

TOWN OF JEROME, ARIZONA

Annual Financial Statements
and Independent Auditor's Report

June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Jerome, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jerome, Arizona, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Jerome, Arizona, as of June 30, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Jerome, Arizona, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2025, the Town of Jerome, Arizona adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 101. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of

Jerome, Arizona's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Jerome, Arizona's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Jerome, Arizona's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and net pension liability and other post-employment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Jerome, Arizona's basic financial statements. The accompanying segmented statement of revenues, expenses, and changes in fund net position is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the segmented statement of revenues, expenses, and changes in fund net position are fairly stated, in all material respects in relation to the basic financial statements as a whole.

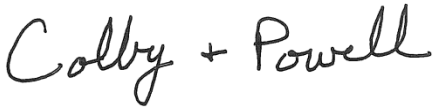
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2025, on our consideration of the Town of Jerome, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Jerome, Arizona's internal control over financial reporting and compliance.

Other Reporting Required by Arizona Revised Statutes

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

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Town Council, management, and other responsible parties within the Town and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Colby + Powell". The script is cursive and fluid, with the first letters of "Colby" and "Powell" being capitalized and prominent.

December 9, 2025

TOWN OF JEROME, ARIZONA
Statement of Net Position
June 30, 2025

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,084,958	\$ -	\$ 2,084,958
Cash and cash equivalents, restricted	-	752,890	752,890
Accounts receivable-net	-	41,822	41,822
Taxes receivable	4,988	-	4,988
Due from other governments	242,864	-	242,864
Leases receivable	118,330	-	118,330
Interfund balances	9,768	(9,768)	-
Inventories	13,193	-	13,193
Net other postemployment benefit asset	5,923	-	5,923
Capital assets, not being depreciated	528,166	882,625	1,410,791
Capital assets, being depreciated, net	2,031,996	2,180,901	4,212,897
Total assets	5,040,186	3,848,470	8,888,656
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	161,070	-	161,070
LIABILITIES			
Accounts payable	81,662	11,386	93,048
Accrued expenses	106,205	-	106,205
Deposits held for others	7,154	35,493	42,647
Unearned revenue	801,899	-	801,899
Noncurrent liabilities			
Due within 1 year	100,322	5,455	105,777
Due in more than 1 year	281,791	1,820,818	2,102,609
Total liabilities	1,379,033	1,873,152	3,252,185
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to leases	118,330	-	118,330
Deferred inflows related to pensions and other postemployment benefits	20,669	-	20,669
Total deferred inflows of resources	138,999	-	138,999
NET POSITION			
Net investment in capital assets	2,560,162	-	2,560,162
Restricted for:			
Court enhancement fund	25,595	-	25,595
Public works and streets	95,434	-	95,434
Community development	250,443	-	250,443
Net other postemployment benefit asset	5,923	-	5,923
Unrestricted	745,667	1,975,318	2,720,985
Total net position	\$ 3,683,224	\$ 1,975,318	\$ 5,658,542

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Statement of Activities
June 30, 2025

Functions / Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 634,009	\$ 20,231	\$ 13,362	\$ -	\$ (600,416)	\$ -	\$ (600,416)
Public safety	1,657,674	314,614	38,599	-	(1,304,461)	-	(1,304,461)
Public works and streets	232,786	-	56,473	50,000	(126,313)	-	(126,313)
Community development	292,076	78,196	6,200	-	(207,680)	-	(207,680)
Parking	103,753	392,720	-	-	288,967	-	288,967
Culture and recreation	141,042	-	18,202	-	(122,840)	-	(122,840)
N Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities	3,061,340	805,761	132,836	50,000	(2,072,743)	-	(2,072,743)
Business-type activities							
Utilities	795,228	560,443	-	21,466	-	(213,319)	(213,319)
Total business-type activities	795,228	560,443	-	21,466	-	(213,319)	(213,319)
Total primary government	\$ 3,856,568	\$ 1,366,204	\$ 132,836	\$ 71,466	(2,072,743)	(213,319)	(2,286,062)
General revenues:							
Taxes:							
Property taxes					47,218	-	47,218
Town sales taxes					1,319,842	-	1,319,842
Franchise taxes					18,968	-	18,968
Shared revenue-State sales tax					70,767	-	70,767
Shared revenue-Urban revenue					319,092	-	319,092
Shared revenue-State vehicle license tax					42,432	-	42,432
Investment earnings					25,277	30,275	55,552
Gain on disposal of assets					8,160	-	8,160
Miscellaneous					9,281	-	9,281
Transfers					52,048	(52,048)	-
Total general revenues and transfers					1,913,085	(21,773)	1,891,312
Change in net position					(159,658)	(235,092)	(394,750)
Net position, beginning of year, as restated					3,842,882	2,210,410	6,053,292
Net position, end of year					\$ 3,683,224	\$ 1,975,318	\$ 5,658,542

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Governmental Funds
Balance Sheet
June 30, 2025

	General Fund	HURF Fund	Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,008,020	\$ 90,830	\$ 986,108	\$ 2,084,958
Taxes receivable	4,988	-	-	4,988
Due from other governments	184,953	4,870	53,041	242,864
Leases receivable	118,330	-	-	118,330
Due from other funds	9,768	-	-	9,768
Inventories	-	-	13,193	13,193
Total assets	<u>\$ 1,326,059</u>	<u>\$ 95,700</u>	<u>\$ 1,052,342</u>	<u>\$ 2,474,101</u>
Net other postemployment benefit asset				
LIABILITIES				
Accounts payable	\$ 81,396	\$ 266	\$ -	\$ 81,662
Accrued expenses	106,205	-	-	106,205
Deposits held for others	7,154	-	-	7,154
Unearned revenue	-	-	801,899	801,899
Total liabilities	<u>194,755</u>	<u>266</u>	<u>801,899</u>	<u>996,920</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to leases	<u>118,330</u>	<u>-</u>	<u>-</u>	<u>118,330</u>
FUND BALANCES				
Nonspendable	-	-	13,193	13,193
Restricted for:				
Court enhancement	25,595	-	-	25,595
Public works and streets	-	95,434	-	95,434
Community development	-	-	237,250	237,250
Unassigned	<u>987,379</u>	<u>-</u>	<u>-</u>	<u>987,379</u>
Total fund balances	<u>1,012,974</u>	<u>95,434</u>	<u>250,443</u>	<u>1,358,851</u>
Total liabilities and fund balances	<u>\$ 1,326,059</u>	<u>\$ 95,700</u>	<u>\$ 1,052,342</u>	<u>\$ 2,474,101</u>

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Governmental Funds
Reconciliation of the Governmental Balance Sheet
to the Government-wide Statement of Net Position
June 30, 2025

Fund balances-total governmental funds	\$ 1,358,851
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.	2,560,162
Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.	5,923
Long-term liabilities, such as net pension/OPEB liabilities and leases payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	(382,113)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>140,401</u>
Net position of governmental activities	<u><u>\$ 3,683,224</u></u>

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2025

	General Fund	HURF Fund	Grants Fund	Total Governmental Funds
Revenues				
Taxes	\$ 1,367,060	\$ -	\$ -	\$ 1,367,060
Intergovernmental	548,732	48,973	99,440	697,145
Charges for services	194,084	-	-	194,084
Parking	392,720	-	-	392,720
Fines and forfeits	103,300	-	-	103,300
Licenses and permits	31,694	-	-	31,694
Miscellaneous	15,633	-	-	15,633
Investment earnings	21,371	3,906	-	25,277
Net other postemployment benefit asset	13,392	-	1,169	14,561
Total revenues	<u>2,687,986</u>	<u>52,879</u>	<u>100,609</u>	<u>2,841,474</u>
Expenditures				
Current				
General government	574,907	-	-	574,907
Public safety	1,475,913	-	36,294	1,512,207
Public works and streets	-	210,856	-	210,856
Community development	276,263	-	13,700	289,963
Parking	103,753	-	-	103,753
Culture and recreation	140,309	-	-	140,309
Capital outlay	628,517	-	50,000	678,517
Total expenditures	<u>3,199,662</u>	<u>210,856</u>	<u>99,994</u>	<u>3,510,512</u>
Excess (deficiency) of revenues over expenditures	<u>(511,676)</u>	<u>(157,977)</u>	<u>615</u>	<u>(669,038)</u>
Other financing sources (uses)				
Sale of capital assets	8,160	-	-	8,160
Transfers	(129,197)	181,245	-	52,048
Total other financing sources (uses)	<u>(121,037)</u>	<u>181,245</u>	<u>-</u>	<u>60,208</u>
Net change in fund balances	<u>(632,713)</u>	<u>23,268</u>	<u>615</u>	<u>(608,830)</u>
Fund balances, beginning of year	<u>1,645,687</u>	<u>72,166</u>	<u>249,828</u>	<u>1,967,681</u>
Fund balances, end of year	<u>\$ 1,012,974</u>	<u>\$ 95,434</u>	<u>\$ 250,443</u>	<u>\$ 1,358,851</u>

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-wide Statement of Activities
Year Ended June 30, 2025

Net change in fund balances-total governmental funds \$ (608,830)

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

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

Capital outlay	678,518	
Depreciation expense	<u>(171,060)</u>	507,458

Town pension/OPEB contributions are reported as expenditures in the governmental funds when made. However they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changed in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.

Town pension/OPEB contributions	56,453	
Pension/OPEB expense	<u>(95,979)</u>	(39,526)

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

Increase in compensated absences		<u>(18,760)</u>
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Change in net position of governmental activities		<u><u>\$ (159,658)</u></u>
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See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Proprietary Funds
Statement of Net Position
June 30, 2025

	Utilities Fund
ASSETS	
Current assets	
Cash and cash equivalents, restricted	\$ 752,890
Accounts receivable-net	41,822
Total current assets	<u>794,712</u>
Noncurrent assets	
Capital assets, not being depreciated	882,625
Capital assets, being depreciated, net	2,180,901
Total noncurrent assets	<u>3,063,526</u>
Total assets	<u>3,858,238</u>
LIABILITIES	
Current liabilities	
Accounts payable	11,386
Deposits held for customers	35,493
Due to other funds	9,768
Compensated absences payable, current portion	5,455
Total current liabilities	<u>62,102</u>
Noncurrent liabilities	
Compensated absences payable	1,818
Note payable, noncurrent portion	1,819,000
Total noncurrent liabilities	<u>1,820,818</u>
Total liabilities	<u>1,882,920</u>
NET POSITION	
Net investment in capital assets	1,244,526
Unrestricted	730,792
Total net position	<u>\$ 1,975,318</u>

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2025

	Utilities Fund
Operating revenues	
Charges for services	
Sanitation user fees	\$ 175,334
Water user fees	188,029
Sewer user fees	195,771
Miscellaneous	1,309
Total operating revenues	560,443
Operating expenses	
Personnel	304,612
Legal and professional	98,572
Depreciation	95,329
Contract services	56,290
Repairs and maintenance	54,203
Office	35,867
Fees and permits	24,872
Insurance	21,786
Fuel	8,664
Miscellaneous	8,443
Utilities	2,960
Tools and equipment	2,952
Total operating expenses	714,550
Operating income (loss)	(154,107)
Nonoperating revenues (expenses)	
Investment earnings	30,275
Interest expense	(80,678)
Total nonoperating revenues (expenses)	(50,403)
Income (loss) before contributions and transfers	(204,510)
Capital grant contribution	21,466
Transfers	(52,048)
Increase (decrease) in net position	(235,092)
Net position, beginning of year	2,210,410
Net position, end of year	\$ 1,975,318

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2025

	Utilities Fund
Cash flows from operating activities	
Receipts from customers	\$ 566,124
Payments to suppliers and providers of goods and services	(391,976)
Payments to employee wages and benefits	(303,423)
Net cash provided by (used for) operating activities	<u>(129,275)</u>
Cash flows from noncapital financing activities	
Transfers to other funds	(52,048)
Borrowings from other funds	9,768
Net cash provided (used) by noncapital financing activities	<u>(42,280)</u>
Cash flows from capital and related financing activities	
Loan proceeds	1,819,000
Interest paid	(80,678)
Principal paid on revenue bond maturities	(900,000)
Purchase of capital assets	(174,844)
Net cash provided by (used for) capital and related financing activities	<u>663,478</u>
Cash flows from investing activities	
Grant proceeds	21,466
Interest received on investments	30,275
Net cash provided (used) by noncapital financing activities	<u>51,741</u>
Net increase (decrease) in cash and cash equivalents	543,664
Cash and cash equivalents, beginning of year	<u>209,226</u>
Cash and cash equivalents, end of year	<u><u>\$ 752,890</u></u>
Cash and cash equivalents	\$ -
Cash and cash equivalents, restricted	<u>752,890</u>
Cash and cash equivalents, end of year	<u><u>\$ 752,890</u></u>

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2025
(Continued)

	Utilities Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (154,107)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	95,329
Changes in assets and liabilities:	
Account receivable	1,836
Accounts payable	(5,367)
Accrued expenses	(72,000)
Net (Deposits held for customers)	3,845
Compensated absences	1,189
Net cash provided by (used for) operating activities	\$ (129,275)

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Fiduciary Fund
Statement of Fiduciary Net Position
June 30, 2025

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 21,564
Investments, at fair value	210,187
Due from Town	15,302
Total assets	<u>247,053</u>
NET POSITION	
Held in trust for investment trust participants	<u>\$ 247,053</u>

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Fiduciary Fund
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2025

	Pension Trust Fund
Additions:	
Contributions	\$ 19,182
Investment earnings:	
Interest and dividends	10,096
Net increase (decrease) in fair value of investments	15,210
Total additions	<u>44,488</u>
Deductions:	
Distributions to participants	21,988
Net other postemployment benefit asset	3,033
Total deductions	<u>25,021</u>
Change in net position	19,467
Net position, beginning of year	<u>227,586</u>
Net position, end of year	<u><u>\$ 247,053</u></u>

See accompanying notes to financial statements.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the year ended June 30, 2025, the Town implemented the provisions of GASB Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major enterprise fund:

The ***Utilities Fund*** accounts for operations of the Town-owned water, sewer, and sanitation, that are financed and operated in a manner similar to private business enterprises, in which the intent of the Town Council is that the costs (expenses, including depreciation) of providing goods or

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

services to the general public on a continuing basis be financed or recovered primarily through user charges; or for which the Town Council has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Town reports the following fund types:

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

C. Basis of Accounting

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

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

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

D. Cash and Investments

For the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's local government investment

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

pool, and only those highly liquid investments with a maturity of three months or less when purchased.

Cash and investments are pooled, except for investments that are restricted under provisions of bond indentures or other restrictions that are required to be reported in the individual funds.

Arizona Revised Statutes authorize the Town to invest public monies in the State Treasurer's local government investment pools, the County Treasurer's investment pool, obligations of the U.S. Government and its agencies, obligations of the state and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. Investments are stated at fair value.

Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable are estimated by the Town. The amount recorded as uncollectible at June 30, 2025 in the Utilities Fund was \$21,000.

F. Inventories

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

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

G. Property Tax Calendar

Property taxes are recognized as revenue in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end are reported as unavailable revenue. Property taxes collected in advance of the fiscal year for which they are levied are reported as unearned revenue.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Town levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

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

H. Capital Assets

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

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

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

I. Deferred Outflows and Inflows of Resources

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

J. Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Investment Earnings

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

L. Compensated Absences

Compensated absences consist of PTO leave and sick leave earned by employees based on services already rendered.

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

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

M. Fund Balance Reporting

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources.

Committed fund balances are self-imposed limitations that the Town Council has approved, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

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

N. Leases

As lessee, the town recognizes lease liabilities with an initial, individual value of \$20,000 or more. The Town uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The Town's estimated incremental borrowing rate is based on the Town's borrowing rate for unsecured debt for a comparable amount and time period, and then decreased the based on full collateral.

As lessor, the Town recognizes lease receivables with an initial, individual value of \$20,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Town charges the lessee) and the implicit rate cannot be determined, the Town uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The Town's estimated incremental borrowing rate is calculated as described above.

O. Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carry-over fund balances/net position from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Budgetary Comparison Schedules as listed in the table of contents present all departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2025, if any.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

P. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of certain contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Credit risk

Statutes have the following requirements for credit risk:

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

Custodial credit risk

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

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Interest rate risk

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

Foreign currency risk

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

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

Deposits—At June 30, 2025, the carrying amount of the Town's total cash in bank was \$2,835,309 and the bank balances were \$3,012,172. Of the bank balances, \$356,305 was covered by federal depository insurance or similar insurance. The remainder was covered by collateral held by the pledging financial institution in the Town's name.

Restricted cash – Restricted cash in the Utilities Fund consists of monies restricted for the wastewater system project and refundable customer deposits in the amount of \$737,397 and \$31,648 respectively for a total of \$752,890.

Investments—The Town reported investments in the State Treasurer's Investment Pool 5 with a reported amount of \$1,964. The Standard and Poor's credit quality rating of the pool is AAA.

The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

The Town's Pension Trust Fund had investments in mutual funds of \$210,187 at June 30, 2025, categorized within the fair value hierarchy established by generally accepted accounting principles as Level 1. Investments categorized as Level 1 are valued using prices quoted in active markets for those investments.

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

	Governmental activities	Business-type activities	Pension Trust Fund	Total
Net other postemployment benefit a				
Statement of net position:				
Cash on hand	\$ 575	\$ -	\$ -	\$ 575
State Treasurer's investment pool 5	1,964	-	-	1,964
Mutual funds	-	-	210,187	210,187
Cash and cash equivalents	2,092,187	743,122	21,564	2,856,873
Total	<u>\$ 2,094,726</u>	<u>\$ 743,122</u>	<u>\$ 231,751</u>	<u>\$ 3,069,599</u>

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments in the General Fund at June 30, 2025 consisted of \$3,453 in state-shared revenue from sales taxes, \$1,781 in state-shared revenue from auto lieu taxes, \$126,264 in local sales taxes collected by the State, and \$53,455 in Wildland Fire Fees from another agencies.

Amounts due from other governments in the HURF Fund at June 30, 2025 consisted of \$4,870 in state-shared revenue from Highway User Revenue Fund (HURF) taxes.

Amounts due from other governments in the Grants Fund at June 30, 2025 consisted of \$53,041 in various grants revenues from the State of Arizona.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance July, 1, 2024	Increases	Decreases	Balance June 30, 2025
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 295,751	\$ 115,698	\$ -	\$ 411,449
Construction in process	66,717	50,000	-	116,717
Total capital assets not being depreciated	362,468	165,698	-	528,166
Capital assets being depreciated:				
Buildings and improvements	1,664,480	462,793	-	2,127,273
Vehicles and equipment	1,967,446	50,026	(15,000)	2,002,472
Infrastructure	716,762	-	-	716,762
Total	4,348,688	512,819	(15,000)	4,846,507
Less accumulated depreciation for:				
Buildings and improvements	(1,199,117)	(32,036)	-	(1,231,153)
Vehicles and equipment	(1,397,043)	(122,556)	15,000	(1,504,599)
Infrastructure	(62,292)	(16,467)	-	(78,759)
Total	(2,658,452)	(171,059)	15,000	(2,814,511)
Total capital assets being depreciated, net	1,690,236	341,760	-	2,031,996
Governmental activities capital assets, net	\$ 2,052,704	\$ 507,458	\$ -	\$ 2,560,162

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 4 – CAPITAL ASSETS – Continued

	Balance July, 1, 2024	Increases	Decreases	Balance June 30, 2025
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 22,080	\$ -	\$ -	\$ 22,080
Construction in progress	685,701	174,844	-	860,545
Total capital assets not being depreciated	707,781	174,844	-	882,625
Capital assets being depreciated:				
Buildings and infrastructure	4,076,885	-	-	4,076,885
Vehicles and equipment	235,211	-	-	235,211
Total	4,312,096	-	-	4,312,096
Less accumulated depreciation for:				
Buildings and infrastructure	(1,846,152)	(86,476)	-	(1,932,628)
Vehicles and equipment	(189,714)	(8,853)	-	(198,567)
Total	(2,035,866)	(95,329)	-	(2,131,195)
Total capital assets being depreciated, net	2,276,230	(95,329)	-	2,180,901
Business-type activities capital assets, net	<u>\$ 2,984,011</u>	<u>\$ 79,515</u>	<u>\$ -</u>	<u>\$ 3,063,526</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 56,308
Public safety	91,658
Public works and streets	21,735
Community development	625
Culture and recreation	733
Total governmental activities depreciation expense	<u>\$ 171,059</u>
Business-type activities:	
Water	\$ 74,356
Sewer	20,697
Sanitation and recycling	276
Net other postemployment benefit asset	<u>\$ 95,329</u>

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2025.

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due within 1 year
Governmental activities:					
Net pension liability	\$ 205,475	\$ 42,876	\$ -	\$ 248,351	\$ -
Compensated absences payable	115,002	18,760	-	133,762	100,322
Total governmental activities					
long-term liabilities	<u>\$ 320,477</u>	<u>\$ 61,636</u>	<u>\$ -</u>	<u>\$ 382,113</u>	<u>\$ 100,322</u>
Business-type activities:					
Net other postemployment benefit asset					
borrowings and direct placement	\$ 900,000	\$ 1,819,000	\$ 900,000	\$ 1,819,000	\$ -
Compensated absences payable	6,084	1,189	-	7,273	5,455
Total business-type activities					
long-term liabilities	<u>\$ 906,084</u>	<u>\$ 1,820,189</u>	<u>\$ 900,000</u>	<u>\$ 1,826,273</u>	<u>\$ 5,455</u>

Rural Water Financing Agency loan issued on October 22, 2024, for \$1,819,000. The note bears interest at 4.95%. Proceeds used for activities in connection with wastewater treatment plant improvements. Interest payments are due monthly. Loan amount is due on October 1, 2026.

NOTE 6 – RISK MANAGEMENT

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

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Town participates in two separate retirement plans.

For nonpublic safety employees, the Town contributes eight percent of the employees' covered payroll to a defined contribution plan. Employees may contribute to the plan; however, they are not required to make any contributions the plan. For the year ended June 30, 2025, the Town contributed a total \$107,002 on behalf of employees to the plan.

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

At June 30, 2024, the Town reported the following amounts related to PSPRS:

Statement of Net Position and Statement of Activities	Governmental Activities
Net pension liability	\$ 248,351
Net OPEB Asset	(5,923)
Deferred outflows of resources related to pensions and OPEB	161,070
Deferred inflows of resources related to pensions and OPEB	20,669

The Town reported \$110,535 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

Plan Description – Town police employees participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the Town's financial statements.

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

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

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

PSPRS	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percentage		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited services over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	Net other postemployment benefit asset 90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

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

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2025, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Police	
	Pension	Health
Inactive employees entitled to but not yet receiving benefits	2	1
Active employees	3	3
Total	5	4

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2025, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member- Pension	Town-Pension	Town-Health Insurance
PSPRS Police	7.65 - 8.63%	16.45%	0.59%

The Town’s contributions to the plans for the year ended June 30, 2025, were:

	Pension	Health Insurance Premium Benefit
PSPRS Police	\$ 54,936	\$ 1,517

During fiscal year 2025, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Liability – At June 30, 2025, the Town reported the following assets and liabilities:

	Net Pension Liability	Net OPEB (Asset) Liability
PSPRS Police	\$ 248,351	\$ (5,923)

The net assets and net liabilities were measured as of June 30, 2024, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

Actuarial valuation date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.0 - 6.25% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S Public Equity	24%	3.62%
International Public Equity	16%	4.47%
Global Private Equity	27%	7.05%
Core Bonds	6%	2.44%
Private credit	20%	6.24%
Diversifying Strategies	5%	3.15%
Cash - Mellon	2%	0.89%
Total	100%	

Net other postemployment benefit asset

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Discount Rate – At June 30, 2024, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the Net Pension/OPEB Liability (Asset)

PSPRS - Police	Pension		
	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2024	\$ 1,440,257	\$ 1,234,772	\$ 205,485
Changes for the year			
Service Cost	33,493	-	33,493
Interest on the total liability	106,110	-	106,110
Differences between expected and actual experience in the measurement of the liability	97,708	-	97,708
Contributions-employer	-	48,649	(48,649)
Contributions-employee	-	18,181	(18,181)
Net investment income	-	128,654	(128,654)
Administrative expense	-	(1,039)	1,039
Net changes	237,311	194,445	42,866
Balances at June 30, 2025	\$ 1,677,568	\$ 1,429,217	\$ 248,351

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

PSPRS - Police	Health Insurance Premium Benefit		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2022	\$ 44,036	\$ 45,763	\$ (1,727)
Changes for the year			
Service Cost	1,313	-	1,313
Interest on the total liability	3,265	-	3,265
Differences between expected and actual experience in the measurement of the liability	(2,445)	-	(2,445)
Changes of assumptions	-	-	-
Contributions-employer	-	1,693	(1,693)
Net investment income	-	4,670	(4,670)
Administrative expense	-	(34)	34
Net changes	2,133	6,329	(4,196)
Balances at June 30, 2023	\$ 46,169	\$ 52,092	\$ (5,923)

Sensitivity of the Town's Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents the Town's net pension/OPEB (assets) liabilities calculated using the discount rate of 7.2 percent, as well as what the Town's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
PSPRS Police			
Net pension (asset) liability	\$ 464,232	\$ 248,351	\$ 68,373
Net OPEB (asset) liability	(475)	(5,923)	(10,550)

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

Expense – For the year ended June 30, 2025, the Town recognized the following pension and OPEB expense:

	Pension Expense	OPEB Expense
PSPRS Police	\$ 109,909	\$ 626

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources – At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS - Police

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected actual experience	\$ 102,631	\$ -	\$ 1,052	\$ 3,434
Changes of assumptions	579	-	355	-
Net difference between projected and actual earnings on plan investments	-	16,720	-	515
Town contributions subsequent to the measurement date	54,936	-	1,517	-
Total	<u>\$ 158,146</u>	<u>\$ 16,720</u>	<u>\$ 2,924</u>	<u>\$ 3,949</u>
Net other postemployment benefit asset				

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

	PSPRS Police	
	Pension	Health
Year ended June 30,		
2026	\$ 52,514	\$ (1,897)
2027	49,907	523
2028	(8,455)	(905)
2029	(7,476)	(263)
2030	-	-
Thereafter	-	-

TOWN OF JEROME, ARIZONA
Notes to Financial Statements
June 30, 2025

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

Interfund transfers – Interfund transfers for the year ended June 30, 2025, were as follows:

Transfer From	Transfer To HURF Fund
General Fund	\$ 129,197
Utilities Fund	52,048
	<u>\$ 181,245</u>

The purpose of the transfers shown above to the Utilities Fund and HURF from the General Fund was to cover budgeted expenses.

NOTE 9 – ACCOUNTING CHANGES AND ERROR CORRECTIONS

During fiscal year 2025, accounting changes for the implementation of GASB Statement No. 101, *Compensated Absences* resulted in adjustments to and restatements of beginning net position and/or fund balance, as follows:

	Not position/fund balance at June 30, 2024 as previously reported	Change in accounting principle GASB 101	Net position/fund balance July 1, 2024 as restated
Government -wide			
Governmental activities	<u>\$ 3,920,938</u>	<u>\$ (78,056)</u>	<u>\$ 3,842,882</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,450,000	\$ 1,450,000	\$ 1,367,060	\$ (82,940)
Intergovernmental	459,172	459,172	548,732	89,560
Charges for services	303,500	303,500	194,084	(109,416)
Parking	355,000	355,000	392,720	37,720
Fines and forfeits	71,000	71,000	103,300	32,300
Licenses and permits	35,700	35,700	31,694	(4,006)
Miscellaneous	218,623	218,623	15,633	(202,990)
Investment earnings	14,000	14,000	21,371	7,371
Donations and grants	2,000,800	2,000,800	13,392	(1,987,408)
Net Total revenues	<u>4,907,795</u>	<u>4,907,795</u>	<u>2,687,986</u>	<u>(2,219,809)</u>
Expenditures				
General government	608,700	608,700	574,907	33,793
Magistrate court	121,880	121,880	115,141	6,739
Police	838,100	838,100	760,934	77,166
Fire	663,150	663,150	597,355	65,795
Library	133,625	133,625	120,930	12,695
Planning and zoning	135,525	135,525	95,375	40,150
Parks	23,870	23,870	19,379	4,491
Properties	225,200	225,200	183,371	41,829
Parking	120,305	120,305	103,753	16,552
Capital	2,000,000	2,000,000	628,517	1,371,483
Total expenditures	<u>4,870,355</u>	<u>4,870,355</u>	<u>3,199,662</u>	<u>1,670,693</u>
Excess (deficiency) of revenues over expenditures	<u>37,440</u>	<u>37,440</u>	<u>(511,676)</u>	<u>(549,116)</u>
Other financing sources (uses)				
Sale of capital assets	12,500	12,500	8,160	(4,340)
Transfers	(490,000)	(490,000)	(129,197)	360,803
Total other financing sources (uses)	<u>(477,500)</u>	<u>(477,500)</u>	<u>(121,037)</u>	<u>356,463</u>
Net change in fund balances	<u>(440,060)</u>	<u>(440,060)</u>	<u>(632,713)</u>	<u>(192,653)</u>
Fund balances, beginning of year	<u>1,645,687</u>	<u>1,645,687</u>	<u>1,645,687</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,205,627</u>	<u>\$ 1,205,627</u>	<u>\$ 1,012,974</u>	<u>\$ (192,653)</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	\$ 48,000	\$ 48,000	\$ 48,973	\$ 973
Investment earnings	2,750	2,750	3,906	1,156
Total revenues	<u>50,750</u>	<u>50,750</u>	<u>52,879</u>	<u>2,129</u>
Net other postemployment benefit asset				
Expenditures				
Current				
Public works and streets	<u>240,730</u>	<u>240,730</u>	<u>210,856</u>	<u>29,874</u>
Excess (deficiency) of revenues over expenditures	<u>(189,980)</u>	<u>(189,980)</u>	<u>(157,977)</u>	<u>32,003</u>
Other financing sources (uses)				
Transfers	<u>190,000</u>	<u>190,000</u>	<u>181,245</u>	<u>(8,755)</u>
Net change in fund balances	20	20	23,268	23,248
Fund balances, beginning of year	<u>72,166</u>	<u>72,166</u>	<u>72,166</u>	<u>-</u>
Fund balances, end of year	<u>\$ 72,186</u>	<u>\$ 72,186</u>	<u>\$ 95,434</u>	<u>\$ 23,248</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 4,466,000	\$ 4,466,000	\$ 99,440	\$ (4,366,560)
Donations and grants	-	-	1,169	1,169
Net (Total revenue	<u>4,466,000</u>	<u>4,466,000</u>	<u>100,609</u>	<u>(4,365,391)</u>
Expenditures				
Current				
General government	525,000	525,000	-	525,000
Public safety	-	-	36,294	(36,294)
Community development	-	-	13,700	(13,700)
Capital outlay	3,941,000	3,941,000	50,000	3,891,000
Total expenditures	<u>4,466,000</u>	<u>4,466,000</u>	<u>99,994</u>	<u>4,366,006</u>
Excess (deficiency) of revenues over expenditures	-	-	615	615
Fund balances, beginning of year	249,828	249,828	249,828	-
Fund balances, end of year	<u>\$ 249,828</u>	<u>\$ 249,828</u>	<u>\$ 250,443</u>	<u>\$ 615</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2025

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Schedule of Changes in The Town's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2025

PSPRS - Pension

	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Total pension liability										
Service cost	\$ 33,493	\$ 30,437	\$ 31,783	\$ 36,551	\$ 40,225	\$ 43,190	\$ 43,075	\$ 43,451	\$ 28,796	\$ 33,397
Interest on the total pension liability	106,110	92,939	80,513	74,004	60,487	53,067	32,409	27,384	22,890	19,718
Changes of benefit terms	-	-	-	-	-	-	-	(3,199)	31,147	-
Differences between expected and actual experience in the measurement of the pension liability	97,708	56,502	74,635	(16,628)	88,130	10,039	182,031	(5,961)	(30,273)	(10,398)
Changes of assumptions or other inputs	-	-	2,315	-	-	8,131	-	11,358	13,630	-
Net change in total pension liability	237,311	179,878	189,246	93,927	188,842	114,427	257,515	73,033	66,190	42,717
Total pension liability - beginning	1,440,257	1,260,379	1,071,133	977,206	788,364	673,937	416,422	343,389	277,199	234,482
Total pension liability - ending (a)	<u>\$ 1,677,568</u>	<u>\$ 1,440,257</u>	<u>\$ 1,260,379</u>	<u>\$ 1,071,133</u>	<u>\$ 977,206</u>	<u>\$ 788,364</u>	<u>\$ 673,937</u>	<u>\$ 416,422</u>	<u>\$ 343,389</u>	<u>\$ 277,199</u>
Plan fiduciary net position										
Contributions - employer	\$ 48,649	\$ 31,532	\$ 23,520	\$ 27,158	\$ 28,278	\$ 30,279	\$ 33,078	\$ 20,572	\$ 20,660	\$ 18,279
Contributions - employee	18,181	16,126	17,383	18,025	18,655	17,455	16,778	17,348	19,027	18,421
Net investment income	128,654	87,082	(45,477)	240,179	10,277	39,141	43,209	51,823	2,358	13,372
Hall/Parker Settlement	-	-	-	-	-	-	(19,614)	-	-	-
Administrative expense	(1,039)	(830)	(820)	(1,114)	(838)	(1,680)	(1,358)	(859)	(739)	(707)
Tiers 1 & 2 Adjustment	-	(18,692)	-	-	-	-	-	-	-	-
Other changes	-	1,500	-	-	-	-	112,027	6	(13,001)	(269)
Net change in plan fiduciary net position	194,445	116,718	(5,394)	284,248	56,372	85,195	184,120	88,890	28,305	49,096
Plan fiduciary net position - beginning	1,234,772	1,118,054	1,123,448	839,200	782,828	697,633	513,513	424,623	396,318	347,222
Plan fiduciary net position - ending (b)	<u>\$ 1,429,217</u>	<u>\$ 1,234,772</u>	<u>\$ 1,118,054</u>	<u>\$ 1,123,448</u>	<u>\$ 839,200</u>	<u>\$ 782,828</u>	<u>\$ 697,633</u>	<u>\$ 513,513</u>	<u>\$ 424,623</u>	<u>\$ 396,318</u>
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 248,351</u>	<u>\$ 205,485</u>	<u>\$ 142,325</u>	<u>\$ (52,315)</u>	<u>\$ 138,006</u>	<u>\$ 5,536</u>	<u>\$ (23,696)</u>	<u>\$ (97,091)</u>	<u>\$ (81,234)</u>	<u>\$ (119,119)</u>
Plan fiduciary net position as a percentage of the total pension liability	85.20%	85.73%	88.71%	104.88%	85.88%	99.30%	103.52%	123.32%	123.66%	142.97%
Covered payroll	\$ 210,802	\$ 189,753	\$ 165,725	\$ 235,033	\$ 214,538	\$ 203,480	\$ 195,265	\$ 176,917	\$ 136,151	\$ 134,655
Town's net pension (asset) liability as a percentage of covered payroll	117.81%	108.29%	85.88%	-22.26%	64.33%	2.72%	-12.14%	-54.88%	-59.66%	-88.46%

See accompanying notes to pension/OPEB plan schedules.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Schedule of Changes in The Town's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2025

	Reporting Fiscal Year (Measurement Date)								2017 through 2016
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Total OPEB liability									
Service cost	\$ 1,313	\$ 1,429	\$ 1,484	\$ 1,687	\$ 1,924	\$ 1,269	\$ 1,601	\$ 1,521	Information not available
Interest on the total OPEB liability	3,265	2,914	2,583	2,597	2,285	2,337	1,289	1,216	
Differences between expected and actual experience in the measurement of the pension liability	(2,445)	655	273	(4,261)	724	(5,243)	10,803	(353)	
Changes of assumptions or other inputs	-	-	792	-	-	275	-	(1,214)	
Net change in total OPEB liability	2,133	4,998	5,132	23	4,933	(1,362)	13,693	1,170	
Total OPEB liability - beginning	44,036	39,038	33,906	33,883	28,950	30,312	16,619	15,449	
Total OPEB liability - ending (a)	<u>\$ 46,169</u>	<u>\$ 44,036</u>	<u>\$ 39,038</u>	<u>\$ 33,906</u>	<u>\$ 33,883</u>	<u>\$ 28,950</u>	<u>\$ 30,312</u>	<u>\$ 16,619</u>	
Plan fiduciary net position									
Contributions - employer	\$ 1,693	\$ 1,353	\$ 1,328	\$ 1,805	\$ 1,695	\$ 982	\$ 957	\$ 651	
Net investment income	4,670	3,174	(1,655)	8,671	371	1,475	1,703	2,500	
Administrative expense	(34)	(32)	(29)	(36)	(30)	(25)	(26)	(23)	
Other changes	-	-	-	-	-	-	(1)	-	
Net change in plan fiduciary net position	6,329	4,495	(356)	10,440	2,036	2,432	2,633	3,128	
Plan fiduciary net position - beginning	45,763	41,268	41,624	31,184	29,148	26,716	24,083	20,955	
Plan fiduciary net position - ending (b)	<u>\$ 52,092</u>	<u>\$ 45,763</u>	<u>\$ 41,268</u>	<u>\$ 41,624</u>	<u>\$ 31,184</u>	<u>\$ 29,148</u>	<u>\$ 26,716</u>	<u>\$ 24,083</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (5,923)</u>	<u>\$ (1,727)</u>	<u>\$ (2,230)</u>	<u>\$ (7,718)</u>	<u>\$ 2,699</u>	<u>\$ (198)</u>	<u>\$ 3,596</u>	<u>\$ (7,464)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	112.83%	103.92%	105.71%	122.76%	92.03%	100.68%	88.14%	144.91%	
Covered payroll	\$ 210,802	\$ 189,753	\$ 165,725	\$ 235,033	\$ 214,538	\$ 203,480	\$ 195,265	\$ 176,917	
Town's net OPEB (asset) liability as a percentage of covered payroll	-2.81%	-0.91%	-1.35%	-3.28%	1.26%	-0.10%	1.84%	-4.22%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2025

	PSPRS - Pension									
	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 54,936	\$ 34,120	\$ 24,456	\$ 24,323	\$ 27,158	\$ 28,276	\$ 30,279	\$ 33,078	\$ 20,572	\$ 20,660
Town's contributions in relation to the actuarially determined contribution	(54,936)	(34,120)	(24,456)	(24,323)	(27,158)	(28,276)	(30,279)	(33,078)	(20,572)	(20,660)
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	<u>\$ 238,390</u>	<u>\$ 210,802</u>	<u>\$ 189,753</u>	<u>\$ 165,725</u>	<u>\$ 235,033</u>	<u>\$ 214,538</u>	<u>\$ 203,480</u>	<u>\$ 195,265</u>	<u>\$ 176,917</u>	<u>\$ 136,151</u>
Town's contributions as a percentage of covered payroll	23.04%	16.19%	12.89%	14.68%	11.55%	13.18%	14.88%	16.94%	11.63%	15.17%
	Net other postemployment benefit asset									
	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,517	\$ 1,659	\$ 1,030	\$ 1,693	\$ 1,805	\$ 1,695	\$ 982	\$ 957	\$ 651	Information not available
Town's contributions in relation to the actuarially determined contribution	(1,517)	(1,659)	(1,030)	(1,693)	(1,805)	(1,695)	(982)	(957)	(651)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 238,390</u>	<u>\$ 210,802</u>	<u>\$ 189,753</u>	<u>\$ 165,725</u>	<u>\$ 235,033</u>	<u>\$ 214,538</u>	<u>\$ 203,480</u>	<u>\$ 195,265</u>	<u>\$ 176,917</u>	
Town's contributions as a percentage of covered payroll	0.64%	0.79%	0.54%	1.02%	0.77%	0.79%	0.48%	0.49%	0.37%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2025

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2022 actuarial valuation	15 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2022 actuarial valuation, the investment rate of return was decreased from 7.3% to 7.2%. In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3.0% - 6.25%. In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
	Net other postemployment benefit asset
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

TOWN OF JEROME, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2025

NOTE 2 – FACTORS THAT AFFECT TRENDS

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

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

OTHER SUPPLEMENTARY INFORMATION

TOWN OF JEROME, ARIZONA
Other Supplementary Information
Segmented Statement of Revenue, Expenses, and Changes
in Fund Net Position
Utilities Fund
Year Ended June 30, 2025

	Water Utility	Sewer Utility	Sanitation Utility	Total Utilities Fund
Operating revenues				
Charges for services	\$ 188,029	\$ 195,771	\$ 175,334	\$ 559,134
Miscellaneous	1,309	-	-	1,309
Total operating revenues	<u>189,338</u>	<u>195,771</u>	<u>175,334</u>	<u>560,443</u>
Operating expenses				
Personnel	125,418	67,927	111,267	304,612
Legal and professional	9,665	88,907	-	98,572
Depreciation	74,356	20,697	276	95,329
Contract services	12,690	41,070	2,530	56,290
Net other postemployment benefit asset	27,754	17,327	9,122	54,203
Office	13,990	15,848	6,029	35,867
Fees and permits	430	2,969	21,473	24,872
Insurance	7,262	7,262	7,262	21,786
Fuel	2,967	1,343	4,354	8,664
Miscellaneous	2,400	3,352	2,691	8,443
Utilities	505	2,455	-	2,960
Tools and equipment	306	1,277	1,369	2,952
Total operating expenses	<u>277,743</u>	<u>270,434</u>	<u>166,373</u>	<u>714,550</u>
Operating income	(88,405)	(74,663)	8,961	(154,107)
Nonoperating revenues (expenses)				
Investment earnings	-	30,275	-	30,275
Interest expense	-	(80,678)	-	(80,678)
Total nonoperating revenues (expenses)	<u>-</u>	<u>(50,403)</u>	<u>-</u>	<u>(50,403)</u>
Income (loss) before transfers	(88,405)	(125,066)	8,961	(204,510)
Transfer out	(59,016)	(59,016)	(69,016)	(187,048)
Transfer in	-	70,000	65,000	135,000
Capital grant contribution	21,466	-	-	21,466
Increase (decrease) in net position	(125,955)	(114,082)	4,945	(235,092)
Net position, beginning of year	<u>1,576,155</u>	<u>810,217</u>	<u>(175,962)</u>	<u>2,210,410</u>
Net position, end of year	<u><u>\$1,450,200</u></u>	<u><u>\$ 696,135</u></u>	<u><u>\$ (171,017)</u></u>	<u><u>\$1,975,318</u></u>



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

To the Town Council
Town of Jerome, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jerome, Arizona, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Jerome, Arizona's basic financial statements and have issued our report thereon dated December 9, 2025.

Report on Internal Control Over Financial Reporting

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

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

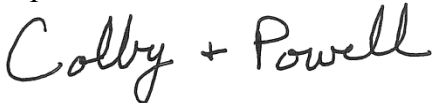
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

A handwritten signature in black ink that reads "Colby + Powell". The script is cursive and fluid, with the first letters of "Colby" and "Powell" being capitalized and prominent.

December 9, 2025