>	\$ 11,433,685	\$ 11,766,185	\$ 2,712,643	\$ (9,053,542)

Reconciliation of Earnings to Budget

Earnings	\$ 11,433,685	\$ 11,766,185	\$ 2,712,643	\$ (9,053,542)
Loan proceeds	-	-	11,578,530	11,578,530
Allowance for depreciation	-	-	1,104,928	1,104,928
Allowance for amortization	-	-	13,885	13,885
Capital outlay	(13,086,377)	(13,418,877)	(10,263,135)	3,155,742
Principal on bonds payable	-	-	(540,000)	(540,000)
	\$ (1,652,692)	\$ (1,652,692)	\$ 4,606,851	\$ 6,259,543

City of Jerome, Idaho
Required Supplementary Information
September 30, 2018

Schedule of Employer's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years *

	2015	2016	2017	2018
Employer's portion of net the pension liability	.001319366	.001297833	.001276925	.001262640
Employer's proportionate share of the net pension liability	\$1,737,391	\$2,630,910	\$2,007,107	\$1,862,417
Employer's covered-employee payroll	\$3,738,480	\$3,904,821	\$3,872,313	\$4,051,303
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	46.47%	67.38%	51.83%	45.97%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	87.26%	90.68%	91.69%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City of Jerome will present information for those years for which information is available.

Data reported is measured as of June 30, 2018

Schedule of Employer Contributions
PERSI - Base Plan
Last 10 - Fiscal Years *

	2015	2016	2017	2018
Statutorily required contribution	\$431,567	\$445,271	\$458,097	\$461,937
Contributions in relation to the statutorily required contribution	(\$423,834)	(\$445,271)	(\$458,097)	(\$461,937)
Contribution (deficiency) excess	\$7,733	\$0	\$0	\$0
Employer's covered-employee payroll	\$3,738,480	\$3,904,821	\$3,872,313	\$4,051,303
Contributions as a percentage of covered-employee payroll	11.34%	11.40%	11.83%	11.40%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City of Jerome will present information for those years for which information is available.

Data is reported is measured as of September 30, 2018.

Schedule of Employer's Share of Net Pension Asset
FRF
Last 10 - Fiscal Years *

	2015	2016	2017	2018
Employer's portion of net the pension asset	.009588766	.010878382	.010503112	.010202530
Employer's proportionate share of the net pension asset	(\$517,896)	(\$584,696)	(\$901,121)	(\$1,154,622)
Employer's covered-employee payroll	\$684,379	\$751,644	\$775,130	\$749,635
Employer's proportional share of the net pension asset as a percentage of its covered-employee payroll	75.67%	77.79%	116.25%	154.02%
Plan fiduciary net position as a percentage of the total pension liability	118.08%	118.42%	129.65%	140.15%

City of Jerome, Idaho
Required Supplementary Information
September 30, 2018

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City of Jerome will present information for those years for which information is available.

Data reported is measured as of June 30, 2018

Schedule of Employer Contributions
FRF
Last 10 - Fiscal Years *

	2015	2016	2017	2018
Statutorily required contribution	\$108,406	\$125,224	\$129,137	\$124,889
Contributions in relation to the statutorily required contribution	(\$108,406)	(\$125,224)	(\$129,137)	(\$124,889)
Contribution (deficiency) excess	\$0	\$0	\$0	\$0
Employer's covered-employee payroll	\$684,379	\$751,644	\$775,130	\$749,635
Contributions as a percentage of covered-employee payroll	15.84%	16.67%	16.66%	16.66%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City of Jerome will present information for those years for which information is available.

Data is reported is measured as of September 30, 2018.

CITY OF JEROME, IDAHO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018

NOTE 1 - BUDGETARY INFORMATION

A) Budgetary-GAAP Reporting Reconciliation

The accompanying Budgetary Comparison Schedules for the General, Street, Library and Park Funds compare the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on the budgetary basis do not differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP).

The accompanying Budgetary Comparison Schedules for the Irrigation, Sanitation, Water, and Sewer funds compare the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation is presented at the bottom of each schedule.

B) Budgetary Policies

The City of Jerome, Idaho, prepares an annual budget of revenue and expenditures prior to the beginning of the fiscal year. The budget is prepared on the modified accrual basis of accounting for all funds. Budget figures are based on prior levels of revenue and expenditures taking into account specific items which may be planned in advance by the City such as capital outlay expenditures. Any excess of budgeted expenditures over budgeted revenue are temporary situations and are budgeted so as to utilize cash balances in the individual fund.

C) Net Change in Fund Balance

The Budgetary Comparison Schedules for the General Fund, Street Fund, Water Fund, and Sewer Fund show budgeted expenditures in excess of revenue. The Street Fund and Sanitation Fund also show actual expenditures in excess of revenues.

NOTE 2 - PERSI - BASE PLAN

No Note 2 information to report.

NOTE 3 - PERSI - FRF PLAN

No Note 3 information to report.

CITY OF JEROME, IDAHO
 COMBINING BALANCE SHEET NONMAJOR INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2018

<u>ASSETS:</u>	<u>Engineering</u>	<u>Human Resources</u>	<u>Information Technology</u>	<u>Total</u>
Current Assets:				
Pooled cash and cash equivalents	\$ 5,372	\$ 174	\$ 2,855	\$ 8,401
Total current assets	<u>5,372</u>	<u>174</u>	<u>2,855</u>	<u>8,401</u>
<u>TOTAL ASSETS</u>	<u>5,372</u>	<u>174</u>	<u>2,855</u>	<u>8,401</u>
 <u>LIABILITIES AND NET POSITION</u>				
<u>LIABILITIES:</u>				
Current Liabilities:				
Accounts payable - trade	<u>5,372</u>	<u>174</u>	<u>2,855</u>	<u>8,401</u>
Total current liabilities	<u>5,372</u>	<u>174</u>	<u>2,855</u>	<u>8,401</u>
<u>TOTAL LIABILITIES</u>	<u>5,372</u>	<u>174</u>	<u>2,855</u>	<u>8,401</u>
<u>TOTAL NET POSITON</u>	<u>\$ 5,372</u>	<u>\$ 174</u>	<u>\$ 2,855</u>	<u>\$ 8,401</u>

CITY OF JEROME, IDAHO
 COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
 NONMAJOR INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2018

	<u>Engineering</u>	<u>Human Resources</u>	<u>Information Technology</u>	<u>Total</u>
Operating Revenue:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous income	-	-	-	-
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Expenses:				
Operating supplies	4,434	649	25,082	30,165
New equipment - non-capital	1,518	-	2,956	4,474
Professional services	9,604	5,915	126,221	141,740
Advertising and publishing	-	765	-	765
Dues and subscriptions	541	349	17,402	18,292
Personnel training	10,307	3,249	6,435	19,991
Telephone	1,953	613	1,267	3,833
Utilities	-	-	-	-
Gas and oil	894	-	-	894
Repairs	1,296	-	-	1,296
Uniforms	379	-	-	379
Medical services	-	1,250	-	1,250
	<u>30,926</u>	<u>12,790</u>	<u>179,363</u>	<u>223,079</u>
Operating earnings (loss)	(30,926)	(12,790)	(179,363)	(223,079)
Income before other revenues, expenses, gains, losses and Office supplies and postage	(30,926)	(12,790)	(179,363)	(223,079)
Operating transfers in (out)	<u>30,926</u>	<u>12,790</u>	<u>179,363</u>	<u>223,079</u>
<u>INCREASE (DECREASE) IN NET POSITION</u>	-	-	-	-
<u>NET POSITION AT OCTOBER 1, 2016</u>	-	-	-	-
<u>NET POSITION AT SEPTEMBER 30, 2017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF JEROME, IDAHO
SCHEDULE OF EXPENDITURES BY OBJECT AND FUNCTION
GENERAL FUND
SEPTEMBER 30, 2018

	<u>Legislative</u>	<u>Executive</u>	<u>Finance & Administration</u>	<u>Law Enforcement</u>	<u>Fire Control</u>	<u>Building Inspections</u>	<u>Animal Control</u>	<u>Total</u>
Current:								
Salaries	\$ 24,000	\$ 12,000	\$ 137,107	\$ 1,079,394	\$ 769,401	90,120	\$ 81,167	\$ 2,193,189
Personnel benefits	39,527	2,850	72,092	410,855	345,704	32,341	33,412	936,781
Office supplies	-	-	796	1,355	632	47	40	2,870
Supplies	-	-	5,818	12,661	27,658	364	7,265	53,766
Ammunition	-	-	-	6,598	-	-	-	6,598
New equipment - non-capital	-	-	785	14,444	24,897	-	-	40,126
Public relations	-	-	65,753	-	953	-	-	66,706
Professional services	-	-	173,848	10,199	-	4,000	3,623	191,670
Advertising and publishing	-	-	6,973	-	-	-	-	6,973
Insurance	-	-	55,550	410	-	-	-	55,960
Travel and meetings	2,213	1,437	-	-	-	-	-	3,650
Dues and subscriptions	-	-	8,275	5,588	1,972	412	360	16,607
Personnel training	-	-	20,052	30,794	20,672	1,425	-	72,943
Telephone	-	613	5,941	23,460	8,055	2,871	585	41,525
Utilities	-	-	14,406	4,755	16,339	-	4,581	40,081
Gas and oil	-	-	492	37,783	13,455	2,334	1,492	55,556
Repairs	-	-	4,541	43,178	49,486	30	7,944	105,179
Other purchased services	-	-	7,593	1,415	5,168	669	-	14,845
Office supplies and postage	-	-	-	96,150	2,710	-	-	98,860
Uniforms	-	-	185	9,144	14,051	84	433	23,897
Medical services	-	-	-	-	7,120	-	-	7,120
Crime prevention	-	-	-	952	-	-	-	952
Blue Cross Foundation grants	-	-	19,962	-	-	-	-	19,962
Miscellaneous	-	-	5,733	850	612	120	76	7,391
Total current	65,740	16,900	605,902	1,789,985	1,308,885	134,817	140,978	4,063,207
Capital outlay	-	-	65,286	114,363	200,000	-	-	379,649
Debt service	-	-	59,450	-	56,210	-	-	115,660
	<u>\$ 65,740</u>	<u>\$ 16,900</u>	<u>\$ 730,638</u>	<u>\$ 1,904,348</u>	<u>\$ 1,565,095</u>	<u>\$ 134,817</u>	<u>\$ 140,978</u>	<u>\$ 4,558,516</u>

CITY OF JEROME, IDAHO
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u> <u>Ending</u> <u>September 30,</u>	<u>Beginning</u> <u>Balance</u> <u>October 1,</u>	<u>Levy</u> <u>Charge</u>	<u>Additions</u>	<u>Deletions</u>	<u>Collections</u>	<u>Ending Balance</u> <u>September 30,</u>
2018	\$205,394	\$5,644,260	\$ 99	\$2,598	\$5,620,781	\$226,374
2017	182,661	5,152,971	...	6,007	5,124,231	205,394
2016	212,098	4,918,098	...	2,841	4,944,694	182,661
2015	226,690	4,867,287	548	4,131	4,878,296	212,098
2014	226,807	4,881,668	...	116,132	4,765,653	226,690
2013	284,794	4,663,533	...	116,522	4,604,998	226,807
2012	273,179	5,130,454	...	7,530	5,111,309	284,794
2011	229,921	4,828,291	...	9,524	4,775,509	273,179
2010	178,472	5,107,660	...	10,596	5,045,615	229,921
2009	138,874	3,316,273	...	5,375	3,271,300	178,472

CITY OF JEROME, IDAHO
 GOVERNMENTAL EXPENDITURES BY FUNCTION
 LAST TEN FISCAL YEARS

GOVERNMENTAL FUNDS:	Year Ended September 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Legislative	\$ 65,740	\$ 60,758	\$ 56,844	\$ 47,839	\$ 48,301	\$ 48,438	\$ 43,620	\$ 47,302	\$ 47,663	\$ 47,663
Executive	16,900	17,293	16,448	16,188	16,736	27,095	21,123	22,887	21,568	20,825
Finance and administration	730,638	817,117	775,147	857,061	884,778	645,889	491,427	751,777	741,821	1,035,458
Law enforcement	1,904,348	1,967,300	1,763,964	1,766,094	1,724,941	1,697,970	1,534,474	1,461,979	1,588,824	1,437,053
Fire control	1,565,095	1,403,037	1,971,594	1,265,180	1,326,673	1,457,636	1,333,267	1,235,893	1,210,833	1,280,372
Building inspection	134,817	115,984	108,665	110,228	158,291	143,897	128,337	124,640	180,410	138,157
Animal control	140,978	125,664	116,687	111,800	83,819	80,075	73,038	73,791	71,392	73,949
Street	2,929,040	1,849,643	3,125,504	1,674,139	1,617,322	1,316,616	2,088,261	1,833,217	1,830,694	2,229,547
Library	423,963	385,658	375,819	354,091	394,328	366,226	328,037	307,603	322,316	288,919
Park	178,084	172,459	182,024	249,491	436,404	180,552	148,003	147,204	179,751	115,593
PROPRIETARY FUNDS:										
Irrigation	144,500	134,194	188,555	164,865	153,857	150,314	136,209	174,658	223,096	113,563
Sanitation	332,007	310,924	294,358	260,185	254,764	243,873	240,056	249,125	256,477	233,020
Water	2,096,067	2,059,830	1,899,408	1,754,404	1,975,553	1,914,384	1,756,280	1,855,539	1,737,893	1,397,332
Sewer	4,792,365	4,431,813	4,180,655	4,023,311	3,930,335	3,460,649	3,465,759	3,692,062	3,033,032	2,892,092
Engineering	30,926	37,398	35,868	27,276	22,365	26,944	21,944	26,894	23,046	...
Human Resources	12,790	15,022	16,099	19,938	13,338	13,101	19,509	15,299	10,919	...
Information technology ...	179,363	154,911	155,655	156,034	161,878	159,876	109,519	168,179	176,560	97,274
	<u>\$15,677,621</u>	<u>\$13,959,005</u>	<u>\$15,263,294</u>	<u>\$12,658,124</u>	<u>\$13,203,683</u>	<u>\$11,933,535</u>	<u>\$11,938,863</u>	<u>\$12,188,049</u>	<u>\$11,656,295</u>	<u>\$11,400,817</u>

CITY OF JEROME, IDAHO
GENERAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS

	Year Ended September 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
GOVERNMENTAL FUNDS:										
Property tax and penalties ...	\$ 4,777,597	\$ 4,360,505	\$ 4,334,394	\$ 4,297,319	\$ 4,209,120	\$ 4,152,497	\$ 3,758,819	\$ 3,600,762	\$ 3,491,460	\$ 2,674,442
Intergovernmental	1,949,839	1,874,150	1,772,103	1,438,573	1,460,915	1,356,440	1,403,350	1,388,723	1,336,685	1,149,548
Charges for services and taxable sales	14,773	14,359	14,143	34,471	13,562	13,975	10,446	11,653	15,450	6,361
Interest	64,129	31,013	12,385	8,112	4,793	5,857	3,272	5,793	7,339	33,458
Contributions	631,433	512,508	1,513,667	301,503	201,244	5,950	201,854	319,571	386,374	413,392
Other	912,680	634,205	627,096	865,219	656,863	1,132,156	1,690,535	710,832	661,616	503,201
	<u>8,350,451</u>	<u>7,426,740</u>	<u>8,273,788</u>	<u>6,945,197</u>	<u>6,546,497</u>	<u>6,666,875</u>	<u>7,068,276</u>	<u>6,037,334</u>	<u>5,898,924</u>	<u>4,780,402</u>
PROPRIETARY FUNDS:										
Charges for services	10,753,593	9,662,154	9,413,747	9,331,657	8,832,947	7,524,911	6,234,414	5,634,469	6,034,733	6,034,733
Interest	226,462	125,392	67,976	34,762	18,186	11,943	10,610	9,614	57,617	57,617
Other	(14,498)	10,519	1,566	19,708	21,601	56,941	(572)	2,585	21,159	21,159
	<u>10,965,557</u>	<u>9,798,065</u>	<u>9,483,189</u>	<u>9,386,127</u>	<u>8,872,734</u>	<u>7,593,795</u>	<u>6,244,452</u>	<u>5,646,668</u>	<u>6,113,509</u>	<u>6,113,509</u>
	<u>\$19,316,008</u>	<u>\$17,224,805</u>	<u>\$17,757,077</u>	<u>\$16,331,324</u>	<u>\$15,419,231</u>	<u>\$14,260,670</u>	<u>\$13,312,728</u>	<u>\$11,684,002</u>	<u>\$10,893,911</u>	<u>\$10,893,911</u>

CITY OF JEROME, IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2018

<u>Federal (Pass-through) Grantor/Program</u>	<u>Federal CFDA No.</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Institute of Museum and Library Services:			
Pass-through program from State of Idaho:			
Grants to States	45.310	CE1800-10	\$ 1,000
	45.310	CE1800-31	1,000
	45.310	CE1900-04	1,000
U.S. Department of Transportation:			
Pass-through program from State of Idaho:			
National Priority Safety Programs	20.616	H05D16	22,104
U.S. Environmental Protection Agency:			
Office of Water:			
Indirect programs:			
Capitalization Grants for Clean Water			
State Revolving Funds (Recovery Act Award)	66.458	WW1403	361,950
Capitalization Grants for Clean Water			
State Revolving Funds (Recovery Act Award)	66.458	WW1502	<u>11,228,119</u>
			<u>\$ 11,615,173</u>

Notes to Schedule of Expenditures of Federal Awards:

Note 1. – Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Jerome under programs of the federal government for the year ended September 30, 2018. The Information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Jerome, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Jerome.

Note 2. – Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. – Indirect Cost Rate:

The City of Jerome has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Rexroat, Harberd & Assoc., P.A.

Certified Public Accountants

P.O. Box 7 - 125 North Buchanan - Jerome, Idaho 83338

Telephone 208-324-2391 Fax 208-324-8266

March 27, 2019

**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**

Mayor and Council
City of Jerome
Jerome, Idaho 83338

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jerome, Idaho, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Jerome, Idaho, and have issued our report thereon dated March 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting (internal control) of the City of Jerome, Idaho, 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 internal control of the City of Jerome, Idaho. Accordingly, we do not express an opinion on the effectiveness of the internal control of the City of Jerome, Idaho.

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 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 financial statements of the City of Jerome, Idaho, 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.

Rexroat, Harberd & Assoc., P.A.

Rexroat, Harberd & Assoc., P.A.

Certified Public Accountants

P.O. Box 7 - 125 North Buchanan - Jerome, Idaho 83338
Telephone 208-324-2391 Fax 208-324-8266

March 27, 2019

Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Mayor and Council
City of Jerome
Jerome, Idaho 83338

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Jerome, Idaho, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs of the City of Jerome, Idaho, for the year ended September 30, 2018. The major federal programs of the City of Jerome, Idaho, are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each major federal program of the City of Jerome, Idaho, based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the compliance of the City of Jerome, Idaho, with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the compliance of the City of Jerome, Idaho.

Opinion on Each Major Federal Program

In our opinion, the City of Jerome, Idaho, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the City of Jerome, Idaho, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the internal control over compliance of the City of Jerome, Idaho, with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the internal control over compliance of the City of Jerome, Idaho.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Reynold, Harber & Assoc., P.A.

City of Jerome, Idaho
Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Section I - Summary of Auditor's Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statement noted? No

Federal Awards:

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds (Recovery Act Award)

Dollar threshold used to distinguish between type A and type B programs:
\$750,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.