

CITY OF JEROME, IDAHO

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2009

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# Rexroat, Harberd & Assoc., P.A.

## Certified Public Accountants

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March 23, 2010

### Independent Auditors' Report

Mayor and Council  
City of Jerome  
Jerome, Idaho 83338

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Jerome, Idaho, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Jerome, Idaho. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Jerome, Idaho, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2010, on our consideration of the City of Jerome, Idaho's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Jerome, Idaho. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Rexroat, Harberd & Assoc., P.A.

CITY OF JEROME  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2009

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***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 2009 represents the fifth 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 2010 Priorities. This report covers the Fiscal Year 2009 that began on October 1, 2008 and ended on September 30, 2009. Fiscal Year 2010 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 2009 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 assets presents information on all of the City of Jerome’s assets and

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2009

liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets 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 and 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 is an LID Fund, is considered an agency fund and the information related to this fund is presented on page 21 of the audit.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2009

(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 audit.

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 2009, changes in governmental and business-type assets and liabilities are illustrated in Table 3.1, which appears on the following page.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2009

<b>Table 3.1 Net Assets - FY 2008 &amp; FY 2009</b>						
	<b>Governmental Activities FY 2008</b>	<b>Governmental Activities FY 2009</b>	<b>Business-Type Activities FY 2008</b>	<b>Business-Type Activities FY 2009</b>	<b>Total FY 2008</b>	<b>Total FY 2009</b>
Current Assets	\$4,506,283	\$2,185,372	\$6,256,090	\$6,663,840	\$10,762,373	\$8,849,212
Capital Assets - Net	\$6,590,112	\$8,909,982	\$19,532,038	\$22,846,427	\$26,122,150	\$31,756,409
<b>Total Assets</b>	<b>\$11,096,395</b>	<b>\$11,095,354</b>	<b>\$25,788,128</b>	<b>\$29,510,267</b>	<b>\$36,884,523</b>	<b>\$40,605,621</b>
Current Liabilities	\$763,195	\$434,400	\$822,734	\$1,173,840	\$1,585,929	\$1,608,240
Non-Current Liabilities	\$1,040,899	\$1,369,560	\$12,351,046	\$11,901,858	\$13,391,945	\$13,271,418
<b>Total Liabilities</b>	<b>\$1,804,094</b>	<b>\$1,803,960</b>	<b>\$13,173,780</b>	<b>\$13,075,698</b>	<b>\$14,977,874</b>	<b>\$14,879,658</b>
<b>Net Assets:</b>						
Invested in Capital Assets	\$5,725,097	\$7,774,173	\$6,887,231	\$10,679,174	\$12,612,328	\$18,453,347
Restricted	\$2,881,386	\$1,082,039	\$3,061,946	\$2,587,260	\$5,943,332	\$3,669,299
Unrestricted	\$685,818	\$435,182	\$2,665,171	\$3,168,135	\$3,350,989	\$3,603,317
<b>Total Net Assets</b>	<b>\$9,292,301</b>	<b>\$9,291,394</b>	<b>\$12,614,348</b>	<b>\$16,434,569</b>	<b>\$21,906,649</b>	<b>\$25,725,963</b>

As indicated in Table 3.1, the large proportion of the City of Jerome's net assets of \$25,725,963 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 \$3,669,299 in the restricted column for Fiscal Year 2009 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 \$3,603,317 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 2008, the City of Jerome had a total restricted net assets of \$5,943,332 – which is a decrease of \$2,274,033, or thirty-eight and twenty-six hundredths percent (38.26%) and a total unrestricted net assets \$3,350,989 – which is an increase of \$252,328, or seven and fifty-three hundredths percent (7.53%) for FY 2008.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2009

<b>Table 3.2 Change in Net Assets - FY 2008 &amp; FY 2009</b>						
	<b>Governmental Activities FY 2008</b>	<b>Governmental Activities FY 2009</b>	<b>Business-Type Activities FY 2008</b>	<b>Business-Type Activities FY 2009</b>	<b>Total FY 2008</b>	<b>Total FY 2009</b>
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Service	\$769,103	\$630,682	\$4,687,790	\$6,050,086	\$5,456,893	\$6,680,768
Operating Grants & Contributions	\$38,277	\$452,105			\$38,277	\$452,105
Capital Grants & Contributions	\$735,834	\$19,537			\$735,834	\$19,537
General Revenues:					\$0	\$0
Property Taxes	\$2,302,402	\$2,710,354			\$2,302,402	\$2,710,354
Other Governmental License & Permits	\$1,157,273	\$965,513			\$1,157,273	\$965,513
Investment Earnings	\$111,178	\$40,286	\$219,421	\$63,423	\$330,599	\$103,709
Grant Revenues					\$0	\$0
Transfers:	\$43,653	\$51,547	(\$43,653)	(\$51,547)	\$0	\$0
<b>Total Revenues</b>	<b>\$5,157,720</b>	<b>\$4,870,024</b>	<b>\$4,863,558</b>	<b>\$6,061,962</b>	<b>\$10,021,278</b>	<b>\$10,931,986</b>
<b>Expenses</b>						
General Government	\$2,960,830	\$3,166,777			\$2,960,830	\$3,166,777
Street Services	\$929,817	\$1,124,942			\$929,817	\$1,124,942
Library Services	\$280,980	\$332,667			\$280,980	\$332,667
Park Services	\$109,318	\$117,545			\$109,318	\$117,545
Irrigation			\$113,395	\$113,563	\$113,395	\$113,563
Sanitation			\$221,244	\$233,020	\$221,244	\$233,020
Water			\$1,278,054	\$1,397,332	\$1,278,054	\$1,397,332
Sewer			\$2,189,962	\$2,892,092	\$2,189,962	\$2,892,092
<b>Total Expenses</b>	<b>\$4,280,945</b>	<b>\$4,741,931</b>	<b>\$3,802,655</b>	<b>\$4,636,007</b>	<b>\$8,083,600</b>	<b>\$9,377,938</b>
Change in Net Assets	\$876,775	\$128,093	\$1,060,903	\$1,425,955	\$1,937,678	\$1,554,048
Net Assets - beginning as reported	\$8,324,088	\$9,292,301	\$9,509,505	\$12,614,348	\$17,833,593	\$21,906,649
Prior Period adjustment for errors long term debt	\$91,438	(\$129,000)	\$147,442	\$30,583	\$238,880	(\$98,417)
Net Assets - beginning as corrected	\$8,415,526		\$9,656,947	\$12,644,931	\$18,072,473	\$21,808,232
Increase in contributed capital			\$1,896,498	\$2,363,683	\$1,896,498	\$2,363,683
<b>Net Assets - ending</b>	<b>\$9,292,301</b>	<b>\$9,291,394</b>	<b>\$12,614,348</b>	<b>\$16,434,569</b>	<b>\$21,906,649</b>	<b>\$25,725,963</b>

CITY OF JEROME  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2009

Table 3.2, Change in Net Assets, reflects the overall change in net assets for the City of Jerome. For the fiscal year, the City's total revenues were \$10,931,986 while total expenses were \$9,377,938. This indicates that the City was able to cover its year's overall costs. When looking at the Business-Type Activities, the City reports a \$1,425,955 change in assets.

*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 unrestricted 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 \$1,585,624, 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 2008 were \$3,518,483. This represents a decrease of \$1,932,859 or fifty-four and ninety-three hundredths percent (54.93%). 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 \$16,434,569 for the Proprietary Funds which is attributed to \$22,846,427 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 \$4,144,400 which is a decrease of \$645,479 from the previous year. The Water and Sewer Enterprise Funds have a combined unrestricted cash reserve of \$1,233,668. (Not allocated to any debt payment).

In summary, the City of Jerome is financially healthy with a combined total of \$25,725,963 in restricted and unrestricted assets. The City leadership is aggressively watching 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, 2009

**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, 2009 was \$31,701,533. This is an increase of \$5,579,383 from the previous year and reflects the following investments:

<b>Table 4.1 Capital Assets</b>				
	<b>Balance 1-Oct-08</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 30-Sep-09</b>
<b>Governmental Activities:</b>				
Land	\$375,091			\$375,091
Buildings	\$2,883,527			\$2,883,527
Machinery and Equipment	\$4,211,882	\$1,027,706	(\$28,240)	\$5,211,348
Infrastructure	\$839,795	\$494,463		\$1,334,258
Construction in Progress	\$1,968,687	\$1,634,860	(\$466,301)	\$3,137,246
<b>Less Accumulated Depreciation for:</b>				
Buildings	\$877,741	\$83,293		\$961,034
Machinery and Equipment	\$2,715,829	\$210,480	(\$2,115)	\$2,924,194
Infrastructure	\$95,300	\$50,960		\$146,260
<b>Net Capital Assets</b>	<b>\$6,590,112</b>	<b>\$2,812,296</b>	<b>(\$492,426)</b>	<b>\$8,909,982</b>
<b>Business Type Activities:</b>				
Land	\$522,942			\$522,942
Buildings	\$886,109	3,309,997		\$4,196,106
Machinery and Equipment	\$8,860,246	\$2,191,276		\$11,051,522
Infrastructure	\$996,492	\$338,818		\$1,335,310
Construction in Progress	\$16,355,870		(\$2,075,698)	\$14,280,172
<b>Less Accumulated Depreciation for:</b>				
Infrastructure	\$350,377	\$68,238		\$418,615
Buildings	\$7,204,105	\$300,949		\$7,505,054
Machinery and Equipment	\$535,139	\$80,817		\$615,956
<b>Net Capital Assets</b>	<b>\$19,532,038</b>	<b>\$5,390,087</b>	<b>(\$2,075,698)</b>	<b>\$22,846,427</b>

Of the capital expenditures \$2,363,683 was received from various grant sources such as the Idaho Transportation Department (ITD), Environmental Protection Agency (EPA), the Economic Development Administration (EDA) the City of Jerome's Urban Renewal Agency (JURA) and the Idaho Department of Commerce and Labor (ICL).

*Debt Management and Administration.* The City of Jerome currently maintains long-term debt in the amount of \$13,898,622. Included in long-term debt is the following:

- Revenue Bonds in the amount of \$12,167,253 in the Water and Sewer Funds (annual payments estimated at \$480,000),

CITY OF JEROME  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2009

- General Obligation Bond in the amount of \$774,523 for the Senior Citizen Center (annual payment of \$25,000),
- Lease agreement on the six police vehicles in the amount of \$39,810 (annual payments of \$26,540),
- Lease/Purchase agreement on fire pumper in the amount of \$321,476 (annual payments of \$46,434),
- Debt payable to employees for compensated absences (e.g., vacation and compensated time) in the amount of \$400,518,
- Customer deposits to be refunded at a future date in the amount of \$66,042.
- Jerome Highway District settlement in the amount of \$129,000.

The table of long-term debt is as follows:

	<b>Balance 1-Oct-08</b>	<b>Additions</b>	<b>Payment Adjustments</b>	<b>Balance 30-Sep-09</b>
<b>Governmental Activities:</b>				
Loan Payable/Capital	\$65,181	\$491,870	(\$66,765)	\$490,286
Bonds Payable	\$799,834		(\$25,311)	\$774,523
Compensated Absences	\$226,278	\$251,955	(\$226,278)	\$251,955
<b>Business-Type Activities:</b>				
Capital Lease	\$11,287		(\$11,287)	\$0
Customer Deposits	\$61,791	\$4,251		\$66,042
<b>Loans Payable:</b>				
Revenue Bonds	\$12,633,520		(\$466,267)	\$12,167,253
Compensated Absences	\$120,735	\$148,563	(\$120,735)	\$148,563
<b>Total</b>	<b>\$13,918,626</b>	<b>\$896,639</b>	<b>(\$916,643)</b>	<b>\$13,898,622</b>

CITY OF JEROME  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2009

***V. Fiscal Year 2010 Fiscal Priorities***

In August of 2009, the Mayor, City Council and City Staff developed the Fiscal Year 2010 spending priorities to help focus the efforts of the City's resources in the current fiscal year that began on October 1, 2009 and ends on September 30, 2010. The priorities with significant allocations are illustrated in Table 5.1.

<b>Table 5.1 2009 Fiscal Priorities</b>		
<b>Capital Improvements</b>	<b>Projected Cost</b>	<b>Explanation</b>
EDA Grant	\$2.5 million	In 2004 the City was awarded a \$2.5 million grant from the Economic Development Administration (EDA) for the purposes of extending critical infrastructure components (sewer, water and fiber optic lines) to the Jerome Butte and 300 South Industrial Park. The grant also allows for the extension of fiber conduit to the Crossroads Point Development. \$2.23 million was carried for the project.
ITD Resurface Grant	\$1.2 million	In 2007 the City was awarded a grant from the Idaho Department of Transportation (ITD) in the amount of \$1.2 million for the purposes of resurfacing South Lincoln Avenue, also known as State Highway 79. \$716,876 was carried for the project
EPA Stag Grant	\$758,433	In 2004 the City was awarded a grant from the Environmental Protection Agency (EPA) for the purpose of developing sewer lines from the City of Jerome's southern boundary to the Crossroads Point Development. \$365,957 was carried for this project.
L-HTAC Grants	\$1.16 million	This grant will continue to assist the City with programmed and scheduled improvements along West 8th Avenue and Date Street. The total grant award is \$1.2 million; \$550,000 is for design fees, engineering and initial construction. The City will match 7.34% of the grant award. \$1,612,291 was carried for this project.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Water System Improvements	\$1.2 million	In 2002 the City was approved for a \$3.6 million low interest loan from the Idaho Department of Environmental Quality's State Revolving Fund (IDEQ SRF). The purpose of the funding is to replace old water lines and create new water sources. In 2008 the City refinanced the loan and received \$1.2 million in bond proceeds for this project. \$722,500 was carried for this project.
Senior Citizen Center	\$800,000	On November 6, 2007 the citizens of Jerome passed a General Obligation Bond in the amount of \$800,000 for construction of a new Senior Citizen Center. The project is slated to be completed by the winter of 2009.

**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.

Ross Hyatt  
Finance Director  
City of Jerome

CITY OF JEROME, IDAHO  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009

<u>ASSETS:</u>	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents .....	\$ 552,439	\$ 1,549,090	\$ 2,101,529
Receivables .....	534,910	2,337,029	2,871,939
Inventories .....	...	54,975	54,975
Restricted assets:			
Cash and cash equivalents .....	1,082,037	2,595,310	3,677,347
Capital assets:			
Land and construction in progress.....	3,512,338	14,803,114	18,315,452
Buildings, equipment and infrastructure, less accumulated depreciation .....	5,397,644	8,043,313	13,440,957
Other assets .....	15,986	127,436	143,422
Total assets .....	<u>11,095,354</u>	<u>29,510,267</u>	<u>40,605,621</u>
 <u>LIABILITIES:</u>			
Accounts payable and other accrued liabilities .....	287,196	693,840	981,036
Long-term liabilities:			
Current portion .....	147,204	480,000	627,204
Noncurrent portion .....	<u>1,369,560</u>	<u>11,901,858</u>	<u>13,271,418</u>
Total liabilities .....	<u>1,803,960</u>	<u>13,075,698</u>	<u>14,879,658</u>
<u>NET ASSETS:</u>			
Invested in capital assets, net of related debt .....	7,774,173	10,679,174	18,453,347
Restricted for:			
Capital projects .....	924,532	1,146,562	2,071,094
Other .....	157,507	1,440,698	1,598,205
Unrestricted .....	435,182	3,168,135	3,603,317
Total net assets .....	<u>\$ 9,291,394</u>	<u>\$16,434,569</u>	<u>\$25,725,963</u>

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government .....	\$ 3,166,777	\$ 558,243	\$ 414,467	\$ ...	\$ (2,194,067)	\$ ...	\$ (2,194,067)
Street services .....	1,124,942	58,806	...	19,537	(1,046,599)	...	(1,046,599)
Library services .....	332,667	13,200	37,638	...	(281,829)	...	(281,829)
Parks services .....	117,545	433	...	...	(117,112)	...	(117,112)
Total governmental activities .....	<u>\$ 4,741,931</u>	<u>\$ 630,682</u>	<u>\$ 452,105</u>	<u>\$ 19,537</u>	<u>(3,639,607)</u>	<u>...</u>	<u>(3,639,607)</u>
<b>Business-type Activities:</b>							
Irrigation .....	\$ 113,563	\$ 124,219	\$ ...	\$ ...	...	10,656	10,656
Sanitation .....	233,020	242,747	...	...	...	9,727	9,727
Water .....	1,397,332	1,447,117	...	...	...	49,785	49,785
Sewer .....	2,892,092	4,236,003	...	...	...	1,343,911	1,343,911
Total business-type activities .....	<u>\$ 4,636,007</u>	<u>\$ 6,050,086</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>...</u>	<u>1,414,079</u>	<u>1,414,079</u>
<b>General Revenues:</b>							
Property taxes .....					2,710,354	...	2,710,354
State shared revenue .....					965,513	...	965,513
Unrestricted investment earnings .....					40,286	63,423	103,709
Transfers .....					51,547	(51,547)	...
Total general revenues and transfers .....					<u>3,767,700</u>	<u>11,876</u>	<u>3,779,576</u>
Change in net assets .....					<u>128,093</u>	<u>1,425,955</u>	<u>1,554,048</u>
<b>Net assets:</b>							
Net assets beginning, as reported .....					9,292,301	12,614,348	21,906,649
Prior Period adjustment for street liability accrual/error in grant receivables.....					(129,000)	30,583	(98,417)
Net assets beginning, as corrected .....					<u>9,163,301</u>	<u>12,644,931</u>	<u>21,808,232</u>
Increase in contributed capital .....					...	2,363,683	2,363,683
Net assets-ending .....					<u>\$ 9,291,394</u>	<u>\$ 16,434,569</u>	<u>\$ 25,725,963</u>

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009

	<u>General</u>	<u>Street</u>	<u>Library</u>	<u>Park</u>	<u>Total Governmental</u>
<b>ASSETS:</b>					
Pooled cash and cash equivalents .....	\$ 268,891	\$ 208,724	\$ 11,283	\$ 52,347	\$ 541,245
Non-pooled cash and cash equivalents .....	175	...	...	...	175
<b>Receivables:</b>					
Delinquent property taxes .....	123,956	30,219	15,868	8,429	178,472
Agriculture equipment tax .....	289	74	34	16	413
Highway user fees .....	...	76,051	...	...	76,051
Jerome Highway District .....	...	8,211	...	...	8,211
State revenue sharing .....	88,781	...	...	...	88,781
Other .....	22,286	...	...	...	22,286
Prepaid workers compensation premium .....	64,935	...	...	...	64,935
<b>Restricted assets:</b>					
Pooled cash and cash equivalents .....	314,954	757,269	8,815	1,000	1,082,038
Total assets .....	<u>\$ 884,267</u>	<u>\$1,080,548</u>	<u>\$ 36,000</u>	<u>\$ 61,792</u>	<u>\$2,062,607</u>

LIABILITIES AND FUND EQUITY

LIABILITIES:

Accounts payable - trade .....	\$ 114,655	\$ 20,750	\$ 4,883	\$ 523	\$ 140,811
Accrued compensation .....	49,239	12,373	4,432	1,290	67,334
Accrued payroll taxes .....	67,753	...	278	...	68,031
Deferred revenue - taxes .....	134,056	40,473	17,160	9,118	200,807
Total liabilities .....	<u>365,703</u>	<u>73,596</u>	<u>26,753</u>	<u>10,931</u>	<u>476,983</u>

FUND BALANCES:

<b>Reserved for:</b>					
Dedicated Purposes .....	314,954	757,269	8,815	1,000	1,082,038
<b>Undesignated Reported In:</b>					
General Fund .....	203,610	...	...	...	203,610
Special Revenue Fund .....	...	249,683	432	49,861	299,976
Total fund balance .....	<u>518,564</u>	<u>1,006,952</u>	<u>9,247</u>	<u>50,861</u>	<u>1,585,624</u>
Total liabilities and fund equity ...	<u>\$ 884,267</u>	<u>\$1,080,548</u>	<u>\$ 36,000</u>	<u>\$ 61,792</u>	<u>\$2,062,607</u>

Reconciliation to Statement of Net Assets:

Total fund balances .....	\$1,585,624
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds .....	8,909,982
Receivables will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are not included in the funds .....	95,760
Property taxes will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds ..	200,806
Deferred charges and related amortization are recognized in full in the year incurred and are not capitalized and amortized in the funds .....	15,986
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds .....	(1,516,764)
Net Assets of Governmental Activities as reported on the Statement of Net Assets .....	<u>\$9,291,394</u>

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO  
STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2009

REVENUE:	General	Street	Library	Park	Total Governmental
Property taxes .....	\$1,846,962	\$ 472,209	\$ 218,491	\$106,392	\$2,644,054
Penalties - property tax .....	14,777	3,513	1,871	975	21,136
Business and franchise taxes .....	153,371	49,756	...	...	203,127
Payment in lieu of taxes .....	6,462	1,658	762	370	9,252
Licenses and permits .....	121,644	...	...	...	121,644
Federal grant .....	23,302	...	...	...	23,302
State grant .....	1,644	4,616	28,688	...	34,948
State shared .....	464,120	483,138	12,290	5,966	965,514
Local shared .....	125,784	...	...	...	125,784
Taxable sales .....	7	4	6,350	...	6,361
Interest .....	10,403	22,218	189	648	33,458
Rents .....	28,728	...	...	...	28,728
Contributions .....	389,521	14,921	8,950	...	413,392
Refunds and reimbursements .....	113,968	6,295	761	...	121,024
Sale of city property .....	...	...	...	...	...
Fines .....	...	...	5,264	...	5,264
Miscellaneous .....	12,577	2,750	826	433	16,586
	<u>3,313,270</u>	<u>1,061,078</u>	<u>284,442</u>	<u>114,784</u>	<u>4,773,574</u>
<u>EXPENDITURES:</u>					
Current:					
Salaries .....	1,558,209	420,449	134,891	53,722	2,167,271
Personnel benefits .....	587,754	145,111	49,641	17,455	799,961
Office supplies .....	4,332	1,548	1,157	15	7,052
Operating supplies .....	68,175	161,790	16,196	9,341	255,502
Public relations .....	23,830	...	857	...	24,687
Professional services .....	142,990	64,322	1,130	4	208,446
Advertising and publishing .....	13,961	514	88	...	14,563
Insurance .....	32,395	22,186	...	...	54,581
Travel and meetings .....	3,701	2	...	...	3,703
Dues and subscriptions .....	15,383	98	90	205	15,776
Personnel training .....	38,439	845	2,908	605	42,797
Telephone .....	41,118	3,696	4,786	193	49,793
Utilities .....	30,945	15,278	10,061	29,121	85,405
Gas and oil .....	39,089	31,644	...	1,816	72,549
Repairs .....	109,154	59,080	6,421	2,149	176,804
Other purchased services .....	17,397	3,351	120	623	21,491
Cost share with Jerome County .....	98,103	...	...	...	98,103
Uniforms .....	13,827	899	...	116	14,842
Election expense .....	251	...	...	...	251
Medical services .....	5,395	603	80	27	6,105
Street lighting .....	...	44,159	...	...	44,159
Books and magazines .....	...	...	28,118	...	28,118
Miscellaneous .....	5,761	...	32,375	201	38,337
Capital outlay .....	1,047,770	1,253,972	...	...	2,301,742
Debt service .....	135,498	...	...	...	135,498
	<u>4,033,477</u>	<u>2,229,547</u>	<u>288,919</u>	<u>115,593</u>	<u>6,667,536</u>
<u>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES ..</u>	<u>(720,207)</u>	<u>(1,168,469)</u>	<u>(4,477)</u>	<u>(809)</u>	<u>(1,893,962)</u>
<u>OTHER FINANCING SOURCES (USES):</u>					
Net change in fair value of investments ....	1,054	5,678	18	78	6,828
Operating transfer in (out) .....	(46,349)	9,550	(7,718)	(1,208)	(45,725)
	<u>(45,295)</u>	<u>15,228</u>	<u>(7,700)</u>	<u>(1,130)</u>	<u>(38,897)</u>
<u>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER)</u>					
<u>EXPENDITURES AND OTHER USES .....</u>	<u>(765,502)</u>	<u>(1,153,241)</u>	<u>(12,177)</u>	<u>(1,939)</u>	<u>(1,932,859)</u>
<u>FUND BALANCE:</u>					
Fund balance October 1, 2008, as originally reported .....	1,284,066	2,160,193	21,424	52,800	3,518,483
Adjustment to correct prior year .....	...	...	...	...	...
Fund Balance October 1, 2008, as corrected..	<u>1,284,066</u>	<u>2,160,193</u>	<u>21,424</u>	<u>52,800</u>	<u>3,518,483</u>
<u>FUND BALANCE SEPTEMBER 30, 2009 .....</u>	<u>\$ 518,564</u>	<u>\$1,006,952</u>	<u>\$ 9,247</u>	<u>\$ 50,861</u>	<u>\$1,585,624</u>

(Continued)

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO  
STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2009

(Continued)

<u>Reconciliation to the Statement of Activities:</u>	
Net Change in Fund Balances (from previous page) .....	\$(1,932,859)
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 .....	65,867
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. Donated assets are set up at fair value with a corresponding amount of revenue recognized. In the current period, these amounts are:	
Capital outlay .....	2,301,742
Depreciation expense .....	(344,733)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds .....	<u>38,076</u>
Changes in Net Assets of Governmental Activities as reported on the Statement of Activities ...	<u>\$ 128,093</u>

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO  
BALANCE SHEET - PROPRIETARY FUNDS  
SEPTEMBER 30, 2009

	Business-type Activities					Governmental Activities - Internal Service Funds
	Irrigation	Sanitation	Water	Waste Water Treatment Plant	Total	
<b>ASSETS</b>						
<b>Current Assets:</b>						
Pooled cash and cash equivalents .....	\$167,947	\$ 147,475	\$ (220,195)	\$ 1,453,513	\$ 1,548,740	\$ 11,019
Non-pooled cash and cash equivalents .....	...	...	350	...	350	...
Patron receivables .....	53,353	34,625	337,898	1,425,373	1,851,249	...
Less allowance for uncollectible accounts ...	...	(110)	(1,097)	(1,617)	(2,824)	...
Accrued interest .....	16,687	...	...	...	16,687	...
Grant receivable .....	...	...	72,719	399,198	471,917	...
Inventory of supplies .....	...	...	54,975	...	54,975	...
Total current assets .....	<u>237,987</u>	<u>181,990</u>	<u>244,650</u>	<u>3,276,467</u>	<u>3,941,094</u>	<u>11,019</u>
<b>Restricted assets:</b>						
Pooled cash and cash equivalents .....	...	8,048	573,807	668,460	1,250,315	...
Non-pooled cash and cash equivalents .....	...	...	961,147	383,848	1,344,995	...
Total restricted assets ..	<u>...</u>	<u>8,048</u>	<u>1,534,954</u>	<u>1,052,308</u>	<u>2,595,310</u>	<u>...</u>
<b>Fixed Assets:</b>						
Land .....	...	...	230,408	292,534	522,942	...
Construction in progress .....	...	...	908,200	13,371,972	14,280,172	...
Infrastructure .....	...	...	3,250,528	945,578	4,196,106	...
Buildings .....	...	...	1,358,808	9,692,714	11,051,522	...
Machinery and equipment .....	31,943	...	667,932	635,435	1,335,310	...
Less accumulated depreciation .....	(5,467)	...	(1,250,131)	(7,284,027)	(8,539,625)	...
Total fixed assets .....	<u>26,476</u>	<u>...</u>	<u>5,165,745</u>	<u>17,654,206</u>	<u>22,846,427</u>	<u>...</u>
<b>Other Assets:</b>						
Deferred charge - Bonds .....	...	...	67,136	71,629	138,765	...
Less accumulated amortization .....	...	...	(3,330)	(7,999)	(11,329)	...
Total other assets .....	<u>...</u>	<u>...</u>	<u>63,806</u>	<u>63,630</u>	<u>127,436</u>	<u>...</u>
Total assets .....	<u>\$264,463</u>	<u>\$ 190,038</u>	<u>\$ 7,009,155</u>	<u>\$22,046,611</u>	<u>\$29,510,267</u>	<u>\$ 11,019</u>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES:</b>						
<b>Current Liabilities:</b>						
Accounts payable - trade .....	\$ 1,160	\$ 12,530	\$ 66,720	\$ 539,518	\$ 619,928	\$ 11,019
Accrued interest payable .....	...	...	7,722	30,397	38,119	...
Accrued compensation .....	328	1,833	15,369	18,263	35,793	...
Current maturity of long-term liabilities .....	...	...	155,000	325,000	480,000	...
Total current liabilities .....	<u>1,488</u>	<u>14,363</u>	<u>244,811</u>	<u>913,178</u>	<u>1,173,840</u>	<u>11,019</u>
<b>Long-Term Liabilities:</b>						
Bonds payable (including amortized premium) .....	...	...	4,017,253	7,670,000	11,687,253	...
Customer deposits (payable from restricted assets) .....	...	8,049	22,160	35,833	66,042	...
Future compensated absences of employees .....	5,997	4,580	43,010	94,976	148,563	...
Total long-term liabilities .....	<u>5,997</u>	<u>12,629</u>	<u>4,082,423</u>	<u>7,800,809</u>	<u>11,901,858</u>	<u>...</u>
Total liabilities .....	<u>7,485</u>	<u>26,992</u>	<u>4,327,234</u>	<u>8,713,987</u>	<u>13,075,698</u>	<u>11,019</u>
<b>FUND EQUITY:</b>						
Contributed capital .....	...	...	3,325,146	11,075,323	14,400,469	...
Retained earnings .....	256,978	163,046	(643,225)	2,257,301	2,034,100	...
Total fund equity .....	<u>256,978</u>	<u>163,046</u>	<u>2,681,921</u>	<u>13,332,624</u>	<u>16,434,569</u>	<u>...</u>
Total liabilities and fund equity .....	<u>\$264,463</u>	<u>\$ 190,038</u>	<u>\$ 7,009,155</u>	<u>\$22,046,611</u>	<u>\$29,510,267</u>	<u>\$ 11,019</u>

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY - PROPRIETARY FUNDS  
 YEAR ENDED SEPTEMBER 30, 2009

Operating Revenues:	Business-type Activities					Governmental Activities - Internal Service Funds
	Irrigation	Sanitation	Water	Waste Water Treatment Plant	Total	
Charges for services .....	\$113,301	\$ 237,907	\$ 1,383,032	\$ 4,113,112	\$ 5,847,352	\$ ...
Miscellaneous income .....	10,918	4,840	48,732	122,891	187,381	...
	<u>124,219</u>	<u>242,747</u>	<u>1,431,764</u>	<u>4,236,003</u>	<u>6,034,733</u>	<u>...</u>
Operating Expenses:						
Salaries .....	51,377	62,311	474,031	681,012	1,268,731	...
Personnel benefits .....	16,458	18,934	152,230	207,063	394,685	...
Office supplies .....	631	4,416	7,778	5,659	18,484	...
Operating supplies .....	9,322	1,656	87,144	352,226	450,348	28,846
Professional services .....	6,522	...	27,534	79,167	113,223	62,173
Purchased services .....	...	144,335	...	340,412	484,747	...
Travel and meetings .....	...	...	33	...	33	...
Advertising and publishing .....	338	...	467	191	996	...
Insurance and bonds .....	...	...	25,889	25,889	51,778	...
Dues .....	...	...	9,050	730	9,780	...
Personnel training .....	20	46	3,149	1,727	4,942	6,255
Telephone .....	826	187	6,184	7,911	15,108	...
Utilities .....	312	263	174,915	336,940	512,430	...
Gas and oil .....	1,554	...	29,851	56,549	87,954	...
Repairs .....	24,646	...	59,287	89,112	173,045	...
Other services .....	5	...	5,113	...	5,118	...
Cost share with Jerome County .....	...	...	5,163	...	5,163	...
Uniforms .....	182	...	899	1,660	2,741	...
Medical services .....	25	...	903	274	1,202	...
Miscellaneous .....	...	118	994	942	2,054	...
Loss on uncollectible accounts .....	...	754	6,854	11,424	19,032	...
Allowance for depreciation .....	1,345	...	127,478	321,181	450,004	...
	<u>113,563</u>	<u>233,020</u>	<u>1,204,946</u>	<u>2,520,069</u>	<u>4,071,598</u>	<u>97,273</u>
Operating earnings (loss) .....	<u>10,656</u>	<u>9,727</u>	<u>226,818</u>	<u>1,715,934</u>	<u>1,963,135</u>	<u>(97,273)</u>
Nonoperating Revenues (Expenses):						
Rental revenue .....	...	...	15,168	...	15,168	...
Interest revenue .....	2,214	1,947	17,128	36,328	57,617	...
Miscellaneous income .....	...	...	185	...	185	...
Net change in fair value of investments .....	328	301	476	4,701	5,806	...
Amortization of bond issue costs/discount .....	...	...	(2,327)	(2,507)	(4,834)	...
Interest expense .....	...	...	(190,059)	(369,516)	(559,575)	...
Operating transfer in (out) .....	(1,208)	(1,131)	(34,715)	(14,493)	(51,547)	97,273
	<u>1,334</u>	<u>1,117</u>	<u>(194,144)</u>	<u>(345,487)</u>	<u>(537,180)</u>	<u>97,273</u>
Earnings (loss) .....	<u>11,990</u>	<u>10,844</u>	<u>32,674</u>	<u>1,370,447</u>	<u>1,425,955</u>	<u>...</u>
Retained Earnings:						
Retained Earnings October 1, 2008, as originally reported .....	244,988	152,202	(675,899)	856,271	577,562	...
Adjustment to correct prior year errors .....	...	...	...	30,583	30,583	...
Retained Earnings October 1, 2008, as Corrected .....	<u>244,988</u>	<u>152,202</u>	<u>(675,899)</u>	<u>886,854</u>	<u>608,145</u>	<u>...</u>
Retained Earnings September 30, 2009 .....	<u>\$256,978</u>	<u>\$ 163,046</u>	<u>\$(643,225)</u>	<u>\$ 2,257,301</u>	<u>\$ 2,034,100</u>	<u>\$ ...</u>

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities					Governmental Activities- Internal Service Funds
	Irrigation	Sanitation	Water	Waste Water Treatment Plant	Totals	
<b>Cash Flows from Operating Activities:</b>						
Receipts from customers .....	\$ 116,741	\$ 238,002	\$ 1,362,771	\$ 3,225,107	\$ 4,942,621	\$ ...
Payments to employees .....	(66,431)	(80,697)	(619,671)	(864,585)	(1,631,384)	...
Payments to suppliers .....	(45,271)	(150,703)	(406,806)	(998,168)	(1,600,948)	(101,451)
Net cash provided (used) by operating activities .....	<u>5,039</u>	<u>6,602</u>	<u>336,294</u>	<u>1,362,354</u>	<u>1,710,289</u>	<u>(101,451)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>						
Operating subsidies and transfers to other funds .....	(1,208)	(1,131)	(34,715)	(14,493)	(51,547)	97,273
Increase (decrease) in customer deposits .....	...	590	1,300	2,361	4,251	...
Net cash provided (used) by noncapital financing activities .....	<u>(1,208)</u>	<u>(541)</u>	<u>(33,415)</u>	<u>(12,132)</u>	<u>(47,296)</u>	<u>97,273</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Capital contributions .....	...	...	37,491	2,326,192	2,363,683	...
Prior-period adjustment .....	...	...	...	30,583	30,583	...
Principal payments on long-term debt .....	...	...	(162,556)	(315,000)	(477,556)	...
Interest payments on long-term debt .....	...	...	(192,640)	(369,799)	(562,439)	...
Other revenue .....	...	...	17,681	...	17,681	...
Purchase of property and equipment .....	(5,054)	...	(184,912)	(3,553,883)	(3,743,849)	...
Net cash provided (used) by capital and related financing activities .....	<u>(5,054)</u>	<u>...</u>	<u>(484,936)</u>	<u>(1,881,907)</u>	<u>(2,371,897)</u>	<u>...</u>
<b>Cash Flows from Investing Activities:</b>						
Interest and dividends .....	2,542	2,249	17,605	41,029	63,425	...
Net cash provided (used) by investing activities .....	<u>2,542</u>	<u>2,249</u>	<u>17,605</u>	<u>41,029</u>	<u>63,425</u>	<u>...</u>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>1,319</b>	<b>8,310</b>	<b>(164,452)</b>	<b>(490,656)</b>	<b>(645,479)</b>	<b>(4,178)</b>
<b>Cash and Cash Equivalents October 1, 2008 .....</b>	<b>166,628</b>	<b>147,213</b>	<b>1,479,561</b>	<b>2,996,477</b>	<b>4,789,879</b>	<b>15,197</b>
<b>Cash and Cash Equivalents September 30, 2009 .....</b>	<b><u>\$ 167,947</u></b>	<b><u>\$ 155,523</u></b>	<b><u>\$ 1,315,109</u></b>	<b><u>\$ 2,505,821</u></b>	<b><u>\$ 4,144,400</u></b>	<b><u>\$ 11,019</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:</b>						
Operating income (loss) .....	\$ 10,656	\$ 9,727	\$ 226,818	\$ 1,715,934	\$ 1,963,135	\$ (97,273)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense .....	1,345	...	127,478	321,181	450,004	...
(Increase) decrease in accounts receivable .....	(7,478)	(4,747)	(68,993)	(1,010,896)	(1,092,114)	...
(Increase) decrease in inventories .....	...	...	13,504	...	13,504	...
Increase (decrease) in accounts payable .....	(888)	1,073	30,897	312,645	343,727	(4,178)
Increase (decrease) in accrued liabilities .....	1,404	549	6,590	23,490	32,033	...
Net cash provided (used) by operating activities .....	<u>\$ 5,039</u>	<u>\$ 6,602</u>	<u>\$ 336,294</u>	<u>\$ 1,362,354</u>	<u>\$ 1,710,289</u>	<u>\$ (101,451)</u>
<b>Reconciliation of Cash and Cash Equivalents at September 30, 2009:</b>						
Pooled cash and cash equivalents in current assets .....					\$ 1,548,740	\$ 11,019
Non-pooled cash and cash equivalents in current assets .....					350	...
Pooled cash and cash equivalents in restricted assets .....					1,250,315	...
Non-pooled cash and cash equivalents in restricted assets .....					<u>1,344,995</u>	<u>...</u>
					<u>\$ 4,144,400</u>	<u>\$ 11,019</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash paid during the year for interest by all proprietary funds was \$562,437.

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO  
STATEMENT OF FIDUCIARY NET ASSETS  
SEPTEMBER 30, 2009

<u>ASSETS:</u>	<u>Agency</u>
Non-pooled cash and cash equivalents .....	\$ 83,216
Receivables:	
Assessments receivable .....	46,023
Restricted assets:	
Non-pooled cash and cash equivalents .....	<u>17,401</u>
Total assets .....	<u>\$ 146,640</u>
<u>LIABILITIES AND FUND EQUITY</u>	
<u>LIABILITIES:</u>	
Due to other funds .....	\$ ...
Interest payable .....	2,880
Fees payable .....	95,760
Bonds payable .....	<u>48,000</u>
Total liabilities .....	<u>146,640</u>
<u>FUND EQUITY</u>	
Fund balance .....	...
Total liabilities and fund equity .....	<u>\$ 146,640</u>

The accompanying notes are an integral part of the financial statements

CITY OF JEROME, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

**Note 1 - Summary of Significant Accounting Policies**

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.

The accompanying financial statements 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.

A) Reporting Entity

The City follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the City is financially accountable. The City is not a participant in any joint venture and has not identified any entities which would be component units of the City.

B) Government-Wide Financial Statements

The government-wide financial statements include a Statement of Net Assets 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. Accordingly, all of the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. 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. The types of transaction reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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 Assets 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, 2009

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

C) Governmental Fund Financial Statements

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 assets and changes in net assets 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: General, Street, Library, and Park.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, option tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related liability is incurred.

D) Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, 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: Irrigation, Sanitation, Water, and Sewer.

CITY OF JEROME, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

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 Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. 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.

E) Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. 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 Fiduciary fund includes funds for a Local Improvement District.

F) 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.

G) 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.

H) 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.

I) Inventories

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

J) 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. Purchase 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.

CITY OF JEROME, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

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.

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 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 and Revenues

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

CITY OF JEROME, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

fiscal year and are not available to be carried forward to be used in addition to the succeeding year's appropriation.

O) Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

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) Government-wide and Proprietary Fund Net Assets:

Government-wide and proprietary fund net assets are divided into three components:

- a. Invested in capital assets, net of related debt - consist 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 assets - consist of net assets 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 net assets are reported in this category.

**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).

The City has a written investment policy that allows the Treasurer to invest money only in those investment instruments allowed by Idaho 50-1013. Through its investment policy, the City manages its exposure to fair value losses arising from increasing interest rates by investing primarily in shorter-term securities. 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.

CITY OF JEROME, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

The City has a deposit policy for custodial credit risk. As of September 30, 2009, the carrying amount of the City's deposits with financial institutions (after considering outstanding and other reconciling items) was \$282,718 and the bank balances were \$258,305, which were fully insured.

Of the City's total investments of \$5,596,250, \$5,199,722 is invested with the Idaho Local Government Investment Pool, of which all of the underlying securities are held by the Pool, not in the name of the Agency. The Pool has a AA+ credit rating. All investments are reported at fair value.

Reconciliation of carrying amount to cash numbers on balance sheets:

Sources of cash:

Deposits with financial institutions .....	\$ 282,718
Federal Home Loan Mortgage Corp .....	246,387
Federal National Mortgage Assn .....	150,141
State of Idaho Local Government Investment Pool .....	5,199,722
Petty cash .....	525
	<u>\$ 5,879,493</u>

Cash on balance sheets:

Governmental funds:

Pooled cash, unrestricted .....	\$ 541,245
Non-pooled cash, unrestricted .....	175
Pooled cash, restricted .....	1,082,038

Proprietary funds:

Pooled cash, unrestricted .....	1,548,741
Non-pooled cash, unrestricted .....	350
Pooled cash, restricted .....	1,250,314
Non-pooled cash, restricted .....	1,344,994

Internal Service funds:

Pooled cash, unrestricted .....	11,019
---------------------------------	--------

Fiduciary net assets:

Non-pooled cash, unrestricted .....	83,216
Non-pooled cash, restricted .....	17,401
	<u>\$ 5,879,493</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.

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

General Fund:

Animal Shelter	\$ 9,818
Senior Citizen Center Landscape	50,000
MVRT-Hazmat Reimbursement	26,152
Fire Safehouse	1,200
Bond Fund - Senior Citizen Taxes	3,813

CITY OF JEROME, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

Employee Benefits	75,130
Senior Citizen Construction	148,841
	314,954
<u>Street Fund:</u>	
South Lincoln	716,876
Aerial Update	40,394
	757,270
<u>Library Fund:</u>	
Equipment replacement	8,815
<u>Park Fund:</u>	
Tennis courts	1,000
<u>Sanitation Fund:</u>	
Customer deposits	8,048
<u>Water Fund:</u>	
Customer deposits	22,160
Debt reserve fund	551,646
Water System Improvement Construction	961,147
	1,534,953
<u>Sewer:</u>	
Customer deposits	35,833
Capital reserve	185,414
Reserve capacity	447,213
Debt service reserve fund	383,846
Sewer Construction	1
	1,052,307
<u>Agency Fund:</u>	
Reserve fund	17,402
Total restricted funds	\$ 3,694,749

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, 2009, was as follows:

	Balance October 1, 2008	Increases	Decreases	Balance September 30, 2009
<u>Governmental activities:</u>				
Land	\$ 375,091	\$ ...	\$ ...	\$ 375,091
Buildings	2,883,527	...	...	2,883,527
Machinery and equipment	4,211,882	1,027,706	28,240	5,211,348
Infrastructure	839,795	494,463	...	1,334,258
Construction in progress	1,968,687	1,634,860	466,301	3,137,246
	10,278,982	3,157,029	494,541	12,941,470
Less accumulated				
depreciation for:				
Buildings	877,741	83,293	...	961,034

**CITY OF JEROME, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

Machinery and equipment	2,715,829	210,480	2,115	2,924,194
Infrastructure	95,300	50,960	...	146,260
	<u>3,688,870</u>	<u>344,733</u>	<u>2,115</u>	<u>4,031,488</u>
Net capital assets	<u>\$ 6,590,112</u>	<u>\$2,812,296</u>	<u>\$ 492,426</u>	<u>\$ 8,909,982</u>

	Balance October 1, 2008	Increases	Decreases	Balance September 30, 2009
<u>Business-type activities:</u>				
Land	\$ 522,942	\$ ...	\$ ...	\$ 522,942
Infrastructure	886,109	3,309,997	...	4,196,106
Buildings	8,860,246	2,191,276	...	11,051,522
Machinery and equipment	996,492	338,818	...	1,335,310
Construction in progress	16,355,870	...	2,075,698	14,280,172
	<u>27,621,659</u>	<u>5,840,091</u>	<u>2,075,698</u>	<u>31,386,052</u>

Less accumulated depreciation  
for:

Infrastructure	350,377	68,238	...	418,615
Buildings	7,204,105	300,949	...	7,505,054
Machinery and equipment	535,139	80,817	...	615,956
	<u>8,089,621</u>	<u>450,004</u>	<u>...</u>	<u>8,539,625</u>
Net capital assets	<u>\$19,532,038</u>	<u>\$5,390,087</u>	<u>\$2,075,698</u>	<u>\$22,846,427</u>

Depreciation expense was charged to governmental functions as follows:

General Fund:

Administration	\$ 6,417
Building	756
Animal Control	2,174
Fire	118,309
Law Enforcement	25,964
	<u>153,620</u>
Streets	144,851
Library	44,597
Parks	1,665
	<u>\$ 344,733</u>

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

Long-term liability activity for the year ended September 30, 2009, was as follows:

	Balance October 1, 2008	Additions	Reductions	Balance September 30, 2009	Amounts Due Within One Year
<u>Notes payable:</u>					
D.L. Evans - Police	\$ 65,181	\$ ...	\$ 25,371	\$ 39,810	\$ 26,540
Farmers Natl - Fire	...	362,870	41,394	321,476	31,164
Jerome Highway District	...	129,000	...	129,000	64,500
<u>Bonds payable:</u>					
General Obligation Bonds (including amortized premium)	799,834	...	25,311	774,523	25,000

CITY OF JEROME, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

Other liabilities:

Compensated absences	226,278	251,955	226,278	251,955	...
	<u>\$1,091,293</u>	<u>\$ 743,825</u>	<u>\$318,354</u>	<u>\$1,516,764</u>	<u>\$147,204</u>

D.L. Evans lease/purchase for five Police vehicles - The contract interest rate is 4.46% with annual payments of \$28,301 and a maturity date of October 25, 2010. The agreement is cancelable if funds for the payment are not appropriated in any fiscal year. The principal balance as of September 30, 2009, is \$39,810.

Farmers National Bank lease/purchase for fire pumper - The contract interest rate is 4.75% with annual payments of \$46,434 and a maturity date of February 15, 2018 with a final additional balloon payment of \$27,842.96. The agreement is cancelable if funds for the payment are not appropriated in any fiscal year. The principal balance as of September 30, 2009, is \$321,476.

Jerome Highway District settlement - In accordance with a settlement agreement with the Jerome Highway District dated December 1, 2009, the City is to pay JHD \$129,000, payable as follows: \$64,500 on or before February 28, 2010 and \$64,500 on or before February 28, 2011.

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, 2009, is \$765,000.

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 \$251,955.

As of September 30, 2009, debt service requirements to maturity for principal and interest, for the notes payable, are as follows:

Year Ended Sept. 30,	Principal	Interest	Total
2010	\$ 147,204	\$ 52,006	\$ 199,210
2011	140,414	48,356	188,770
2012	64,195	45,014	109,209
2013	65,790	42,294	108,084
2014	67,519	39,265	106,784
2015	74,301	36,083	110,384
2016	76,168	32,816	108,984
2017	78,115	29,370	107,485
2018	61,580	31,650	93,230
2019-2026	480,000	139,400	619,400
	<u>1,255,286</u>	<u>496,254</u>	<u>\$1,751,540</u>

CITY OF JEROME, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

Premium on bonds less accumulated amortization	9,523
Compensated Absences	251,955
	<u>\$1,516,764</u>

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

Long-term liability activity for the year ended September 30, 2009, was as follows:

	Balance October 1, 2008	Additions	Reductions	Balance September 30, 2009	Amounts Due Within One Year
Bonds and Notes payable:					
Irrigation:					
Compensated absences	\$ 4,326	\$ 5,997	\$ 4,326	\$ 5,997	\$ ...
Sanitation:					
Compensated absences	4,347	4,580	4,347	4,580	...
Customer deposits	7,458	591	...	8,049	...
	<u>11,805</u>	<u>5,171</u>	<u>4,347</u>	<u>12,629</u>	<u>...</u>
Water:					
John Deere Credit Revenue Bonds (including amortized premium)	11,287	...	11,287	...	...
Compensated absences	38,838	43,010	38,838	43,010	...
Customer deposits	20,860	1,300	...	22,160	...
	<u>4,394,505</u>	<u>44,310</u>	<u>201,392</u>	<u>4,237,423</u>	<u>155,000</u>
Sewer:					
Revenue Bonds Compensated absences	8,310,000	...	315,000	7,995,000	325,000
Customer deposits	73,224	94,976	73,224	94,976	...
	33,473	2,360	...	35,833	...
	<u>8,416,697</u>	<u>97,336</u>	<u>388,224</u>	<u>8,125,809</u>	<u>325,000</u>
	<u>\$12,827,333</u>	<u>\$ 152,813</u>	<u>\$ 598,289</u>	<u>\$12,381,858</u>	<u>\$480,000</u>

As of September 30, 2009, debt service requirements to maturity for principal and interest, for the notes payable, are as follows:

Year Ended Sept. 30,	Principal	Interest	Total
2010	480,000	543,950	1,023,950
2011	500,000	524,750	1,024,750
2012	520,000	504,750	1,024,750
2013	540,000	484,438	1,024,438
2014	565,000	458,538	1,023,538

CITY OF JEROME, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
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2015-2018	2,555,000	1,552,899	4,107,899
2019-2023	3,865,000	1,272,544	5,137,544
2024-2028	3,080,000	340,335	3,420,335
	12,105,000	\$5,682,204	\$17,787,204
Premium on bonds less			
accumulated amortization	62,253		
Compensated absences	148,563		
Customer deposits	66,042		
	\$12,381,858		

Water Bonds Payable - Series 2008

Revenue refunding bonds for refunding the USDA Rural Development loan and the Idaho Department of Environmental Quality Drinking Water State Revolving Loan Fund loan were issued on April 1, 2008, for \$4,325,000. 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, 2027. The total of the bonds at September 30, 2009, is \$4,110,000.

Sewer Bonds Payable - Series 2006

Revenue bonds for improvements to the Sewer plant were issued on May 11, 2006, for \$9,000,000. 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 1, 2026. The total of the bonds at September 30, 2009, is \$7,995,000.

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 \$148,563.

**Note 6 - Community Economic Development Grant**

The City received community development block grants administered by the State of Idaho for the Federal government. Jerome Development Co., Inc., administers the funds per an agreement dated March 8, 1983. If the agreement is terminated, the funds would revert to the City.

**Note 7 - Rent**

The City received rent from outside sources. During the year ended September 30, 2009, the general fund received \$28,728 for rental of property owned by the City.

**Note 8 - Public Employee Retirement System of Idaho**

The Public Employee Retirement System of Idaho (PERSI) Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI.

CITY OF JEROME, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

The actuarially determined contribution requirements are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2009, the required contribution rate as a percentage of covered payroll for members was 6.23% for general members and 7.65% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members, 10.73% for police members, and 27.97% for firefighter members. The City of Jerome, Idaho, contributions required and paid were \$423,900, \$366,519, and \$381,144 for the three years ended September 30, 2009, 2008 and 2007.

**Note 9- 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 10 - Individual Fund Deficits**

The Water fund showed a deficit retained earnings balance at September 30, 2009, however, overall fund equity is positive when combined with contributed capital. The General, Street, Library and Park funds showed an excess of expenditures over revenues.

**Note 11 - 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, 2009, the City of Jerome contributed \$103,266 to this agreement.

**Note 12 - 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 13 - Pledging of Net Revenues**

The City has pledged future revenues derived from the operation of the Cities' Water Plant, net of operating and maintenance expenses, to repay \$4,325,000 in water revenue bonds. The general purpose of the bonds is to pay for a previous interim financing note and water system improvements. The bonds are payable solely from the net earnings of the Water System and are payable through 2027. The total principle and interest remaining to be paid

CITY OF JEROME, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

on the bonds is \$6,171,119, with net revenue equal to not less than 1.25 times the average annual debt service on bond which the City did not meet. Principal and interest paid for the current year and net system revenues were \$342,350 and \$352,538, respectively.

The City has pledged future revenues derived from the operation of the Cities' Sewer Plant, net of operating and maintenance expenses, to repay \$9,000,000 in sewer revenue bonds. The general purpose of the bonds is to upgrade the sewer plant. The bonds are payable solely from the net earnings of the Sewer System and are payable through 2026. The total principle and interest remaining to be paid on the bonds is \$11,616,085, with net revenue equal to not less than 1.25 times the average annual debt service on bond which the City did meet. Principal and interest paid for the current year and net system revenues were \$685,200 and \$2,063,651, respectively.

**Note 14 - Special Assessments**

The City of Jerome administered the issuance of special assessment bonds on October 17, 2000, to provide funds for the improvement of sidewalks in the downtown area. The amount outstanding at September 30, 2009, is \$48,000. The city is in no way liable for repayment of this debt and is only acting as agent for the property owners in collecting assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, if necessary.

**Note 15 - Interest Expense**

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

General government	\$ 38,905
Water	192,640
Sewer	369,797

**Note 16 - Restatement of Prior-Year Retained Earnings**

Beginning retained earnings for the Business-type activities have been restated to correct errors in the prior year.

Errors were made in the prior year in reporting grant receivables. These corrections resulted in an increase to retained earnings for the following fund:

Sewer fund	\$ 30,583
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CITY OF JEROME, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

**Note 17 - Restatement of Prior-Year Net Assets**

Beginning net assets for the Governmental activities have been restated to correct errors in the prior year.

Errors were made in the prior year in reporting long term debt. This arose from the fact that from 2000 to 2007 Jerome County, using Idaho Tax Commission software, had misapportioned assessments to the City which should have gone to the Jerome Highway District. The arising payable from settlement with the highway district resulted in the decrease to net assets in the following activities:

Governmental	\$ (129,000)
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**Note 18 - Commitments**

At year end, the City had commitments outstanding, in the form of contracts, of approximately \$53,661, primarily for construction projects.

**Note 19 - Subsequent Event**

The City has entered into an agreement with a company serviced by the Cities' utility system regarding outstanding sewer industrial charges due the City. The City has agreed to waive load above permit charges totaling \$286,803. These charges were not direct costs incurred by the City, but rather a penalty fee for exceeding permitted usage.

**Note 20 - Related Organizations**

The Jerome Urban Renewal Agency is defined per GASB Statement 14 as a related organization to the City. These organizations have some or all of their board members appointed by the primary government and are not financially accountable by the primary government. JURA is a taxing district and undertakes commitments for the improvement and redevelopment of property in designated Agency areas. The board of JURA consists of five members appointed by the City. Financial Statements of JURA will be made available upon request.

**Note 21 - GASBS No. 54**

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (Statement)*. Certain of the significant changes in the Statement will require that fund balances for each of the City's governmental funds will be displayed in the following classifications: nonspendable, restricted, committed, assigned, and unassigned. The Statement also establishes several new presentation and disclosure requirements, including requirements related to stabilization arrangements and clarifies the definitions of the various types of governmental funds.

The provisions of GASBS No. 54 have been approved by the City and will be implemented during the 2010 fiscal year. Implementation will require the City to restate existing fund balances for the governmental funds.

CITY OF JEROME, IDAHO  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Budget
<u>REVENUE:</u>				
Property taxes .....	\$1,901,926	\$1,901,926	\$1,846,962	\$ (54,964)
Penalties and interest .....	15,000	15,000	14,777	(223)
Business and franchise taxes .....	130,222	130,222	153,371	23,149
Payment in lieu of taxes .....	864	864	6,462	5,598
Licenses and permits .....	350,808	350,808	121,644	(229,164)
Federal grant .....	..	57,047	23,302	(33,745)
State grant .....	150,000	150,644	1,644	(149,000)
State shared .....	548,170	548,170	464,120	(84,050)
Court revenues .....	85,000	85,000	120,544	35,544
Parking fines .....	600	600	5,240	4,640
Taxable sales .....	..	..	7	7
Rents .....	32,602	32,602	28,728	(3,874)
Interest .....	20,000	20,000	10,403	(9,597)
Contributions .....	2,000	58,105	389,521	331,416
Refunds and reimbursements .....	90,122	90,122	113,968	23,846
Sale of city property .....	..	..	..	..
Miscellaneous .....	1,500	1,500	12,577	11,077
	<u>3,328,814</u>	<u>3,442,610</u>	<u>3,313,270</u>	<u>(129,340)</u>
<u>EXPENDITURES:</u>				
Legislative .....	47,552	47,552	47,663	111
Executive .....	21,994	21,994	20,825	(1,169)
Finance and administration .....	1,470,742	1,520,742	1,035,458	(485,284)
Law enforcement .....	1,369,462	1,426,809	1,437,052	10,243
Fire control .....	980,628	981,272	1,280,372	299,100
Building inspection .....	141,488	141,488	138,157	(3,331)
Animal control .....	75,855	81,660	73,950	(7,710)
	<u>4,107,721</u>	<u>4,221,517</u>	<u>4,033,477</u>	<u>(188,040)</u>
<u>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</u> .....	<u>(778,907)</u>	<u>(778,907)</u>	<u>(720,207)</u>	<u>58,700</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Net change in fair value of investments .....	..	..	1,054	1,054
Operating transfer out .....	(114,334)	(114,334)	(46,349)	67,985
	<u>(114,334)</u>	<u>(114,334)</u>	<u>(45,295)</u>	<u>69,039</u>
<u>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER)</u> <u>EXPENDITURES AND OTHER USES</u> .....	<u>\$ (893,241)</u>	<u>\$ (893,241)</u>	<u>\$ (765,502)</u>	<u>\$127,739</u>

CITY OF JEROME, IDAHO  
BUDGETARY COMPARISON SCHEDULE - STREET FUND  
YEAR ENDED SEPTEMBER 30, 2009

<u>REVENUE:</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
	<u>Budget</u>	<u>Budget</u>		<u>(Under)</u>
				<u>Budget</u>
Property taxes .....	\$ 486,342	\$ 486,342	\$ 472,209	\$ (14,133)
Penalties and interest .....	3,000	3,000	3,513	513
Business and franchise taxes .....	35,221	35,221	49,756	14,535
Payment in lieu of taxes .....	185	185	1,658	1,473
Federal grant .....	...	438,000	...	(438,000)
State grant .....	1,164,000	1,164,000	4,616	(1,159,384)
State shared .....	605,713	605,713	483,138	(122,575)
Taxable sales .....	1,000	1,000	4	(996)
Interest .....	10,000	10,000	22,218	12,218
Contributions .....	...	...	14,921	14,921
Refunds and reimbursements .....	4,420	4,420	6,295	1,875
Miscellaneous .....	2,175	2,175	2,750	575
	<u>2,312,056</u>	<u>2,750,056</u>	<u>1,061,078</u>	<u>(1,688,978)</u>
<u>EXPENDITURES:</u>				
Salaries .....	409,639	409,639	420,449	10,810
Personnel benefits .....	150,614	150,614	145,111	(5,503)
Office supplies and postage .....	1,500	1,500	1,548	48
Operating supplies .....	300,000	300,000	161,545	(138,455)
New equipment - non-capital .....	8,800	8,800	245	(8,555)
Professional services .....	51,200	51,200	64,322	13,122
Advertising .....	1,000	1,000	514	(486)
Insurance and bonds .....	22,186	22,186	22,186	...
Travel and meetings .....	...	...	2	2
Dues and subscriptions .....	400	400	98	(302)
Personnel training .....	850	850	845	(5)
Telephone .....	4,610	4,610	3,696	(914)
Utilities .....	12,400	12,400	15,278	2,878
Gas and oil .....	50,000	50,000	31,644	(18,356)
Repairs .....	47,000	47,000	59,080	12,080
Other purchased services .....	8,000	8,000	3,351	(4,649)
Uniforms .....	900	900	899	(1)
Medical services .....	500	500	603	103
Miscellaneous expense .....	100	100	...	(100)
Street lighting .....	50,000	50,000	44,159	(5,841)
Capital outlay - automotive .....	100,000	100,000	79,975	(20,025)
Capital outlay - equipment .....	...	...	54,831	54,831
Construction project .....	2,714,000	3,152,000	1,119,166	(2,032,834)
	<u>3,933,699</u>	<u>4,371,699</u>	<u>2,229,547</u>	<u>(2,142,152)</u>
<u>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</u> .....	<u>(1,621,643)</u>	<u>(1,621,643)</u>	<u>(1,168,469)</u>	<u>453,174</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Net change in fair value of investments .....	...	...	5,678	5,678
Operating transfer out .....	(28,357)	(28,357)	9,550	37,907
	<u>(28,357)</u>	<u>(28,357)</u>	<u>15,228</u>	<u>43,585</u>
<u>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER)</u>				
<u>EXPENDITURES AND OTHER USES</u> .....	<u>\$ (1,650,000)</u>	<u>\$ (1,650,000)</u>	<u>\$ (1,153,241)</u>	<u>\$ 496,759</u>

CITY OF JEROME, IDAHO  
BUDGETARY COMPARISON SCHEDULE - LIBRARY FUND  
YEAR ENDED SEPTEMBER 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Budget
<u>REVENUE:</u>				
Property taxes .....	\$ 225,044	\$ 225,044	\$ 218,491	\$ (6,553)
Penalties and interest .....	1,200	1,200	1,871	671
Payment in lieu of taxes .....	111	111	762	651
State grants .....	...	28,688	28,688	...
State shared revenue .....	20,650	20,650	12,290	(8,360)
Taxable sales .....	5,500	5,500	6,350	850
Interest .....	500	500	189	(311)
Contributions .....	2,500	6,000	8,950	2,950
Refunds and reimbursements .....	780	780	761	(19)
Fines .....	2,300	2,300	5,264	2,964
Miscellaneous .....	...	...	826	826
	<u>258,585</u>	<u>290,773</u>	<u>284,442</u>	<u>(6,331)</u>
<u>EXPENDITURES:</u>				
Salaries .....	137,941	137,941	134,891	(3,050)
Personnel benefits .....	55,176	55,176	49,641	(5,535)
Office supplies and postage .....	1,500	1,500	1,157	(343)
Operating supplies .....	5,500	8,500	16,196	7,696
Public relations .....	500	500	857	357
Professional services .....	...	...	1,130	1,130
Advertising .....	200	200	88	(112)
Dues and subscriptions .....	150	150	90	(60)
Personnel training .....	1,000	2,800	2,908	108
Telephone .....	3,000	3,000	4,786	1,786
Utilities .....	9,800	9,800	10,061	261
Repairs .....	3,750	3,750	6,421	2,671
Other purchased services .....	120	120	120	...
Medical services .....	150	150	80	(70)
Books and magazines .....	21,700	21,700	28,118	6,418
Headstart Literacy program .....	1,250	1,250	...	(1,250)
LSTA Consortium grant .....	...	27,388	28,547	1,159
Miscellaneous .....	...	...	3,828	3,828
Capital outlay .....	5,000	5,000	...	(5,000)
	<u>246,737</u>	<u>278,925</u>	<u>288,919</u>	<u>9,994</u>
<u>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</u> .....	<u>11,848</u>	<u>11,848</u>	<u>(4,477)</u>	<u>(16,325)</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Net change in fair value of investments .....	...	...	18	18
Operating transfer out .....	(11,848)	(11,848)	(7,718)	4,130
	<u>(11,848)</u>	<u>(11,848)</u>	<u>(7,700)</u>	<u>4,148</u>
<u>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER)</u> <u>EXPENDITURES AND OTHER USES</u> .....	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ (12,177)</u>	<u>\$ (12,177)</u>

CITY OF JEROME, IDAHO  
BUDGETARY COMPARISON SCHEDULE - PARK FUND  
YEAR ENDED SEPTEMBER 30, 2009

	Original Budget	Final Budget	Actual	(Under) Budget
<u>REVENUE:</u>				
Property taxes .....	\$ 109,242	\$ 109,242	\$ 106,392	\$ (2,850)
Penalties and interest .....	1,000	1,000	975	(25)
Payment in lieu of taxes .....	49	49	370	321
State grants .....	...	1,000	...	(1,000)
State shared revenue .....	12,080	12,080	5,966	(6,114)
Interest .....	2,000	2,000	648	(1,352)
Miscellaneous .....	520	520	433	(87)
	<u>124,891</u>	<u>125,891</u>	<u>114,784</u>	<u>(11,107)</u>
<u>EXPENDITURES:</u>				
Salaries .....	55,271	55,271	53,722	(1,549)
Personnel benefits .....	19,555	19,555	17,455	(2,100)
Office supplies and postage .....	...	...	15	15
Operating supplies .....	6,100	6,100	9,341	3,241
Professional services .....	...	...	4	4
Dues and subscriptions .....	200	200	205	5
Personnel training .....	700	700	605	(95)
Telephone .....	300	300	193	(107)
Utilities .....	26,350	26,350	29,121	2,771
Gas and oil .....	3,500	3,500	1,816	(1,684)
Repairs .....	3,200	3,200	2,149	(1,051)
Other purchased services .....	4,000	4,000	623	(3,377)
Uniforms .....	150	150	116	(34)
Medical services .....	75	75	27	(48)
Tree committee support .....	2,000	2,000	...	(2,000)
Tree maintenance .....	600	600	...	(600)
Habitat project .....	1,000	2,000	201	(1,799)
Miscellaneous .....	...	...	...	...
	<u>123,001</u>	<u>124,001</u>	<u>115,593</u>	<u>(8,408)</u>
<u>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</u> .....	<u>1,890</u>	<u>1,890</u>	<u>(809)</u>	<u>(2,699)</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Net change in fair value of investments .....	...	...	78	78
Operating transfer out .....	(1,890)	(1,890)	(1,208)	682
	<u>(1,890)</u>	<u>(1,890)</u>	<u>(1,130)</u>	<u>760</u>
<u>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER)</u> <u>EXPENDITURES AND OTHER USES</u> .....	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ (1,939)</u>	<u>\$ (1,939)</u>

CITY OF JEROME, IDAHO  
 BUDGETARY COMPARISON SCHEDULE - IRRIGATION FUND  
 YEAR ENDED SEPTEMBER 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>REVENUE:</b>				
Charges for services .....	\$113,632	\$113,632	\$113,301	\$ (331)
Miscellaneous .....	10,120	10,120	10,918	798
	<u>123,752</u>	<u>123,752</u>	<u>124,219</u>	<u>467</u>
<b>EXPENSES:</b>				
Salaries .....	54,462	54,462	51,377	(3,085)
Personnel benefits .....	21,538	21,538	16,458	(5,080)
Office supplies and postage .....	1,000	1,000	631	(369)
Operating supplies .....	15,500	15,500	9,322	(6,178)
Professional services .....	5,000	5,000	6,522	1,522
Advertising and publishing .....	300	300	338	38
Personnel training .....	...	...	20	20
Telephone .....	600	600	826	226
Utilities .....	250	250	312	62
Gas and oil .....	2,000	2,000	1,554	(446)
Repairs .....	25,500	25,500	24,646	(854)
Other services .....	500	500	5	(495)
Uniforms .....	150	150	182	32
Medical services .....	100	100	25	(75)
Allowance for depreciation .....	...	...	1,345	1,345
Miscellaneous .....	...	...	...	...
	<u>126,900</u>	<u>126,900</u>	<u>113,563</u>	<u>(13,337)</u>
<b>OPERATING EARNINGS (LOSS) .....</b>	<b><u>(3,148)</u></b>	<b><u>(3,148)</u></b>	<b><u>10,656</u></b>	<b><u>13,804</u></b>
<b>NONOPERATING REVENUE (EXPENSES):</b>				
Interest revenue .....	6,000	6,000	2,214	(3,786)
Net change in fair value of investments .....	...	...	328	328
Sale of city property .....	...	...	...	...
Operating transfer out .....	(1,890)	(1,890)	(1,208)	682
	<u>4,110</u>	<u>4,110</u>	<u>1,334</u>	<u>(2,776)</u>
<b>EARNINGS (LOSS) .....</b>	<b><u>\$ 962</u></b>	<b><u>\$ 962</u></b>	<b><u>\$ 11,990</u></b>	<b><u>\$ 11,028</u></b>

Reconciliation of Earnings to Budget

Earnings .....	\$ 962	\$ 962	\$ 11,990	\$ 11,028
Net change in fair value of investments .....	...	...	(328)	(328)
Allowance for depreciation .....	...	...	1,345	1,345
Capital outlay .....	...	...	...	...
	<u>\$ 962</u>	<u>\$ 962</u>	<u>\$ 13,007</u>	<u>\$ 12,045</u>

CITY OF JEROME, IDAHO  
 BUDGETARY COMPARISON SCHEDULE - SANITATION FUND  
 YEAR ENDED SEPTEMBER 30, 2009

	Original Budget	Final Budget	Actual	(Under) Budget
<u>REVENUE:</u>				
Charges for services .....	\$219,390	\$219,390	\$237,907	\$ 18,517
Miscellaneous .....	1,560	1,560	4,840	3,280
	<u>220,950</u>	<u>220,950</u>	<u>242,747</u>	<u>21,797</u>
<u>EXPENSES:</u>				
Salaries .....	66,543	66,543	62,311	(4,232)
Personnel benefits .....	20,652	20,652	18,934	(1,718)
Office supplies and postage .....	3,300	3,300	4,416	1,116
Operating supplies .....	1,800	1,800	1,656	(144)
Professional services .....	...	...	...	...
Advertising and publishing .....	...	...	...	...
Personnel training .....	...	...	46	46
Telephone .....	...	...	187	187
Utilities .....	...	...	263	263
Travel and meetings .....	...	...	...	...
Repairs .....	...	...	...	...
Purchased services .....	126,000	126,000	144,335	18,335
Medical services .....	50	50	...	(50)
Loss on uncollectible accounts .....	500	500	754	254
Miscellaneous .....	...	...	118	118
	<u>218,845</u>	<u>218,845</u>	<u>233,020</u>	<u>14,175</u>
OPERATING EARNINGS (LOSS) .....	<u>2,105</u>	<u>2,105</u>	<u>9,727</u>	<u>7,622</u>
<u>NONOPERATING REVENUE (EXPENSES):</u>				
Interest revenue .....	6,300	6,300	1,947	(4,353)
Net change in fair value of investments .....	...	...	301	301
Operating transfer out .....	(2,620)	(2,620)	(1,131)	1,489
	<u>3,680</u>	<u>3,680</u>	<u>1,117</u>	<u>(2,563)</u>
<u>EARNINGS (LOSS) .....</u>	<u>\$ 5,785</u>	<u>\$ 5,785</u>	<u>\$ 10,844</u>	<u>\$ 5,059</u>

Reconciliation of Earnings to Budget

Earnings .....	\$ 5,785	\$ 5,785	\$ 10,844	\$ 5,059
Net change in fair value of investments .....	...	...	(301)	(301)
Capital outlay .....	...	...	...	...
	<u>\$ 5,785</u>	<u>\$ 5,785</u>	<u>\$ 10,543</u>	<u>\$ 4,758</u>

CITY OF JEROME, IDAHO  
 BUDGETARY COMPARISON SCHEDULE - WATER FUND  
 YEAR ENDED SEPTEMBER 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>OPERATING REVENUE:</b>				
Charges for service .....	\$ 1,344,658	\$ 1,344,658	\$ 1,383,032	\$ 38,374
Miscellaneous .....	354,680	360,226	48,732	(311,494)
	<u>1,699,338</u>	<u>1,704,884</u>	<u>1,431,764</u>	<u>(273,120)</u>
<b>OPERATING EXPENSES:</b>				
Salaries .....	460,627	460,627	474,031	13,404
Personnel benefits .....	163,422	163,422	152,230	(11,192)
Office supplies and postage .....	5,500	5,500	7,778	2,278
Operating supplies .....	63,000	63,000	87,144	24,144
New equipment non-capital .....	2,500	2,500	..	(2,500)
Professional services .....	19,000	19,000	27,534	8,534
Advertising and publishing .....	3,700	3,700	467	(3,233)
Insurance and bonds .....	25,889	25,889	25,889	..
Travel and meetings .....	..	..	33	33
Dues .....	13,000	13,000	9,050	(3,950)
Personnel training .....	2,500	2,500	3,149	649
Telephone .....	5,600	5,600	6,184	584
Utilities .....	170,000	170,000	174,915	4,915
Gas and oil .....	25,000	25,000	29,851	4,851
Repairs .....	49,400	54,946	59,287	4,341
Other purchased services .....	13,200	13,200	5,113	(8,087)
Cost share with Jerome County .....	5,163	5,163	5,163	..
Uniforms .....	900	900	899	(1)
Medical services .....	450	450	903	453
Allowance for depreciation .....	..	..	127,478	127,478
Miscellaneous .....	..	..	994	994
Loss on uncollectible accounts .....	3,600	3,600	6,854	3,254
	<u>1,032,451</u>	<u>1,037,997</u>	<u>1,204,946</u>	<u>166,949</u>
<b>OPERATING EARNINGS (LOSS)</b> .....	<u>666,887</u>	<u>666,887</u>	<u>226,818</u>	<u>(440,069)</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>				
Sale of city property .....	..	..	..	..
Rental revenue .....	..	..	15,168	15,168
Interest revenue .....	7,000	7,000	17,128	10,128
Miscellaneous income .....	..	..	185	185
Amortization of bond issuance costs .....	..	..	(2,327)	(2,327)
Interest expense .....	(353,726)	(353,726)	(190,059)	163,667
Net change in fair value of investments .....	..	..	476	476
Operating transfer out .....	(39,338)	(39,338)	(34,715)	4,623
	<u>(386,064)</u>	<u>(386,064)</u>	<u>(194,144)</u>	<u>191,920</u>
<b>EARNINGS (LOSS)</b> .....	<u>\$ 280,823</u>	<u>\$ 280,823</u>	<u>\$ 32,674</u>	<u>\$ (248,149)</u>

Reconciliation of Earnings to Budget

Earnings .....	\$ 280,823	\$ 280,823	\$ 32,674	\$ (248,149)
Federal grants .....	..	6,585	..	(6,585)
Donations .....	..	..	37,491	37,491
Allowance for depreciation .....	..	..	127,478	127,478
Allowance for amortization .....	..	..	2,327	2,327
Principal on bonds payable .....	..	..	(161,287)	(161,287)
Net change in fair value of investments .....	..	..	(476)	(476)
Capital outlay .....	(1,216,376)	(1,222,961)	(133,400)	1,089,561
	<u>\$ (935,553)</u>	<u>\$ (935,553)</u>	<u>\$ (95,193)</u>	<u>\$ 840,360</u>

CITY OF JEROME, IDAHO  
BUDGETARY COMPARISON SCHEDULE - SEWER FUND  
YEAR ENDED SEPTEMBER 30, 2009

	Original Budget	Final Budget	Actual	(Under) Budget
<u>OPERATING REVENUE:</u>				
Charges for service .....	\$ 2,149,000	\$ 3,149,000	\$ 4,113,112	\$ 964,112
Miscellaneous .....	11,500	11,500	122,891	111,391
	<u>2,160,500</u>	<u>3,160,500</u>	<u>4,236,003</u>	<u>1,075,503</u>
<u>OPERATING EXPENSES:</u>				
Salaries .....	638,306	638,306	681,012	42,706
Personnel benefits .....	200,214	200,214	207,063	6,849
Office supplies and postage .....	4,500	4,500	5,659	1,159
Operating supplies .....	190,500	190,500	352,226	161,726
Professional services .....	37,000	37,000	79,167	42,167
Advertising and publishing .....	1,000	1,000	191	(809)
Insurance and bonds .....	25,889	25,889	25,889	...
Travel and meetings .....	...	...	...	...
Personnel training .....	3,000	3,000	1,727	(1,273)
Dues and subscriptions .....	1,200	1,200	730	(470)
Telephone .....	5,300	5,300	7,911	2,611
Utilities .....	206,500	206,500	336,940	130,440
Gas and oil .....	20,000	20,000	56,549	36,549
Repairs .....	52,500	52,500	89,112	36,612
Allowance for depreciation .....	...	...	321,181	321,181
Uniforms .....	2,000	2,000	1,660	(340)
Medical services .....	300	300	274	(26)
Personal services .....	62,500	62,500	340,412	277,912
Loss on uncollectible accounts .....	...	...	11,424	11,424
Miscellaneous .....	550	550	942	392
	<u>1,451,259</u>	<u>1,451,259</u>	<u>2,520,069</u>	<u>1,068,810</u>
<u>OPERATING EARNINGS (LOSS)</u> .....	<u>709,241</u>	<u>1,709,241</u>	<u>1,715,934</u>	<u>6,693</u>
<u>NONOPERATING REVENUE (EXPENSES):</u>				
Interest revenue .....	200,000	200,000	36,328	(163,672)
Sale of city property .....	...	...	...	...
Amortization of bond issuance costs .....	...	...	(2,507)	(2,507)
Interest expense .....	(685,200)	(685,200)	(369,516)	315,684
Net change in fair value of investments .....	...	...	4,701	4,701
Operating transfer out .....	(50,176)	(50,176)	(14,493)	35,683
	<u>(535,376)</u>	<u>(535,376)</u>	<u>(345,487)</u>	<u>189,889</u>
<u>EARNINGS (LOSS)</u> .....	<u>\$ 173,865</u>	<u>\$ 1,173,865</u>	<u>\$ 1,370,447</u>	<u>\$ 196,582</u>

Reconciliation of Earnings to Budget

Earnings .....	\$ 173,865	\$ 1,173,865	\$ 1,370,447	\$ 196,582
Federal grants .....	2,500,000	2,500,000	145,480	(2,354,520)
State grants .....	...	265,116	...	(265,116)
Donations .....	...	...	2,180,712	2,180,712
Allowance for depreciation .....	...	...	321,181	321,181
Allowance for amortization .....	...	...	2,507	2,507
Net change in fair value of investments .....	...	...	(4,701)	(4,701)
Capital outlay .....	(2,673,500)	(3,938,616)	(3,585,351)	353,265
Principal on bonds payable .....	...	...	(315,000)	(315,000)
	<u>\$ 365</u>	<u>\$ 365</u>	<u>\$ 115,275</u>	<u>\$ 114,910</u>

CITY OF JEROME, IDAHO  
BUDGETARY COMPARISON SCHEDULE - INFORMATION TECHNOLOGY FUND  
YEAR ENDED SEPTEMBER 30, 2009

	Original Budget	Final Budget	Actual	(Under) Budget
<u>OPERATING REVENUE:</u>				
Charges for service .....	\$ ...	\$ ...	\$ ...	\$ ...
Miscellaneous .....	...	...	...	...
	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
<u>OPERATING EXPENSES:</u>				
Information Technology:				
Operating supplies .....	23,817	23,817	12,604	(11,213)
New equipment - non-capital .....	31,970	31,970	16,242	(15,728)
Professional services .....	87,902	87,902	62,173	(25,729)
Personnel training .....	10,364	10,364	6,255	(4,109)
	<u>154,053</u>	<u>154,053</u>	<u>97,274</u>	<u>(56,779)</u>
<u>OPERATING EARNINGS (LOSS)</u> .....	<u>(154,053)</u>	<u>(154,053)</u>	<u>(97,274)</u>	<u>56,779</u>
<u>NONOPERATING REVENUE (EXPENSES):</u>				
Operating transfer in .....	250,453	250,453	97,274	(153,179)
	<u>250,453</u>	<u>250,453</u>	<u>97,274</u>	<u>(153,179)</u>
<u>EARNINGS (LOSS)</u> .....	<u>\$ 96,400</u>	<u>\$ 96,400</u>	<u>\$ ...</u>	<u>\$ (96,400)</u>

Reconciliation of Earnings to Budget

Earnings .....	\$ 96,400	\$ 96,400	\$ ...	\$ (96,400)
Capital outlay .....	(96,400)	(96,400)	...	96,400
	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>

CITY OF JEROME, IDAHO  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2009

**NOTE 1 - BUDGETARY INFORMATION**

**A) Budgetary-GAAP Reporting Reconciliation**

The accompanying Budgetary Comparison Schedules for the General, Street, Library and Parks 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, Sewer and Information Technology 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) Excess of Expenditures Over Revenue**

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

CITY OF JEROME, IDAHO  
 SCHEDULE OF EXPENDITURES BY OBJECT AND FUNCTION  
 GENERAL FUND  
 YEAR ENDED SEPTEMBER 30, 2009

	<u>Legislative</u>	<u>Executive</u>	<u>Finance and Administration</u>	<u>Law Enforcement</u>	<u>Fire Control</u>	<u>Building Inspection</u>	<u>Animal Control</u>	<u>Total</u>
Current:								
Salaries .....	\$ 24,000	\$ 12,000	\$ 90,705	\$ 824,471	\$478,127	\$ 89,890	\$ 39,016	\$1,558,209
Personnel benefits .....	21,356	6,883	41,200	258,317	224,067	25,527	10,397	587,747
Office supplies .....	...	...	2,129	1,152	880	172	...	4,333
Supplies .....	...	...	12,682	11,310	26,484	484	2,372	53,332
Ammunition .....	...	...	...	3,335	...	...	...	3,335
New equipment - non-capital .....	...	...	2,565	3,708	5,238	...	...	11,511
Public relations .....	...	...	23,830	...	...	...	...	23,830
Professional services .....	...	...	141,505	1,267	202	10	7	142,991
Advertising and publishing .....	...	...	3,749	2,479	5,559	2,175	...	13,962
Insurance .....	...	...	31,769	627	...	...	...	32,396
Travel and meetings .....	2,307	1,394	...	...	...	...	...	3,701
Dues and subscriptions .....	...	...	10,418	2,894	1,730	280	60	15,382
Personnel training .....	...	...	9,548	15,420	12,125	1,196	150	38,439
Telephone .....	...	548	10,637	15,940	11,977	1,226	791	41,119
Utilities .....	...	...	9,636	4,828	13,311	...	3,170	30,945
Gas and oil .....	...	...	...	26,650	10,335	1,177	926	39,088
Repairs .....	...	...	14,515	42,477	50,728	156	1,278	109,154
Other purchased services .....	...	...	15,855	...	1,542	...	...	17,397
Cost share with Jerome County .....	...	...	...	87,776	10,327	...	...	98,103
Uniforms .....	...	...	...	8,559	4,852	...	417	13,828
Election expense .....	...	...	251	...	...	...	...	251
Medical services .....	...	...	75	1,145	3,363	...	812	5,395
Crime prevention .....	...	...	...	2,131	...	...	...	2,131
Drug dog expense .....	...	...	...	59	...	...	...	59
Miscellaneous .....	...	...	3,079	491	...	...	...	3,570
Total current .....	<u>47,663</u>	<u>20,825</u>	<u>424,148</u>	<u>1,315,036</u>	<u>860,847</u>	<u>122,293</u>	<u>59,396</u>	<u>2,850,208</u>
Capital outlay .....	...	...	550,547	93,716	419,525	15,864	14,553	1,094,205
Debt service .....	...	...	60,763	28,301	...	...	...	89,064
	<u>\$ 47,663</u>	<u>\$ 20,825</u>	<u>\$1,035,458</u>	<u>\$1,437,053</u>	<u>\$1,280,372</u>	<u>\$ 138,157</u>	<u>\$ 73,949</u>	<u>\$4,033,477</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>
2009	\$138,874	\$3,316,273	\$ ...	\$ 5,375	\$3,271,300	\$178,472
2008	105,812	2,860,952	...	3,343	2,824,547	138,874
2007	108,762	2,596,250	...	1,248	2,597,952	105,812
2006	122,127	2,359,795	...	899	2,372,261	108,762
2005	121,119	2,222,246	...	1,560	2,219,678	122,127
2004	122,906	2,216,551	...	3,736	2,214,602	121,119
2003	112,643	1,872,106	...	937	1,860,906	122,906
2002	103,587	1,719,353	...	3,789	1,706,508	112,643
2001	107,844	1,604,376	...	8,955	1,599,678	103,587
2000	113,938	1,488,393	...	3,714	1,490,773	107,844

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

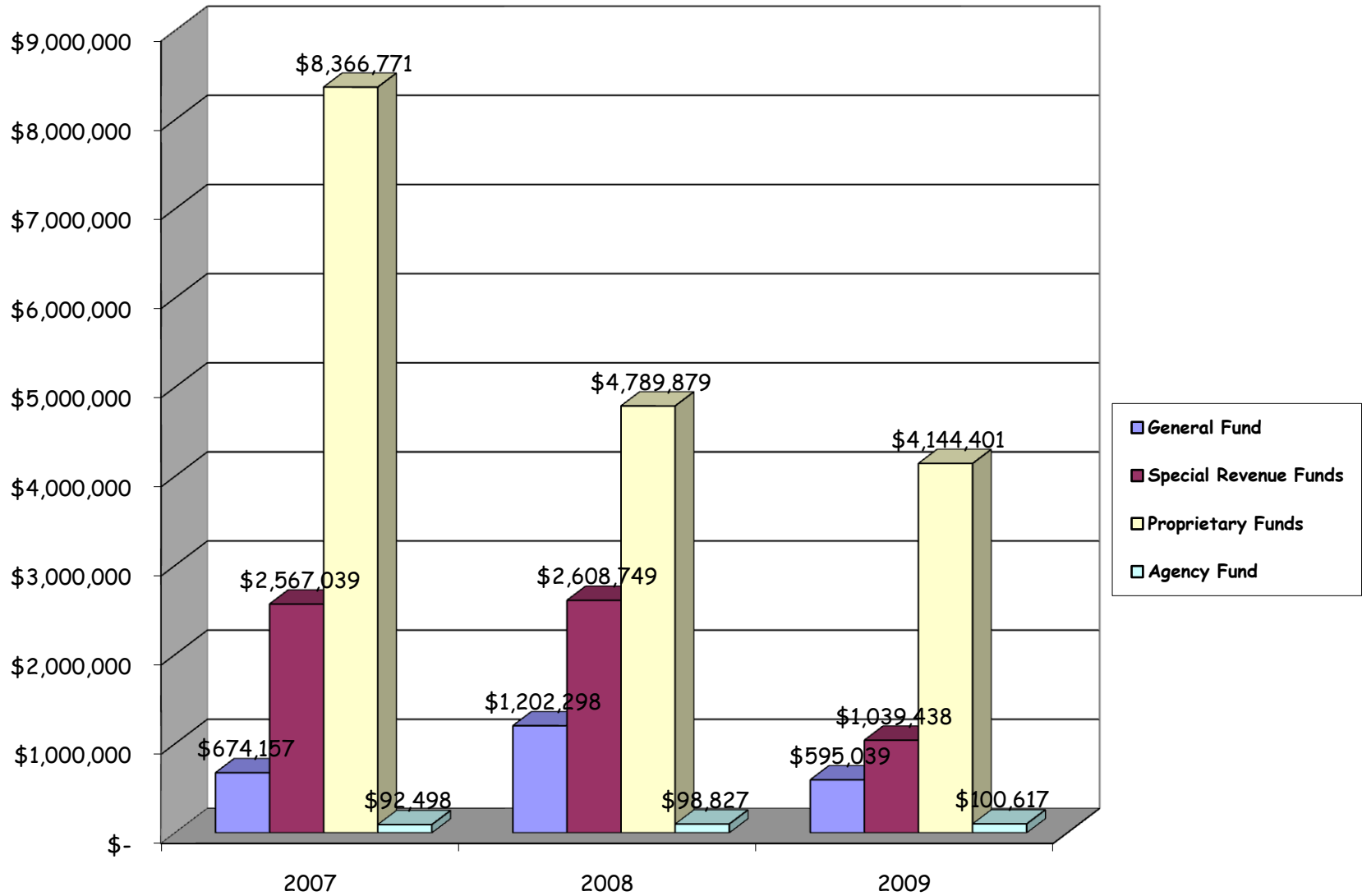
GOVERNMENTAL FUNDS:	Year Ended September 30,									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Legislative .....	47,663	\$ 45,084	\$ 39,906	\$ 38,910	\$ 37,278	\$ 37,418	\$ 35,702	\$ 34,637	\$ 32,964	\$ 34,370
Executive .....	20,825	20,169	20,456	17,231	14,055	14,101	13,862	13,113	10,699	11,129
Finance and administration .....	1,035,458	730,381	436,539	416,715	417,120	338,011	331,838	349,241	355,951	353,517
Law enforcement .....	1,437,053	1,189,322	1,047,177	1,050,796	966,841	928,714	1,055,529	847,028	795,924	713,044
Fire control .....	1,280,372	791,393	809,153	678,926	651,221	559,378	680,844	445,277	372,221	343,771
Building inspection .....	138,157	117,551	109,714	83,936	59,910	54,641	51,675	69,254	46,393	58,512
Animal control .....	73,949	59,322	54,224	49,357	48,839	45,503	46,793	43,627	54,002	44,117
Street .....	2,229,547	2,190,327	1,359,216	1,468,969	1,295,785	888,614	869,162	755,502	1,073,408	628,961
Library .....	288,919	244,929	232,562	1,106,791	357,041	215,286	202,200	176,655	173,843	206,513
Park .....	115,593	107,043	122,451	113,475	110,070	82,929	111,530	102,334	85,613	94,284
PROPRIETARY FUNDS:										
Irrigation .....	113,563	113,395	103,425	106,894	100,768	98,541	105,153	74,703	54,829	79,418
Sanitation .....	233,020	221,244	200,975	188,517	188,297	242,355	214,303	182,110	151,264	137,600
Water .....	1,397,332	1,278,054	1,129,144	1,282,056	1,019,160	971,474	1,010,850	847,481	779,657	692,139
Waste water treatment .....	2,892,092	2,189,962	1,807,185	1,504,554	1,220,595	1,146,466	1,311,317	1,412,910	1,270,201	1,249,626
Information technology .....	97,274	142,678	123,357	98,890	63,013	95,954	115,444	100,583	...	...
	<u>\$11,400,817</u>	<u>\$9,440,854</u>	<u>\$7,595,484</u>	<u>\$8,206,017</u>	<u>\$6,549,993</u>	<u>\$5,719,385</u>	<u>\$6,156,202</u>	<u>\$5,454,455</u>	<u>\$5,256,969</u>	<u>\$4,647,001</u>

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

	Year Ended September 30,									
<u>GOVERNMENTAL FUNDS:</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Property tax and penalties ...	\$ 2,674,442	\$ 2,258,464	\$ 2,042,103	\$1,831,141	\$1,648,806	\$1,672,013	\$1,550,673	\$1,470,260	\$1,498,536	\$1,468,025
Intergovernmental .....	1,149,548	1,279,161	3,555,464	1,530,817	1,408,204	1,240,355	1,056,460	1,118,220	1,270,134	990,280
Charges for services and taxable sales .....	6,361	7,193	6,750	6,499	6,702	4,567	4,643	4,729	4,588	4,451
Interest .....	33,458	113,181	62,693	34,711	21,298	14,962	22,003	49,110	120,587	94,055
Contributions .....	413,392	740,573	80,633	328,998	110,268	27,916	975,094	...	...	...
Other .....	503,201	1,461,614	919,440	685,333	447,534	233,524	340,245	235,766	200,107	227,979
	<u>4,780,402</u>	<u>5,860,186</u>	<u>6,667,083</u>	<u>4,417,499</u>	<u>3,642,812</u>	<u>3,193,337</u>	<u>3,949,118</u>	<u>2,878,085</u>	<u>3,093,952</u>	<u>2,784,790</u>
<u>PROPRIETARY FUNDS:</u>										
Charges for services .....	6,034,733	4,649,647	3,822,388	3,199,392	2,964,549	2,996,826	2,821,199	2,595,076	2,499,063	2,408,281
Interest .....	57,617	225,008	587,613	273,850	80,847	50,789	63,677	78,519	66,611	52,397
Other .....	21,159	32,556	223,388	232,880	137,065	404,910	77,941	298,006	74,707	46,519
	<u>6,113,509</u>	<u>4,907,211</u>	<u>4,633,389</u>	<u>3,706,122</u>	<u>3,182,461</u>	<u>3,452,525</u>	<u>2,962,817</u>	<u>2,971,601</u>	<u>2,640,381</u>	<u>2,507,197</u>
	<u>\$10,893,911</u>	<u>\$10,767,397</u>	<u>\$11,300,472</u>	<u>\$8,123,621</u>	<u>\$6,825,273</u>	<u>\$6,645,862</u>	<u>\$6,911,935</u>	<u>\$5,849,686</u>	<u>\$5,734,333</u>	<u>\$5,291,987</u>

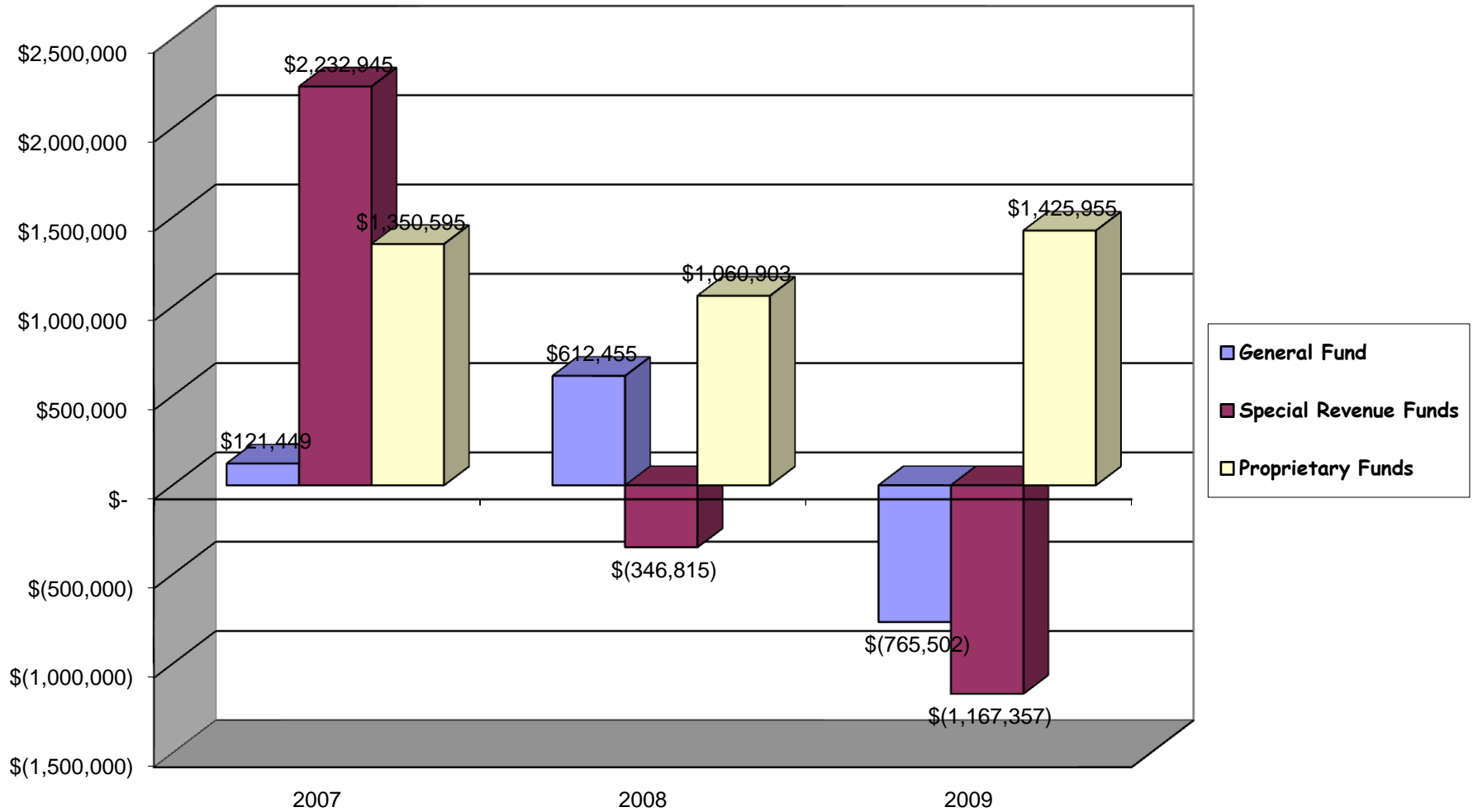
# City of Jerome, Idaho

## Balances of Cash & Investments at September 30



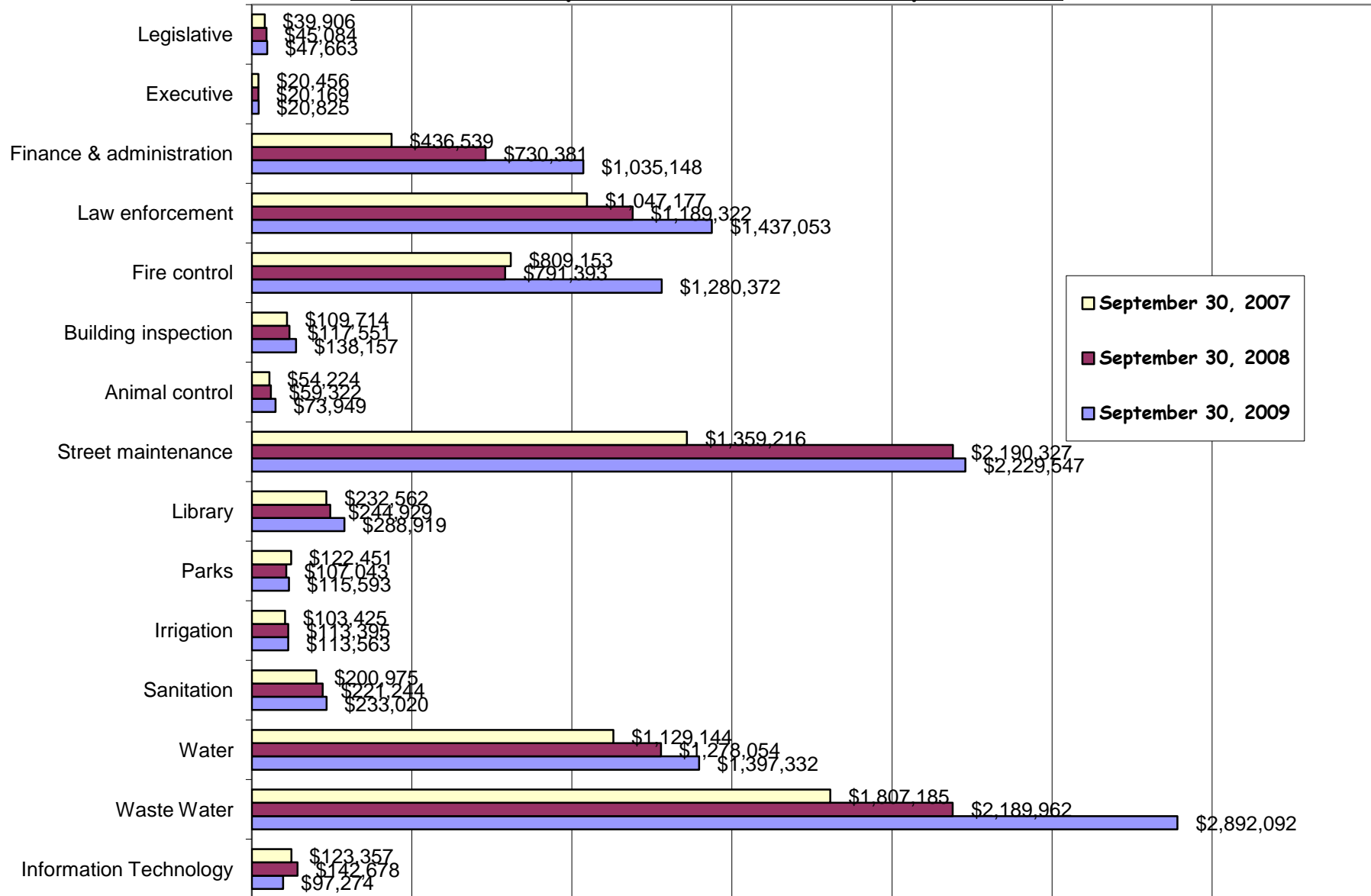
# City of Jerome, Idaho

## Excess (Deficiency) of Revenue Over Expenditures



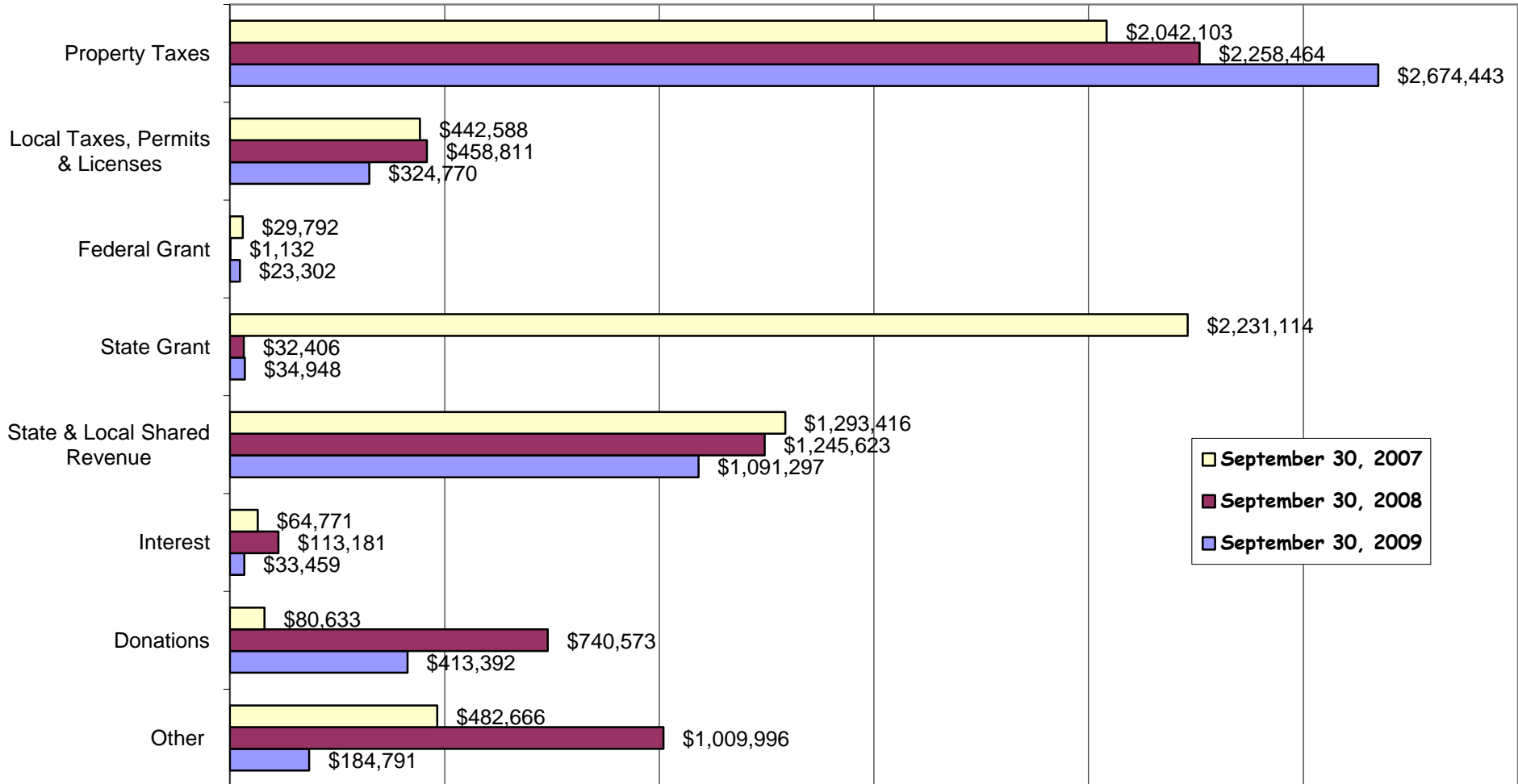
# City of Jerome, Idaho

## General And Special Revenue Fund Expenditures



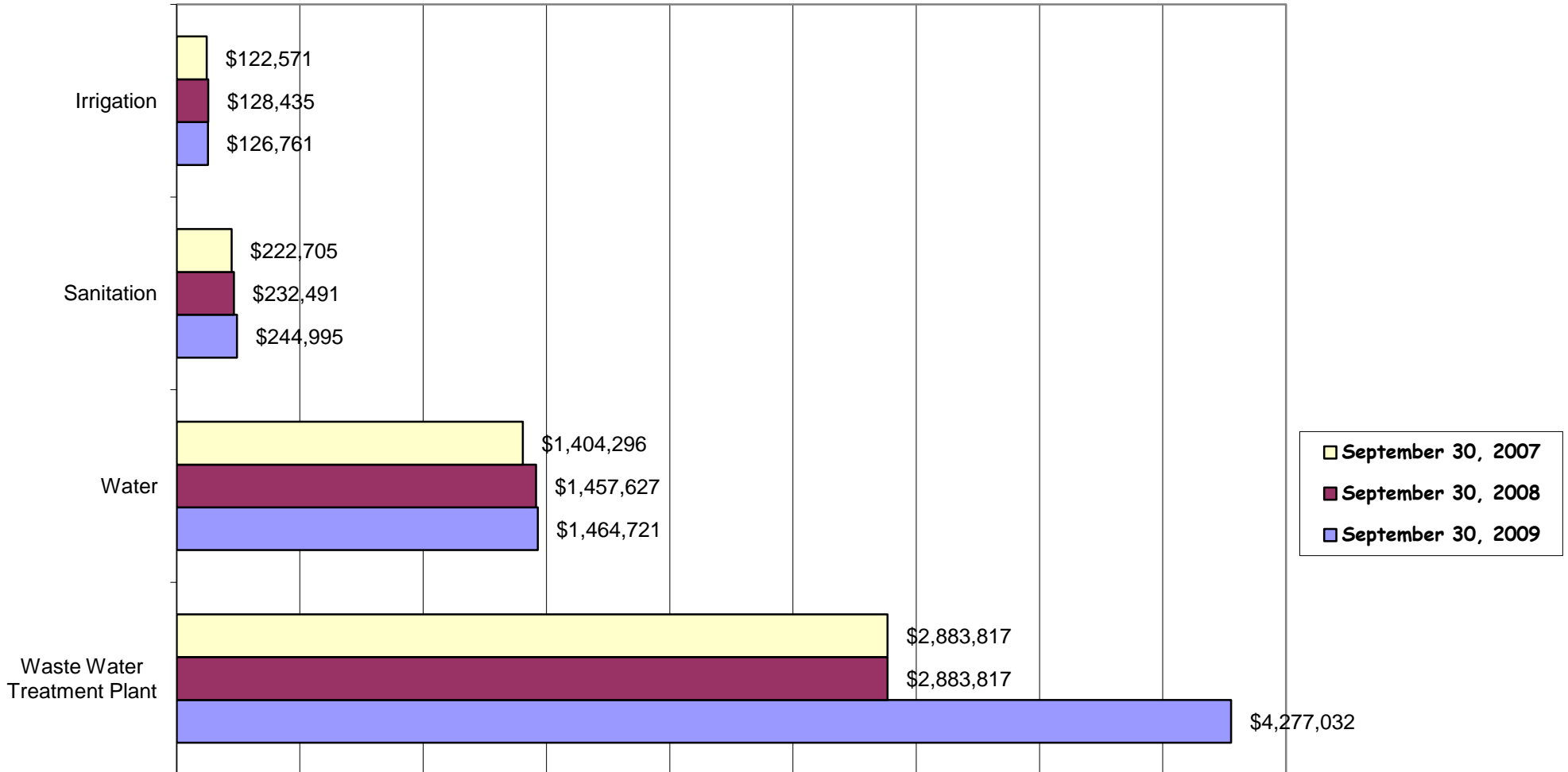
# City of Jerome, Idaho

## General and Special Revenue Fund Revenues



# City of Jerome, Idaho

## Proprietary Fund Revenues



# Rexroat, Harberd & Assoc., P.A.

## Certified Public Accountants

P.O. Box 7 - 125 North Buchanan - Jerome, Idaho 83338  
Telephone 208-324-2351 Fax 208-324-8266

March 23, 2010

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 the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Jerome, Idaho, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 23, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the fact that material errors were made in year-end accrual calculations, and only discovered during the audit, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency listed above is a material weakness.

The City's response to the findings identified in our audit is described below.

*Response of the City of Jerome:* "In light of the control deficiency and material weakness found by the auditor, the City of Jerome acknowledges these discoveries and is actively working to improve its financial controls and accounting practices to eliminate the same in the future. The City of Jerome recognized and anticipated that this was a very real potentiality during the transition to hiring its own certified public accountant on staff to prepare the financial statements in-house. A certified public accountant was hired as the new finance director at the end of fiscal year 2008-2009 and lacked the time and training necessary to become familiar with the entire scope of the City's financial activities while also preparing the financial statements for the expiring fiscal year. The City is optimistic that it now has the resources, experience and accounting practices in place to minimize and eliminate any control deficiencies or material weaknesses in future financial reports."

*Auditor Evaluation of the Response of the City of Jerome:* The response of the City of Jerome is consistent with the report's findings and conclusions.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the findings identified in our audit is described above. We did not audit the response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rexroat, Harberd & Assoc., P.A.