

**CITY OF IONE**  
**FINANCIAL STATEMENTS**

---

**JUNE 30, 2008**

**CITY OF IONE**  
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*The Accounting Office of:*  
*Larry Bain, CPA*  
2148 Frascati Drive  
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**INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Lone  
Lone, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lone, California, as of and for the year ended June 30, 2008 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, 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 opinion.

Because the City did not maintain a summary schedule of the amounts recorded in general fund accounts receivable and the deposits from others liability accounts, we were unable to satisfy ourselves as to the amount recorded in these accounts. The amount of assets represented by this scope limitation was \$200,634, which represents 9% of general fund assets. The amount of general fund liabilities represented by this scope limitation was \$-111,463, and \$359,352 in the fire building fund which represents 75% of fire building fund current liabilities. The effect on revenues, expenses and fund equity is unknown, because we were unable to audit the beginning balances due to this scope limitation.

Because the City backdated checks after fiscal year end and offset these checks to accounts payables, cash and accounts payable are each understated \$161,996. The understatement of assets and liabilities for each fund is not known because each check can be coded to multiple funds.

In our opinion, except for the effects of such adjustments, if any, had we been able to audit the accounts receivables and deposits liability accounts, or had we been able to satisfy ourselves as to those financial activities by other auditing procedures, and except for the effect on cash and accounts payables as a result of backdating checks, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lone, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued under separate cover our report dated March 9, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 of 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 should be read in conjunction with this report in considering the results of our audit.

The Management Discussion and Analysis (MD&A) and the required supplementary information other than MD&A, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules and the statistical data are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the City of Ione, California. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards, have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not audit the statistical data and therefore express no opinion on it.

A handwritten signature in black ink, appearing to read "Larry Bain". The signature is fluid and cursive, with a large, stylized "L" and "B".

**Larry Bain, CPA**

March 9, 2009

**City of Ione**  
**Required Supplementary Information**  
**Management's Discussion and Analysis**  
**June 30, 2008**

This section of the City of Ione's annual financial report presents an analysis of the City's financial performance during the fiscal year ended June 30, 2008. This information is presented in conjunction with the audited basic financial statements, which follows this section.

**FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2007-08**

- The City's net assets were \$46,406,513 at June 30, 2008. Net assets increased \$39,460,062 or 85%. Capital assets inclusion in the financial statements during the current year accounted for the large increase. Of the total net assets, \$5,612,391 is unrestricted and may be used to meet ongoing obligations to citizens and creditors.
- Total cash and investments decreased \$1,086,133 or 18% to \$6,219,962. Of total cash, \$3,524,882 is restricted for specific activities.
- As of June 30, 2008, the City's governmental funds reported combined fund balance of \$4,612,006. Of which, \$4,168,279 is available to meet the City's current and future needs (unreserved fund balance). In comparison, Fiscal Year 2006-07 had a combined fund balance of \$5,221,282. Six major funds make up the governmental funds. They are: General Fund, Gas Tax, Police and Fire Impact Fees and two Housing Grant funds.
- The General Fund fund balance increased \$234,683 or 14% to \$1,971,118 as of June 30, 2008. All of the fund balance is unrestricted and may be used to meet ongoing obligations to citizens and creditors.
- The General Fund cash balance decreased \$204,459 or 10% to \$1,786,135. Projects funded by the gas tax fund included \$505,716 for East Main Street reconstruction, \$219,876 for slurry seal and \$61,157 for street striping.
- Police vehicle expenditures totaled \$23,139 and fire facility expenditures totaled \$125,801.
- Housing acquisition loans to first-time homebuyers totaled \$761,566 including administrative costs.
- The City's proprietary funds (sewer) net assets increased \$7,141,153 or 81% to \$8,850,510. Cash decreased \$79,932, or 10% to \$719,103. The sewer capital fund and tertiary plant accounted for the majority of the cash decrease. For the past three years the City has been making improvements as well as planning improvements to its sewer plant.
- The City's long-term debt, not including compensated absences, decreased by \$40,693 to \$0. The decrease resulted from the pay off of the Howard Park note payable, which was paid off one year in advance. The City's long term debt to net assets ratio (ltd) is 0%, not including compensated absences.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components, government – wide financial statements, fund financial statements and notes to the basic financial statements. This report also includes additional required supplementary information in addition to the basic financial statements.

**City of Ione**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2008**

**REQUIRED FINANCIAL STATEMENTS**

**Government – Wide Financial Statements** are designed to provide readers with a broad overview of City finances, in a manner similar to a private-sector business.

The Statement of Net Assets includes information on the City's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to City creditors (liabilities). 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.

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

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other function that are intended to recover all or A portion of their costs through user fees and charges (business type activities). The governmental activities of the City include general government, public safety, community development, public works, streets and roads, parks and recreation. The business-type activities are sewer.

**Fund Financial Statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and to demonstrate finance-related legal compliance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** – are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as of balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changed in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities.

**Proprietary funds** – The City charges customers for the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. The City of Ione maintains three individual enterprise funds. The City uses enterprise funds to account for its sewer enterprises. The funds provide the same type of information as the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for the sewer, which is considered a major fund of the City.

**City of Ione**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2008**

***Fiduciary funds*** – are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The City of Ione maintains four fiduciary or agency funds. They are: community facilities district (CFD 2005-1 and 2005-2), regional traffic mitigation, developer deposits and fire.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's budgetary comparative information for its major governmental funds. Also the funding progress of the City's pension is presented as required supplementary information.



**City of Ione**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2008**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**

The City's Condensed Statement of Net Assets is presented as follows.

	June 30, 2008			June 30, 2007		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other Assets	\$ 7,114,625	\$ 1,079,587	\$ 8,194,212	\$ 7,033,613	\$ 1,824,830	\$ 8,858,443
Capital Assets	32,897,366	7,801,416	40,698,782	-	-	-
<b>Total Assets</b>	<b>\$40,011,991</b>	<b>\$ 8,881,003</b>	<b>\$48,892,994</b>	<b>\$ 7,033,613</b>	<b>\$ 1,824,830</b>	<b>\$ 8,858,443</b>
Liabilities						
Current/non current	\$ 2,455,989	\$ 30,492	\$ 2,486,481	\$ 1,796,519	\$ 115,473	\$ 1,911,992
<b>Total Liabilities</b>	<b>2,455,989</b>	<b>30,492</b>	<b>2,486,481</b>	<b>1,796,519</b>	<b>115,473</b>	<b>1,911,992</b>
Net Asset:						
Invested in capital assets, net	32,897,366	7,801,416	40,698,782	-	-	-
Net assets restricted	-	95,340	95,340	-	965,180	965,180
Unrestricted net assets	4,658,636	953,755	5,612,391	5,237,094	744,177	5,981,271
<b>Total Net Assets</b>	<b>\$37,556,002</b>	<b>\$ 8,850,511</b>	<b>\$46,406,513</b>	<b>\$ 5,237,094</b>	<b>\$ 1,709,357</b>	<b>\$ 6,946,451</b>

The City's near-term financing situation, as measured by the current ratio (current assets divided by current liabilities), decreased. The ratio decreased over the two year period from 4.96 to 2.86 or 42%. Values greater than 1.00 are considered good.

The City's overall financial position, as measured by net assets, \$39,460,062 or 85%. Compliance with GASB 34 accounted for the increase. The major component of net assets is invested in capital assets. Unrestricted net assets are \$5,612,391 and represent the amount available for future operations. Unrestricted net assets decreased and governmental business-type activities accounted for all of the decrease.

**City of Ione**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2008**

**Statement of Activities**

The City's Condensed Statement of Activities is presented as follows.

	June 30, 2008			June 30, 2007		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Charges for services	\$ 299,817	\$ 1,021,218	\$ 1,321,035	\$ 525,011	\$ 900,382	\$ 1,425,393
Capital grants and contributions	767,557	8,020	775,577	426,548	113,843	540,391
Operating grants	1,109,901	-	1,109,901	578,453		578,453
General Revenue:						
Property taxes and assessments	699,744		699,744	600,120		600,120
Sales and use tax	165,814		165,814	158,726		158,726
Other taxes	904,452		904,452	817,460		817,460
Interest income	245,640	44,726	290,366	329,541	92,000	421,541
<b>Total Revenue</b>	<b>4,192,925</b>	<b>1,073,964</b>	<b>5,266,889</b>	<b>3,435,859</b>	<b>1,106,225</b>	<b>4,542,084</b>
Expenses:						
Governmental activities:						
General government	735,606	-	735,606	612,479	-	612,479
Public safety	1,479,048	-	1,479,048	1,685,025	-	1,685,025
Community development	761,567	-	761,567	129,135	-	129,135
Public Works	252,321	-	252,321	247,592	-	247,592
Streets and roads	253,788	-	253,788	257,147	-	257,147
Parks and recreation	450,605	-	450,605	379,339	-	379,339
Business-type activities:						
Wastewater	-	1,870,788	1,870,788	-	2,127,770	2,127,770
<b>Total Expense</b>	<b>3,932,935</b>	<b>1,870,788</b>	<b>5,803,723</b>	<b>3,310,717</b>	<b>2,127,770</b>	<b>5,438,487</b>
<b>Change in net assets</b>	<b>259,990</b>	<b>(796,824)</b>	<b>(536,834)</b>	<b>125,142</b>	<b>(1,021,545)</b>	<b>(896,403)</b>
Net Assets:						
Beginning	37,224,928	9,655,599	46,880,527	5,104,262	2,729,657	7,833,919
Prior period adjustment	71,084	(8,265)	62,819	7,690	1,245	8,935
<b>Ending</b>	<b>\$ 37,556,002</b>	<b>\$ 8,850,510</b>	<b>\$ 46,406,512</b>	<b>\$ 5,237,094</b>	<b>\$ 1,709,357</b>	<b>\$ 6,946,451</b>

The statement of activities, identify the various revenue and expense items which affect the change in net assets. Total revenues increased \$724,805 or 16% to \$5,266,889 while total expenses also increased \$365,236 or 7% to \$5,803,723. With the inclusion of capital assets, the net assets increased. The increase to revenues was due to the decline in charges for services, a decline in interest income, offset by increases to capital and operating grants. Expenses exceeded revenues by \$536,834. Business-type activities (sewer) accounted for the decrease. Included in the \$1,870,788 sewer expenses are \$404,757 for biosolids removal and \$263,967 professional services. For the past three years, the City has been making improvements as well as planning improvements to its sewer plant to meet projected growth as well as comply with SWRCB requirements. As discussed previously, the City's net assets increased during the fiscal year with the inclusion of capital assets.

For more information please see the financial statements and the notes to the financial statements.

**City of Ione**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2008**

**FUNDS FINANCIAL ANALYSIS**

As noted earlier, the City uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental funds.*** The general government functions are contained in the general, special revenue and capital project funds. The focus of the City's governmental funds is to provide information on near-term inflow, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For more information please see pages 13 and 15 of the audit report.

***Proprietary funds.*** The proprietary funds (sewer) provide the same type of information found in the government-wide financial statements, but in more detail.

The combined funds near-term financing situation, as measured by the current ratio (current assets divided by current liabilities), increased. The ratio decreased over the two year period from 14.44 to 4.19 or 71%. Values greater than 1.00 are considered good. The major component of net assets is unrestricted. Unrestricted net assets represent the amount available for future operations. Unrestricted net assets increased \$209,580.

For more information please see pages 17 through 19 of the audit report.

**Budgetary Highlights**

General fund revenues for the 2007-08 fiscal year were budgeted at \$1,930,672. The actual revenues were \$2,436,140 which is a favorable variance of \$505,468 or 26%. The majority of the variance was due to receipt of \$400,000 in Prop 1B funds, \$67,072 in taxes and \$30,643 in other miscellaneous revenues in comparison to budget. Conversely, licenses and permits and charges for current services were less than budget, \$33,490 and \$4,529 respectively.

General fund expenditures were budgeted at \$2,400,030. The actual amount expended was \$2,191,785 or \$208,245 and 9% less than budget. The lesser amount of budgeted expenditures was due to the city council, finance/treasure, city attorney, planning, building, and engineering, mechanic, special projects departments and parks and recreation. Conversely, administration, city clerk, maintenance and police department are over budget.

For more information please see pages 37 and 38 of the audit report.

**City of Ione**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2008**

**CAPITAL ASSETS**

For fiscal year ending June 30, 2008, the City has completed the required GASB 34 study and the results have been incorporated into this year's audit. The City has prepared a listing of historical cost for general and enterprise fund infrastructure and fixed assets and a depreciation schedule for infrastructure and fixed assets in accordance with governmental accounting standards board statement (GASB) 34. As a result, information on the components, additions and deletions is presented in the footnotes to the financial statements. Because this is the first year of presenting capital assets in the management discussion and analysis, information for June 30, 2007 is not presented. Following is a summary of capital assets and accumulated depreciation:

	Governmental Activities		Business-type Activities		Total Government	
	6/30/2008	6/30/2007	6/30/2008	6/30/2007	6/30/2008	6/30/2007
Land	\$ 29,696,609	\$ -	\$ 3,873,444	\$ -	\$ 33,570,053	\$ -
Construction in progress	623,144	-	-	-	623,144	-
Structures	1,575,360	-	1,460,111	-	3,035,471	-
Site improvements	814,632	-	446,396	-	1,261,028	-
Vehicles and equipment	1,543,646	-	446,125	-	1,989,771	-
Infrastructure	628,088	-	3,838,893	-	4,466,981	-
Accumulated depreciation	(1,984,113)	-	(2,263,553)	-	(4,247,666)	-
Total Capital Assets, Net	\$ 32,897,366	\$ -	\$ 7,801,416	\$ -	\$ 40,698,782	\$ -

As of June 30, 2008 the City's investment in capital assets totaled \$40,698,782 net of accumulated depreciation. The investment in capital assets includes police and fire vehicles and equipment, land, site improvements, buildings and sewer assets. The capital assets are presented in the government-wide statement of net assets. The City is in compliance with GASB 34 as of 6/30/2008.

**LONG -TERM DEBT**

As of June 30, 2008, the City had \$69,997 in outstanding debt as reported in the statement of net assets. During the fiscal year there were no borrowings and the City made \$40,693 in principal payments to pay off of the Howard Park note payable, which was paid off one year early. The remaining outstanding debt represents the compensated absences. On August 28, 2008 the City entered into a capital lease in the principal amount of \$560,000 to partially finance the construction of the new Fire Station No. 2. The \$3,979 principal and interest portion of the lease payment is due monthly commencing on September 28, 2008 and the final payment is due August 28, 2028. The lease carries a nominal annual interest rate of 5.897%.

**City of Ione**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2008**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City Council adopted the City's 2007-08 Final Budget on August 21, 2007. During the past three fiscal years, the City has been making improvements as well as planning improvements to its sewer plant to meet projected growth as well as comply with SWRCB requirements. For the three years ending June 30, 2008, the City has spent \$2,211,339 in capital expenditures for the sewer plant. Planning for the sewer plant expansion continues still.

Since late 2006, the nation, state and local community has experienced a housing slowdown, credit market problems, big 3 auto maker's problems and the general economy has slowed significantly since the beginning of calendar year 2008 and is now in a recession.

Given the state of the economy and the State's budget woes, changes in local government's budgets may be necessary.

**ADDITIONAL FINANCIAL INFORMATION**

This financial report is designed to provide the City's customers, investors and other interested parties with an overview of the City's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wishes to request additional financial information, please contact the Finance Manager at the City of Ione, #1 Main Street, Ione, California 95640.

# CITY OF IONE

## Statement of Net Assets June 30, 2008 (With comparative totals as of June 30, 2007)

	Governmental Activities	Business-type Activities	Totals 2008	2007
Assets				
Cash and investments	\$ 1,975,977	\$ 719,103	\$ 2,695,080	\$ 2,933,905
Accounts receivables	529,088	109,173	638,261	550,408
Taxes receivable	1,864		1,864	35,261
Interest receivable	44,324	6,511	50,835	97,449
Restricted cash and investments	3,524,882		3,524,882	4,372,190
Total current assets	<u>6,076,135</u>	<u>834,787</u>	<u>6,910,922</u>	<u>7,989,212</u>
Non Current Assets				
Internal balances	(244,800)	244,800	-	-
Loans receivable	1,283,290		1,283,290	624,430
Capital assets				
Land	29,696,609	3,873,444	33,570,053	-
Construction in progress	623,144		623,144	-
Structures	1,575,360	1,460,111	3,035,471	-
Site improvements	814,632	446,396	1,261,028	-
Vehicles and equipment	1,543,646	446,125	1,989,771	-
Infrastructure	628,088	3,838,893	4,466,981	-
Accumulated depreciation	(1,984,113)	(2,263,553)	(4,247,666)	-
Total capital assets, net	<u>32,897,366</u>	<u>7,801,416</u>	<u>40,698,782</u>	<u>-</u>
Total Assets	<u>\$ 40,011,991</u>	<u>\$ 8,881,003</u>	<u>\$ 48,892,994</u>	<u>\$ 8,613,643</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 785,347	\$ 5,302	\$ 790,649	\$ 461,805
Deposits from others	247,889	13,500	261,389	404,850
Deferred revenue	1,353,949		1,353,949	722,925
Due to agency fund	10,497		10,497	-
Noncurrent liabilities:				
Due within one year	31,434	3,505	34,939	20,347
Due in more than one year	26,873	8,185	35,058	57,265
Total Liabilities	<u>2,455,989</u>	<u>30,492</u>	<u>2,486,481</u>	<u>1,667,192</u>
Net Assets				
Invested in capital assets net of related debt	32,897,366	7,801,416	40,698,782	
Restricted for capital replacement		95,340	95,340	965,180
Unrestricted	4,658,636	953,755	5,612,391	5,981,271
Total Net Assets	<u>\$ 37,556,002</u>	<u>\$ 8,850,511</u>	<u>\$ 46,406,513</u>	<u>\$ 6,946,451</u>

The accompanying notes are an integral part of these financial statements

**CITY OF IONE**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2008  
(With comparative totals for the fiscal year ended June 30, 2007)**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
Functions/programs	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants	Governmental Activities	Business-type Activities	Totals	
							2008	2007
Governmental Activities:								
General government	\$ 735,606	\$ 84,148	\$ 8,959	\$ -	\$ (642,499)	\$ -	\$ (642,499)	\$ (318,423)
Public safety	1,479,048	166,715	12,978	102,697	(1,196,658)		(1,196,658)	(1,078,914)
Community development	761,567			830,953	69,386		69,386	42,534
Public works	252,321	46,862		5,000	(200,459)		(200,459)	(113,898)
Streets and roads	253,788		474,371	171,251	391,834		391,834	28,201
Parks and recreation	450,605	2,092	271,249		(177,264)		(177,264)	(340,205)
Total Governmental Activities	3,932,935	299,817	767,557	1,109,901	(1,755,660)		(1,755,660)	(1,780,705)
Business-type Activities:								
Wastewater	1,870,788	1,021,218	8,020			(841,550)	(841,550)	(1,113,545)
Total Business-type Activities	1,870,788	1,021,218	8,020			(841,550)	(841,550)	(1,113,545)
Total Government	\$ 5,803,723	\$ 1,321,035	\$ 775,577	\$ 1,109,901	(1,755,660)	(841,550)	(2,597,210)	(2,894,250)
General Revenues:								
Taxes:								
Property taxes					699,744		699,744	600,120
Sales and use tax					165,814		165,814	158,726
Transient occupancy tax					4,616		4,616	516
Franchise tax					82,247		82,247	80,375
Motor vehicle in lieu tax					798,895		798,895	717,291
Other taxes					18,694		18,694	19,278
Investment income					245,640	44,726	290,366	421,541
Total general revenues					2,015,650	44,726	2,060,376	1,997,847
Change in net assets					259,990	(796,824)	(536,834)	(896,403)
Net assets - beginning (restated)					37,224,928	9,655,599	46,880,527	7,833,919
Prior Period Adjustment					71,084	(8,265)	62,819	8,935
Net assets - ending					\$ 37,556,002	\$ 8,850,510	\$ 46,406,512	\$ 6,946,450

The accompanying notes are an integral part of these financial statements

## CITY OF IONE

**Balance Sheet**  
**Governmental Funds**

**June 30, 2008**

**(With comparative totals as of June 30, 2007)**

			Police Services	Fire Services	06-Home		Other	Total Governmental	
	General	Gas Tax	Impact Fees	Impact Fees	CDBG	05-STBG	Nonmajor	2008	2007
Assets									
Cash and investments	\$ 1,786,135	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189,842	\$ 1,975,977	\$ 2,134,870
Receivables									
Accounts	200,634	49,635	370	381	113,950		164,118	529,088	439,594
Taxes	1,864							1,864	35,261
Interest	18,000	4,242	6,612	1,970			13,500	44,324	79,641
Due from other funds	309,412							309,412	96,225
Restricted cash and investments		915,093	863,994	230,719			1,515,076	3,524,882	3,719,817
Advances to other funds							43,000	43,000	
Loans receivable					456,485	383,077	443,728	1,283,290	624,430
Total Assets	\$ 2,316,045	\$ 968,970	\$ 870,976	\$ 233,070	\$ 570,435	\$ 383,077	\$ 2,369,264	\$ 7,711,837	\$ 7,129,838
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ 130,434	\$ 499,706	\$ -	\$ 120,798	\$ 27,145	\$ -	\$ 7,264	\$ 785,347	\$ 373,372
Due to other funds	10,497				88,209	245	220,957	319,908	96,225
Deposits from others	(111,463)			359,352				247,889	383,884
Deferred revenue	70,659	49,635			456,485	383,077	499,030	1,458,886	810,275
Total Current Liabilities	100,127	549,341		480,150	571,839	383,322	727,251	2,812,030	1,663,756
Long-term Liabilities									
Advances from other funds	244,800						43,000	287,800	244,800
Total Liabilities	344,927	549,341		480,150	571,839	383,322	770,251	3,099,830	1,908,556
Fund Balances									
Reserved for loans receivable							443,728	443,728	624,430
Unreserved, reported in									
General fund	1,971,118							1,971,118	1,736,435
Special revenue funds		419,629			(1,404)	(245)	654,149	1,072,129	1,622,469
Capital projects funds			870,976	(247,080)			501,136	1,125,032	1,237,948
Total Fund Balances	1,971,118	419,629	870,976	(247,080)	(1,404)	(245)	1,599,013	4,612,007	5,221,282
Total Liabilities and Fund Balances	\$ 2,316,045	\$ 968,970	\$ 870,976	\$ 233,070	\$ 570,435	\$ 383,077	\$ 2,369,264	\$ 7,711,837	\$ 7,129,838

The accompanying notes are an integral part of these financial statements



**CITY OF IONE**  
**Reconciliation of the Statement of the Balance Sheet**  
**To the Statement of Net Assets**  
**As of June 30, 2008**  
**(With comparative totals as of June 30, 2007)**

	<u>2008</u>	<u>2007</u>
Fund Balances of Governmental Funds	\$ 4,612,007	\$ 5,221,282
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	32,897,366	
Some liabilities, including long-term debt, compensated absences and deferred revenue are not due and payable in the current period and therefore are not reported in the funds.	<u>46,629</u>	<u>15,812</u>
Net assets of governmental activities	\$ <u><u>37,556,002</u></u>	\$ <u><u>5,237,094</u></u>

## CITY OF IONE

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2008**  
**(With comparative totals for the fiscal year ended June 30, 2007)**

	General	Gas Tax	Police Services Impact Fees	Fire Services Impact Fees	06-Home CDBG	05-STBG	Other Nonmajor Funds	Total Governmental	
								2008	2007
<b>Revenues</b>									
Taxes	\$ 871,834	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 871,834	\$ 771,736
Special assessment/impact fees			6,390	6,588			229,208	242,186	495,784
Licenses and permits	111,142							111,142	182,666
Use of money and property	162,662	29,158	36,561	10,902			73,338	312,621	387,808
Intergovernmental	1,215,555	97,908			479,592	270,325	309,724	2,373,104	1,274,032
Fines, forfeitures and penalties	16,034						19,664	35,698	63,551
Charges for current services	10,320							10,320	29,636
Other	48,593	(14,559)					2,094	36,127	182,211
<b>Total Revenues</b>	<b>2,436,140</b>	<b>112,507</b>	<b>42,951</b>	<b>17,490</b>	<b>479,592</b>	<b>270,325</b>	<b>634,027</b>	<b>3,993,032</b>	<b>3,387,424</b>
<b>Expenditures</b>									
Current:									
General government	665,643						167,043	832,686	654,323
Public ways and facilities/ transportation	215,446	246,015					16,350	477,811	415,889
Public safety	1,028,052		605	37,606			185,907	1,252,170	1,041,487
Community development	251,374				480,996	280,570		1,012,941	395,432
Capital Outlay	25,663	778,375	23,139	125,801			98,505	1,051,484	795,418
Debt service									
Principal	5,607						40,693	46,300	33,347
Interest								-	780
<b>Total Expenditures</b>	<b>2,191,785</b>	<b>1,024,391</b>	<b>23,744</b>	<b>163,407</b>	<b>480,996</b>	<b>280,570</b>	<b>508,499</b>	<b>4,673,392</b>	<b>3,336,676</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>244,355</b>	<b>(911,884)</b>	<b>19,207</b>	<b>(145,917)</b>	<b>(1,404)</b>	<b>(10,245)</b>	<b>125,528</b>	<b>(680,360)</b>	<b>50,748</b>
<b>Other financing sources</b>									
Operating transfers in	449,788	500,000				10,000	134,989	1,094,777	208,599
Operating transfers out	(494,297)						(600,480)	(1,094,777)	(208,599)
<b>Total Other Financing Sources (Uses)</b>	<b>(44,509)</b>	<b>500,000</b>				<b>10,000</b>	<b>(465,491)</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</b>	<b>199,846</b>	<b>(411,884)</b>	<b>19,207</b>	<b>(145,917)</b>	<b>(1,404)</b>	<b>(245)</b>	<b>(339,963)</b>	<b>(680,360)</b>	<b>50,748</b>
<b>Fund Balances, July 1, 2007</b>	<b>1,736,435</b>	<b>831,513</b>	<b>886,606</b>	<b>(101,163)</b>			<b>1,867,891</b>	<b>5,221,282</b>	<b>5,162,844</b>
<b>Prior period adjustments</b>	<b>34,837</b>		<b>(34,837)</b>				<b>71,084</b>	<b>71,084</b>	<b>7,690</b>
<b>Fund Balances, June 30, 2008</b>	<b>\$ 1,971,118</b>	<b>\$ 419,629</b>	<b>\$ 870,976</b>	<b>\$ (247,080)</b>	<b>\$ (1,404)</b>	<b>\$ (245)</b>	<b>\$ 1,599,012</b>	<b>\$ 4,612,006</b>	<b>\$ 5,221,282</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF IONE

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities For the Fiscal Year Ended June 30, 2008 (With comparative totals for the fiscal year ended June 30, 2007)

	2008	2007
Net Change in Fund Balances - Total Governmental Funds	\$ (680,360)	\$ 50,748
Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities. The costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:		
Cost of assets capitalized	1,051,484	
Capital contributions	182,303	
Depreciation expense	(324,254)	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	17,585	48,435
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	40,693	33,347
Changes in compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.	(27,461)	(7,388)
Change in net assets of governmental activities	\$ 259,990	\$ 125,142

The accompanying notes are an integral part of these financial statements.

# CITY OF IONE

## Statement of Net Assets

### Proprietary Funds

June 30, 2008

(With comparative totals as of June 30, 2007)

	Sewer O & M	Sewer Capital	Sewer Tertiary Plant	Totals	
				2008	2007
Current assets:					
Cash and investments	\$ 719,103	\$ -	\$ -	\$ 719,103	\$ 799,035
Receivables					
Accounts	55,693	53,480		109,173	110,814
Interest	6,245	266		6,511	17,808
Due from other funds	237,189			237,189	
Restricted cash and investments					652,373
Total current assets	<u>1,018,230</u>	<u>53,746</u>		<u>1,071,976</u>	<u>1,580,030</u>
Non Current Assets					
Advances to other funds		244,800		244,800	244,800
Capital assets					
Land	3,873,444			3,873,444	-
Construction in progress	-			-	-
Structures	1,460,111			1,460,111	-
Site improvements	446,396			446,396	-
Vehicles and equipment	446,125			446,125	-
Infrastructure	3,838,893			3,838,893	-
Accumulated depreciation	(2,263,553)			(2,263,553)	-
Total capital assets	<u>7,801,416</u>			<u>7,801,416</u>	<u>-</u>
Total Assets	<u>\$ 8,819,646</u>	<u>\$ 298,546</u>	<u>\$ -</u>	<u>\$ 9,118,192</u>	<u>\$ 1,824,830</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ (6,497)	\$ 11,545	\$ 254	\$ 5,302	\$ 88,433
Customer deposits	13,500			13,500	20,966
Due to other fund		191,661	45,528	237,189	
Total current liabilities	<u>7,003</u>	<u>203,206</u>	<u>45,782</u>	<u>255,991</u>	<u>109,399</u>
Noncurrent liabilities:					
Compensated absences	11,690			11,690	6,074
Total noncurrent liabilities	<u>11,690</u>			<u>11,690</u>	<u>6,074</u>
Total Liabilities	<u>18,693</u>	<u>203,206</u>	<u>45,782</u>	<u>267,681</u>	<u>115,473</u>
Net assets:					
Invested in capital assets net of related debt	7,801,416			7,801,416	
Restricted for capital replacement		95,340		95,340	965,180
Unreserved	999,537		(45,782)	953,755	744,177
Total Net Assets	<u>\$ 8,800,953</u>	<u>\$ 95,340</u>	<u>\$ (45,782)</u>	<u>\$ 8,850,511</u>	<u>\$ 1,709,357</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF IONE**

**Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2008  
(With comparative totals for the fiscal year ended June 30, 2007)**

	Sewer O & M	Sewer Capital	Nonmajor Sewer Tertiary Plant	Totals	
				2008	2007
Operating Revenues					
Charges for services	\$ 860,734	\$ -	\$ 146,761	\$ 1,007,495	\$ 890,599
Connection fees		8,020		8,020	113,843
Other	13,723			13,723	9,783
Total Operating Revenues	874,457	8,020	146,761	1,029,238	1,014,225
Operating Expenses					
Salaries and benefits	268,386			268,386	189,491
Services and supplies	471,837	756,290	166,179	1,394,306	1,187,671
Depreciation expense	208,096			208,096	750,608
Total Operating Expenses	948,319	756,290	166,179	1,870,788	2,127,770
Operating Income	(73,862)	(748,270)	(19,418)	(841,550)	(1,113,545)
Non-Operating Revenues (Expenses)					
Interest income	32,029	12,697	-	44,726	92,000
Total Non-Operating Revenues (Expenses)	32,029	12,697	-	44,726	92,000
Income (Loss) Before Transfers	(41,833)	(735,572)	(19,418)	(796,824)	(1,021,545)
Operating Transfers					
Operating transfers in	63,270			63,270	
Operating transfers out		(55,086)	(8,183)	(63,270)	
Net Operating Transfers	63,270	(55,086)	(8,183)	-	
Net Income (Loss)	21,437	(790,659)	(27,601)	(796,824)	(1,021,545)
Net Assets, July 1, 2007 (restated)	8,708,600	965,180	(18,181)	9,655,599	2,729,657
Prior Period Adjustments	70,917	(79,182)		(8,265)	1,245
Net Assets, June 30, 2008	\$ 8,800,953	\$ 95,340	\$ (45,782)	\$ 8,850,510	\$ 1,709,357

The accompanying notes are an integral part of these financial statements.

**CITY OF IONE**

**Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2008  
(With comparative totals for the fiscal year ended June 30, 2007)**

	Sewer O & M	Sewer Capital	Nonmajor Sewer Tertiary Plant	Totals	
				2008	2007
Cash Flows from Operating Activities					
Cash received from customers	\$ 847,627	\$ 15,660	\$ 160,126	\$ 1,023,413	\$ 934,359
Cash payments to suppliers	(479,370)	(825,771)	(180,560)	(1,485,701)	(2,142,864)
Cash payments to employees	(262,770)		-	(262,770)	(188,758)
Other cash received		191,661	45,528	237,189	-
Other cash paid	(237,189)			(237,189)	
Net Cash Provided By (Used For) Operating Activities	(131,702)	(618,450)	25,094	(725,058)	(1,397,263)
Cash Flows from Capital and Related Financing Activities					
Purchase of fixed assets		(55,086)	(8,183)	(63,270)	
Net Cash Used For Capital and Related Financing Activities		(55,086)	(8,183)	(63,270)	
Cash Flows from Investing Activities:					
Interest income	34,859	21,162	-	56,021	98,388
Net Cash Provided By Investing Activities	34,859	21,162	-	56,021	98,388
Net Increase (Decrease) in Cash and Cash Equivalents	(96,843)	(652,373)	16,911	(732,305)	(1,298,875)
Cash and Cash Equivalents, July 1, 2007	815,946	652,373	(16,911)	1,451,408	2,750,283
Cash and Cash Equivalents, June 30, 2008	\$ 719,103	\$ -	\$ -	\$ 719,103	\$ 1,451,408
Reconciliation of Cash and Cash Equivalents:					
Cash and investments	\$ 719,103	\$ -	\$ -	\$ 719,103	\$ 799,035
Restricted cash and investments				-	652,373
Total Cash and Cash Equivalents	\$ 719,103	\$ -	\$ -	\$ 719,103	\$ 1,451,408
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities					
Operating income (loss)	\$ (73,862)	\$ (748,270)	\$ (19,418)	\$ (841,550)	\$ (1,113,545)
Adjustments to operating income:					
Depreciation expense	208,096			208,096	
(Increase) decrease in accounts receivable	(19,364)	7,640	13,365	1,641	(52,894)
Increase in due from other funds	(237,189)			(237,189)	
Increase (decrease) in accounts payable	(78,450)	9,701	(14,381)	(83,130)	(204,585)
Increase (decrease) in customer deposits	(7,466)			(7,466)	(1,210)
Increase in due to other funds		191,661	45,528	237,189	
Increase in deferred revenue				-	(25,762)
Prior period adjustment	70,917	(79,182)		(8,265)	1,245
Increase (decrease) in compensated absences	5,616			5,616	(512)
Net Cash Provided By (Used For) Operating Activities	\$ (131,702)	\$ (618,450)	\$ 25,094	\$ (725,058)	\$ (1,397,263)

The accompanying notes are an integral part of these financial statements.

**CITY OF IONE**

**Statement of Fiduciary Assets and Liabilities - Agency Funds**

**June 30, 2008**

**(With comparative totals as of June 30, 2007)**

	<b>Agency Funds</b>				<b>Totals</b>	
	<u>Community Facilities Districts</u>	<u>Regional Traffic Mitigation</u>	<u>Fire Dept Agency Fund</u>	<u>Developer Deposits</u>	<u>2008</u>	<u>2007</u>
<u>Assets</u>						
Cash and investments	\$ 2,486,520	\$ 4,410	\$ 4,079	\$ (29,065)	\$ 2,465,944	\$ 2,476,872
Due from others	29,600	548		522,698	552,846	-
Due from other government				10,497	10,497	
Total Assets	<u>\$ 2,516,119</u>	<u>\$ 4,958</u>	<u>\$ 4,079</u>	<u>\$ 504,129</u>	<u>\$ 3,029,286</u>	<u>\$ 2,476,872</u>
<u>Liabilities</u>						
Deposits held for others	<u>\$ 2,516,119</u>	<u>\$ 4,958</u>	<u>\$ 4,079</u>	<u>\$ 504,129</u>	<u>\$ 3,029,286</u>	<u>\$ 2,476,872</u>
Total Liabilities	<u>\$ 2,516,119</u>	<u>\$ 4,958</u>	<u>\$ 4,079</u>	<u>\$ 504,129</u>	<u>\$ 3,029,286</u>	<u>\$ 2,476,872</u>

The accompanying notes are an integral part of these financial statements.

**City of Lone**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 1: Summary of Significant Accounting Policies

The City of Lone, California (the City) was incorporated in 1953, as a municipal corporation operating under the general laws of the State of California. The City operates under a Council-City Administrator form of government and provides the following services: general government, public works, public safety, parks and recreation, low income housing support and general administrative support.

The accounting policies of the City of Lone, California conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The City has defined its reporting entity in accordance with U.S. generally accepted accounting principles, which provides guidance for determining which governmental activities, organizations and functions should be included in the reporting entity. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. All such component units have been "blended" with the City's other fund types and account groups. All of the blended component units have June 30 year-ends.

Based upon the aforementioned oversight criteria, the following are the component units:

The Local Transportation Commission is a blended component unit and its activities are shown as a major special revenue fund (TDA) in the City's basic financial statements.

The Wildflower Community Facilities District is a blended component unit and its activities are shown as a non major special revenue fund.

B. Basis of Accounting

The government-wide, proprietary and agency fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue from sales tax is recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. The City considers property taxes available if they are collected within sixty-days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due.



**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting (Continued)

General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

When applicable, the City reports deferred revenue on its combined balance sheet. Deferred revenue arises when a potential revenue source does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to the occurrences of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has legal claim to the resources, deferred revenue is removed from the combined balance sheet and revenue is recognized.

C. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the City) and its blended component units. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Program revenues include 1) charges paid by the recipient of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in separate columns. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund - This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of general government type activities.

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Gas Tax Fund – This fund accounts for revenues and expenditures of street related projects funded by the highway users tax apportionment from the State of California.

Police Services Impact Fee – This fee is for the maintenance of police facilities, equipment, and vehicles. The fee is also for the cost of future new facilities and equipment necessary to accommodate future anticipated growth and development.

Fire Services Impact Fee – This fee is for the maintenance of fire facilities and vehicles. The fee is also for the cost of future new facilities and equipment necessary to accommodate future anticipated growth and development.

06-Home CDBG – This fund accounts for loans made to qualifying recipients through the CDBG Grant funding program for purchasing local homes.

05-STBG – This fund accounts for loans made to qualifying recipients through the STBG Grant funding program for purchasing local homes.

The City reports the following major enterprise funds.

Sewer Fund O & M and Capital Funds - account for the operation of the City's sewer utilities. Activities of these funds include administration, operation and maintenance of the water and sewer systems and billing and collection activities. These Funds also accumulate resources for future expansion. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the Funds.

The City also reports the following Fiduciary Fund type:

Agency Fund – is used to account for assets held by the City in an agency capacity for other governments, developers or landowners.

D. Use of Estimates

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

E. Cash Equivalents

For the purpose of the statement of cash flows, the City considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Restricted cash and unrestricted pooled cash and investments held by the City are considered cash equivalents for purposes of the combined statement of cash flow's because the City's cash management pool and funds invested by the City possess the characteristics of demand deposit accounts.

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 1: Summary of Significant Accounting Policies (Continued)

F. Fixed Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available, are reported in governmental activities column of the government-wide financial statements. Business type capital assets are recorded in the proprietary fund statement of net assets and the business-type activities column of the government-wide financial statements. Contributed fixed assets are valued at their estimated fair market value. Capital assets include land, buildings and site improvements, equipment and vehicles, and infrastructure. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements on the straight-line basis over the useful life of the assets as follows:

<u>Assets</u>	<u>Useful Life</u>
Buildings	20-30 years
Building improvements	10-15 years
Site improvements	15-20 years
Equipment and machinery	3-20 years
Infrastructure	7-50 years

G. Balance Sheet Classifications

Certain resources are classified as restricted assets as their use is restricted for specific purposes by bond agreements, lease agreements, trust agreements, grant agreements, City Charter provisions, or other requirements. Governmental fund types' restricted assets are for grant and bond agreements. Proprietary fund types' restricted assets are for renewal and replacement of equipment.

H. Property Tax

Amador County is responsible for assessing, collecting and distributing property taxes in accordance with enabling legislation. Revenue received is based on an allocation factor calculated by the County under the provisions of Proposition 13 plus a percentage of the increase in market value in specific areas. The City's property tax is levied each July 1 on the assessed values as of the prior January 1 for all real and personal property located in the City. Property sold after the assessment date (January 1) is reassessed and the amount of property tax levied is prorated.

Secured property taxes are due in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Unsecured property tax is levied on July 1 and due on July 31 and becomes delinquent on August 31.

Based on a policy by the County called the Teeter Plan, 100% of the allocated secured taxes are transmitted by the County to the City, eliminating the need for an allowance for uncollectible taxes. The County, in return, receives all penalties and interest on the related delinquent taxes.

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 1: Summary of Significant Accounting Policies (Continued)

I. Proprietary Fund Accounting

The City has elected, under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, not to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989.

J. Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations.

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures.

Restricted net assets for proprietary funds represent the net assets that have been legally identified for specific purposes.

K. Compensated Absences

City employees are granted vacation in varying amounts based on classification and length of service. Upon termination or retirement, the City is to pay 100% of the vacation time accrued. Upon retirement, the retiring employee shall have the option of being paid for accrued sick time or applying accrued sick time toward time in service for retirement purposes.

Governmental Funds – Governmental Funds record expenditures for compensated absences as they are taken by employees. A year-end accrual for compensated absences has not been made in the Governmental Funds as of June 30, 2008, because the City does not believe any of the available year-end resources will be required to fund the year-end compensated absences liability.

Proprietary Funds – Proprietary funds accrue a liability for unused compensated absences earned through year-end. An expense is recognized for the increase in liability from the prior year.

L. Intergovernmental Revenues

Federal and state governments reimburse the City for costs incurred on certain fixed asset construction projects under capital grant agreements. Amounts claimed under such grants are credited to intergovernmental revenues if the project is being administered by a Capital Projects Fund or to contributed capital if administered by a Proprietary Fund. Additionally, the City receives reimbursement from federal and state governments for other programs, such as housing and rehabilitation. These reimbursements are recorded in the fund administering the program as intergovernmental revenues with the related program costs included in expenditures.

The respective grant agreements generally require the City to maintain accounting records and substantiating evidence to determine if all costs incurred and claimed are proper and that the City is in compliance with other terms of the grant agreements. These records are subject to audit by the appropriate government agency. Any amounts disallowed will reduce future claims or be directly recovered from the City.

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 2: Cash and Investments

Cash and investments are classified in the financial statements as follows:

Cash and investments	\$2,821,466
Restricted cash and investments	<u>3,398,496</u>
Cash and investments, Statement of net assets	6,219,962
Cash and investments, Statement of fiduciary net assets	<u>2,458,440</u>
Total cash and investments	<u>\$8,678,402</u>

Cash and investments at June 30, 2008, consisted of the following:

General checking	\$ (250,921)
Payroll Checking	9,930
General savings	953,285
Cash on hand	400
Investments	<u>7,965,708</u>
Total cash and investments	<u>\$8,678,402</u>

A. Investments Authorized by the California Government Code and the Entity's Investment Policy

The table below identifies the **investment types** that are authorized for the City of Ione (City) by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address **interest rate risk, credit risk and concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Investment pools authorized under CA			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-Purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of and investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investment by maturity:

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 2: Cash and Investments (Continued)

B. Disclosures Relating to Interest Rate Risk (Continued)

Investment type	Totals	Remaining Maturity (in Months)			
		12 Months or Less	13-24 Months	25-36 Months	37-48 Months
State Investment Pool*	\$ 6,337,546	\$ 6,337,546	\$ -	\$ -	\$ -
Held by Trustee:					
Money Market Funds*	1,628,162	1,628,162			
Totals	<u>\$ 7,965,708</u>	<u>\$ 7,965,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\* Not subject to categorization

C. Concentrations of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secured deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the City's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2008, the City's deposits balance was \$1,064,640 and the carrying amount was \$712,294. The difference between the bank balance and the carrying amount was due to \$191,093 outstanding checks, \$161,996 backdated checks and \$743 deposits in transit. Of the bank balance, \$212,098 was covered by the Federal Depository Insurance and \$852,542 was covered by collateral held in the pledging bank's trust department in the City's name.

E. Investment in State Investment Pool

LAIF is included in the State's Pooled Money Investment Account. The total amount invested by all public agencies in the State's Pooled Money Investment Account approximates \$69.96 billion. Of the \$69.96 billion managed by the State Treasurer, 100.00% is invested in non-derivative financial products and 14.72% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute.

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The City reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Restated Balance 7/1/2007	Additions	Reductions	Adjustments	Balance 6/30/2008
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 29,696,609	\$ -	\$ -	\$ -	\$ 29,696,609
Construction in progress	126,288	623,144	126,288		623,144
Capital assets, being depreciated:					
Buildings and improvements	1,342,461	232,899			1,575,360
Site improvements	807,075	7,557			814,632
Equipment and vehicles	1,504,643	39,003			1,543,646
Infrastructure	170,616	457,472			628,088
Total capital assets, being depreciated	3,824,795	736,931			4,561,726
Less accumulated depreciation for:					
Buildings and improvements	(640,491)	(37,557)			(678,048)
Site improvements	(162,886)	(36,756)			(199,642)
Equipment and vehicles	(842,557)	(241,643)			(1,084,200)
Infrastructure	(13,925)	(8,298)			(22,223)
Total accumulated depreciation	(1,659,859)	(324,254)			(1,984,113)
Total capital assets, being depreciated net	4,367,215	412,677			2,577,613
Governmental activities capital assets, net	<u>\$ 34,190,112</u>	<u>\$1,035,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,897,366</u>
<b>Business-Type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 3,873,444	\$ -	\$ -	\$ -	\$ 3,873,444
Construction in progress	676,206		(676,206)		-
Capital assets, being depreciated:					
Buildings and improvements	1,460,111				1,460,111
Site improvements	446,396				446,396
Equipment and vehicles	437,941	8,184			446,125
Infrastructure	3,107,600	731,293			3,838,893
Total capital assets, being depreciated	5,452,048	739,477			6,191,525
Less accumulated depreciation for:					
Buildings and improvements	(473,471)	(37,499)			(510,970)
Site improvements	(264,395)	(22,585)			(286,980)
Equipment and vehicles	(211,841)	(50,900)			(262,741)
Infrastructure	(1,105,749)	(97,113)			(1,202,862)
Total accumulated depreciation	(2,055,456)	(208,097)			(2,263,553)
Total capital assets, being depreciated net	3,396,592	531,380			3,927,972
Business-type activities capital assets, net	<u>\$ 7,946,242</u>	<u>\$ 531,380</u>	<u>\$ (676,206)</u>	<u>\$ -</u>	<u>\$ 7,801,416</u>

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 3: Capital Assets (Continued)

Depreciation

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 26,651
Public safety	216,842
Public works	10,700
Parks	70,061
Total	<u>\$ 324,254</u>

Business-type activities:

Sewer	<u>\$ 208,097</u>
Total	<u>\$ 208,097</u>

Note 4: Long-term Debt

A summary of the changes in the City's governmental activities long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2008:

	Balance 6/30/2007	Additions	Adjustments/ Reductions	Balance 6/30/2008	Due w/in One Year
Note Payable	\$ 40,693	\$ -	\$ (40,693)	\$ -	\$ -
Compensated Absences	30,845	90,330	(62,868)	58,307	31,434
Total	<u>\$ 71,538</u>	<u>\$ 90,330</u>	<u>\$ (103,561)</u>	<u>\$ 58,307</u>	<u>\$ 31,434</u>

Governmental Activities:

Note Payable

On August 15, 1994 the City entered into an agreement to purchase 88.69 acres of land known as Howard Park. The loan is payable in 15 annual installments of \$20,347 and one balloon payment of \$244,800 due at the date which is fifteen years from the close of escrow. The terms of the agreement stipulate that the interest of 7.5% per year will be deferred and waived if all annual installments are paid on time. Furthermore paragraph 1d. of the agreement states that the seller sewer fee annexation charges of \$244,800 recorded November 9, 1990 in the official record of Amador County shall become a credit on the single balloon payment and in return the seller annexation charge payment will be waived. The note was paid off in the 2007-2008 fiscal year.

A summary of changes in the City's business-type activities long-term liabilities for the year ended June 30, 2008:

	Balance 7/1/2007	Additions	Adjustments/ Reductions	Balance 6/30/2008	Due w/in One Year
Compensated Absences	<u>\$ 6,074</u>	<u>\$ 12,625</u>	<u>\$ (7,009)</u>	<u>\$ 11,690</u>	<u>\$ 3,505</u>
Total	<u>\$ 6,074</u>	<u>\$ 12,625</u>	<u>\$ (7,009)</u>	<u>\$ 11,690</u>	<u>\$ 3,505</u>



**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 5: Defined Benefit Pension Plan

CalPERS

A. Plan Description

The City's defined benefit pension plan, the California Public Employees' Retirement System, provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The California Public Employees' Retirement System is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

B. Funding Policy

Active plan members in the City's defined pension plan are required to contribute 7% of miscellaneous employee and 9% of safety employee annual covered salaries. The City makes the required employee contribution as an employee benefit. The city is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS' Board of Administration. The required employer contribution rate for fiscal 2007/08 was 13.774% for miscellaneous members and 39.84% for safety members. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

C. Annual Pension Cost

For fiscal year 2007/2008, the City's annual pension cost was \$260,094 and the City actually contributed \$260,094. The City contributes both the employee and employer portion. The required contribution for fiscal year 2007/08 was determined as part of the June 30, 2005, actuarial valuation using entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members (from 3.25% to 14.45% for safety members), and (c) .25% salary adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period (smoothed market value). The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2005 was 17 years for miscellaneous members and 13 years for safety members as of the valuation date.

<u>Three – Year Trend Information for the City</u>				
<u>Fiscal</u>	<u>Annual</u>	<u>Percentage</u>	<u>Net</u>	
<u>Year</u>	<u>Pension</u>	<u>of APC</u>	<u>Pension</u>	
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>	
06/30/06	\$ 152,126	100%	\$ -	
06/30/07	\$ 156,188	100%	\$ -	
06/30/08	\$ 260,094	100%	\$ -	

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2008**

**Note 6:     Post Retirement Healthcare Benefits**

The City provides health insurance benefits for all of its employees. Retirees, as qualified under the Public Employees' Retirement System (PERS), will be eligible for health insurance as set forth by the PERS health program. This allows for payment of premiums to the same contribution limit as the City pays for in service employees. Also included is eligibility for retiree's eligible spouse and family as determined by PERS guidelines.

Retirement eligibility for City employees to be eligible for these benefits is 5 years vested full – time service and separating from the City into a retirement status within the PERS Retirement System.

The City's contribution for each employee or annuitant shall be the amount necessary to pay the full cost of the individual's enrollment in the least expensive plan, up to and including family plan, offered by PERS.

Benefit costs are recorded on a pay-as-you-go basis. For the most recent fiscal year, the City expended \$2,892, including administrative fees, for post-employment health insurance benefits. One retiree was covered.

**Note 7:     Special Assessment Districts**

During the 1989-90 fiscal year, the City of Ione created two Community Facilities Districts. The City Council and management are responsible for the administration of the Community Facilities Districts formed under the provisions of Mello-Roos. The City is not obligated to repay the special assessment debt to the debt holders.

On August 16, 2006 the 1989-1 and 1989-2 Community Facilities District special assessment debt, with no governmental commitment was redeemed resulting in a repayment and defeasance. The total amount repaid and defeased was \$13,365,000 principal along with \$3,703,335 of interest that was in default and on August 16, 2006 was cured. Furthermore \$18,475,000 Community Facilities District special assessment debt with no governmental commitment was issued and additional Community Facility Districts were established to pay for the limited liability debt. Reserve funds totalling \$671,250 were established and \$1,786,710 was paid out for cost of issuance, underwriter's discount, release of set aside funds and private placement fees.

The amount of the special assessment debt with no governmental commitment at June 30, 2008, is:

Community Facilities District 2005-1	\$ 2,485,000
Community Facilities District 2005-21A1	3,845,000
Community Facilities District 2005-21A2	1,550,000
Community Facilities District 2005-21A3	9,505,000
Total	<u>\$ 17,385,000</u>

**Note 8:     Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other cities in the State to form Small Cities Organized Risk Effort (SCORE), a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to SCORE for its insurance coverage. The Agreement for Formation of the SCORE provides that SCORE will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self insured levels. A Board of Directors governs the SCORE, consisting of one member appointed by each member City. A management group employed by the SCORE handles the day-to-day business. At the termination of the joint power agreement and after all claims been settled, any excess or deficit will be divided among the cities in accordance with its governing documents. Financial statements of SCORE are available at the City.

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2008**

**Note 9:     Lease Income**

On July 30<sup>th</sup>, 1990 the City entered into an agreement with Portlock International to lease the City owned property for the operation of a public golf course. The term of the lease is fifty five years commencing in June 1994. The rent is due as follows: years 6 to 10 is 1%, years 11 to 15 is 2% , years 16 to 20 is 3% and years 21 to 55 is 4% of gross revenue from the operation of the golf course, clubhouse, pro shop, driving range and other golf course facilities. The rent is due before the 20<sup>th</sup> day following each December 31<sup>st</sup>. Under this agreement the City received \$44,316 in the 2006-2007 fiscal year and \$45,952 in the 2007-2008 fiscal year. The agreement also states that lessee will pay the City the greater of \$50,000 or 1% of the sales price, if the lessee assigns its leasehold interest to a third party.

**Note 10:     Interfund Transactions**

Operating transfers are transactions to allocate resources from one fund to another fund not contingent on the incurrence of specific expenditures in the receiving fund. Interfund transfers are generally recorded as operating transfers in and operating transfers out in the same accounting period.

**Receivables and Payables:**

Balances representing lending/borrowing transactions between funds outstanding at the fiscal year end are reported as either "due from/due to other funds" (amounts due within one year), "advances to/from other funds" (non-current portions of interfund lending/borrowing transactions), or "loans to/from other funds" (long-term lending/borrowing transactions evidenced by loan agreements). Advances and loans to other funds are offset by a fund balance reserve in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Interfund transactions for the fiscal year ended June 30, 2008 are summarized as follows:

<u>Fund Type</u>	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General	\$ -	\$ 244,800	\$ -	\$ 309,412	\$ 449,788	\$ 494,297
Enterprise	244,800	-	237,189	237,189	63,270	63,270
Special Revenue	-	-	216,241	-	577,743	576,255
Capital Projects	43,000	43,000	93,171	-	67,247	24,225
Agency	-	-	-	-	-	-
<b>Total</b>	<b>\$ 287,800</b>	<b>\$ 287,800</b>	<b>\$ 546,601</b>	<b>\$ 546,601</b>	<b>\$ 1,158,047</b>	<b>\$ 1,158,047</b>

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 11: Stewardship, Compliance and Accountability

A. Excess of Expenditures Over Appropriations

<u>Major Fund</u>	<u>Excess Expenditures</u>
General Fund	
Administration	\$ 33,221
City Clerk	\$ 6,994
Building Maintenance	\$ 3,251
Police	\$ 53,609
Parks	\$ 14,782
Transfers out	\$ 330,833
Special Revenue Funds	
06-Home CDBG	\$ 480,996
05-STBG	\$ 280,570

B. Deficit Fund Balances

Three major funds have deficit fund balances at June 30, 2008. The fire building fund has a deficit fund balance of \$247,080 and the 06-Home CDBG fund and the 05-STBG fund have deficit fund balances of \$1,404 and \$245 respectively. Non-major capital project funds had five funds with deficit fund balances and non-major special revenue funds had three funds with a deficit fund balance at June 30, 2008. The deficit balances are expected to be eliminated upon receipt of funding from granting authorities or through matching funds/subsidies from the General fund of the City.

Note 12: Deferred Compensation Plan

City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with the Internal Revenue Service Code Section 457. Under this plan participants are not taxed on the deferred portion of their compensation until distributed; distributions are defined under the plan. The contribution is made by the participant and the City does not match any portion of the contribution. The plan trustee is the California Public Retirement System.

The laws governing deferred compensation plans, requires plan assets to be held in trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under this plan are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

Note 13: Restatement of Beginning Net Assets and Prior Period Adjustments

Beginning net assets were increased in the sewer o&m fund to include capital assets owned by the sewer fund as of June 30, 2007. The amount of the beginning net asset restatement was \$7,946,242.

Beginning net assets were increased \$31,987,833 in the government-wide statement of activities governmental activities to include governmental capital assets owned by the City as of June 30, 2007.

Prior period adjustments were made to the fund financial statements for activity related to prior years

General Fund

- Increase fund equity \$34,837 to reclass prior year expenditures to the police impact fee fund.

Police Impact Fee Fund

- Decrease fund equity \$34,837 to reclass prior year expenditures from the general fund for equipment purchased with police impact fee authorized funding.

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 13: Restatement of Beginning Net Assets and Prior Period Adjustments (Continued)

Safe Routes to School Fund

- Decrease beginning fund equity \$9,821 to reclassify prior year activity recorded in the deposits liability account and to reclassify prior year activity recorded in the drainage fund.

Drainage Fund

- Increase beginning fund equity \$74,848 to reclassify prior year expenditure that should have been recorded in the safe routes to school fund.

Arena Fund

- Decrease beginning fund equity \$2,208 to reverse an account receivable that was received in a prior fiscal year.

Impact Fee Fund

- Increase beginning fund equity \$8,265 to move attorney fees recorded in the prior year to the sewer fund.

Sewer O&M Fund

- Increase fund equity \$79,182 to reclassify prior year expenditures to the sewer capital fund.
- Decrease fund equity \$8,265 for prior year attorney fees miscoded to the impact fee fund.

Sewer Capital

- Decrease fund equity \$79,182 to reclassify prior year expenditures from the sewer o&m fund.

Note 14: Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the City's ability to impose, increase, and extend taxes and assessments. Any new increase or extended taxes and assessments subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative and may be rescinded in the future years by the voters.

Note 15: Gann Limit

Proceeds subject to the limit for 2007-2008	\$ 2,101,795
Amount of limit for 2007-2008	<u>2,363,378</u>
Amount (under)/over limit	<u>\$ (261,583)</u>
Per Capita Percentage Change	4.42%
Population Change*	2.11%
* Net of exclusions for correctional institution.	

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 16: Commitments and Contingencies

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Contingent Liabilities

On January 30, 2009 the City received a Notice of Violation ("NOV") from the Central Valley Regional Water Quality Control Board (the Board) regarding delinquent monitoring reports for the reporting periods January 2006 to November 2008. The NOV indicated that the violations were subject to a penalty of \$2,563,000, but the Board staff may not recommend a penalty if the violations are cured by February 25, 2009. The City proceeded to provide the reports required by the NOV by the February 25, 2009 deadline. The Board has not responded since the violation was cured, so it is unknown whether the Board will assess penalties for this violation. The City attorney was unable to determine if an unfavorable outcome, of this matter, is probable or remote nor could they estimate a dollar amount or range of potential loss, therefore a liability has not been recorded for this contingent liability in these financial statements.

The City is contingently liable for the final \$244,800 balloon payment on the Howard Park note payable. The City anticipates using a credit against prior year Sewer Annexation fees, owed by the Howard Park trustees to the City, to offset the final balloon payment as stipulated in the long-term debt agreement. The liability has been booked in these financial statements.

Lawsuits

Various claims have been filed against the City. In the opinion of the City's management and legal counsel, the claims will not have a material impact on the basic financial statements.

Note 17: Subsequent Events

On August 28, 2008 the City entered into a capital lease in the principal amount of \$560,000 to partially finance the construction of the new Firehouse. The \$3,979 principal and interest portion of the lease payment is due monthly commencing on September 28, 2008 and the final payment is due August 28, 2028. The lease carries a nominal annual interest rate of 5.897%.

**City of Ione**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**June 30, 2008**

The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employee defined benefit plan. Since the City has less than 100 active members in the plan, it is required by CalPERS to participate in a risk pool. The following valuation reports the activity of the risk pool as a whole, and not the specific activity of individual members, such as the City.

Valuation Date	Accrued Liability	Value of Assets	(Overfunded) Liability	Funded Ratio	Covered Payroll	UUAL as a % of Payroll
6/30/2004	\$ 434,267,445	\$ 379,807,592	\$ 54,459,853	87.5%	\$ 97,227,479	56.0%
6/30/2005	\$ 579,276,103	\$ 500,388,523	\$ 78,887,580	86.4%	\$ 129,379,492	61.0%
6/30/2006	\$ 912,988,585	\$ 787,758,909	\$ 125,229,676	86.3%	\$ 200,320,145	62.5%

**Safety Members**

Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2004	\$ 996,203,370	\$ 885,549,650	\$ 110,653,720	88.9%	\$ 149,407,703	74.1%
6/30/2005	\$ 742,247,338	\$ 646,358,708	\$ 95,888,630	87.1%	\$ 115,062,820	83.3%
6/30/2006	\$ 534,135,011	\$ 460,948,462	\$ 73,186,549	86.3%	\$ 84,179,637	86.9%

**CITY OF IONE**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2008**

	Original Budget	Final Proposed Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
<b>Taxes</b>				
Property tax	\$ 631,124	\$ 631,124	\$ 690,781	\$ 59,657
Sales	151,488	151,488	160,687	9,199
Transient occupancy	1,030	1,030	4,616	3,586
Sales tax - public safety	4,370	4,370	5,127	757
Real property transfer	16,750	16,750	10,623	(6,127)
<b>Total Taxes</b>	<b>804,762</b>	<b>804,762</b>	<b>871,834</b>	<b>67,072</b>
<b>Licenses and Permits</b>				
Franchise tax	82,297	82,297	82,247	(50)
Business license	6,500	6,500	8,065	1,565
Building permits	53,970	53,970	19,965	(34,005)
Burn permits	350	350	415	65
Encroachment permit			450	450
<b>Total Licenses and Permits</b>	<b>143,117</b>	<b>143,117</b>	<b>111,142</b>	<b>(33,490)</b>
<b>Intergovernmental</b>				
Motor vehicle in lieu (state)	787,733	<b>787,733</b>	798,895	11,162
HOPTR	6,200	<b>6,200</b>	8,963	2,763
Peace officers training	400	<b>400</b>	2,697	2,297
Prop 1B			400,000	400,000
Grants			5,000	5,000
<b>Total Intergovernmental</b>	<b>794,333</b>	<b>794,333</b>	<b>1,215,555</b>	<b>421,223</b>
<b>Fines, Forfeitures and Penalties</b>				
Parking citations and other fines	8,590	8,590	16,034	7,444
<b>Total Fines, Forfeitures and Penalties</b>	<b>8,590</b>	<b>8,590</b>	<b>16,034</b>	<b>7,444</b>
<b>Charges for Current Services</b>				
Plan checking	14,550	14,550	6,347	(8,203)
Fire department services	300	300	3,973	3,673
<b>Total Charges for Current Services</b>	<b>14,550</b>	<b>14,550</b>	<b>10,320</b>	<b>(4,529)</b>
<b>Use of Money and Property</b>				
Interest and investment income	95,000	95,000	<b>94,165</b>	(835)
Rent	52,370	52,370	<b>68,497</b>	16,127
<b>Total Use of Money and Property</b>	<b>147,370</b>	<b>147,370</b>	<b>162,662</b>	<b>15,292</b>
<b>Other</b>				
Insurance refunds and dividends			27,078	27,078
Miscellaneous - all others	17,950	17,950	21,515	3,565
<b>Total Other</b>	<b>17,950</b>	<b>17,950</b>	<b>48,593</b>	<b>30,643</b>
<b>Total Revenues</b>	<b>\$ 1,930,672</b>	<b>\$ 1,930,672</b>	<b>\$ 2,436,140</b>	<b>\$ 505,468</b>



## CITY OF IONE

**Required Supplementary Information**  
**Budgetary Comparison Schedule (Continued)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2008**

	Original Budget	Final Proposed Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 1,930,672	\$ 1,930,672	\$ 2,436,140	\$ 505,468
Expenditures				
General Government				
City Council	60,306	60,306	59,536	770
Administration	254,714	254,714	287,935	(33,221)
City Clerk	19,240	19,240	26,234	(6,994)
Finance	297,664	297,664	268,356	29,308
City Treasurer	3,905	3,905	2,372	1,533
City Attorney	37,480	37,480	21,210	16,270
Total General Government	673,309	673,309	665,643	7,666
Public Ways and Facilities/Transportation				
Planning	43,500	43,500	39,910	3,590
Building inspection	153,791	153,791	108,897	44,894
Engineering	26,580	26,580	12,668	13,912
Building maintenance	20,450	20,450	23,701	(3,251)
Corporate yard-vehicle	28,644	28,644	27,974	670
Special projects	180,500	180,500	2,296	178,204
Total Public Ways and Facilities/Transportation	453,465	453,465	215,446	238,019
Public Safety				
Police	820,260	820,260	927,264	(107,004)
Fire	128,346	128,346	100,788	27,558
Total Public Safety	948,606	948,606	1,028,052	(79,446)
Community Development				
Parks and recreation	260,755	260,755	251,374	9,381
Total Community Development	260,755	260,755	251,374	9,381
Debt service				
Principal	3000	3,000	5,607	(2,607)
Capital Outlay	60895	60,895	25,663	35,232
Total Expenditures	2,400,030	2,400,030	2,191,785	208,245
Excess (Deficit) of Revenues Over Expenditures	(469,358)	(469,358)	244,355	713,713
Other Financing Sources (Uses)				
Operating transfers in	26,500	26,500	449,788	423,288
Operating transfers out	(163,464)	(163,464)	(494,297)	(330,833)
Total Other Financing Sources (Uses)	(163,464)	(163,464)	(44,509)	118,955
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ (632,822)	\$ (632,822)	199,847	\$ 832,669
Fund Balance, July 1, 2007			1,736,435	
Prior period adjustment			34,837	
Fund Balance, June 30, 2008			\$ 1,971,118	

**CITY OF IONE**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Special Revenue Fund - Gas Tax**  
**For the Fiscal Year Ended June 30, 2008**

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Gas Tax				
Use of money	\$ 34,000	\$ 34,000	\$ 29,158	\$ (4,842)
Intergovernmental	147,500	147,500	97,908	(49,592)
Other			(14,559)	(14,559)
Total Revenues	181,500	181,500	112,507	(68,993)
EXPENDITURES				
Public ways and facilities/transportation	362,610	362,610	246,015	116,595
Capital outlay		1,000,000	778,375	221,625
Total Expenditures	362,610	1,362,610	1,024,391	338,219
Excess (Deficit) of Revenues over Expenditures	(181,110)	(1,181,110)	(911,884)	269,226
Other Financing Sources (Uses)				
Operating transfers in	500,000	500,000	500,000	
Total Other Financing Sources (Uses)	500,000	500,000	500,000	
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ 318,890	\$ (681,110)	(411,884)	\$ 269,226
Fund Balances, July 1, 2007			831,513	
Fund Balances, June 30, 2008			\$ 419,629	

**CITY OF IONE**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Special Revenue Fund - 06-Home CDBG**  
**For the Fiscal Year Ended June 30, 2008**

	Original Budget	Final Proposed Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Use of money and property			\$ -	\$ -
Intergovernmental			479,592	479,592
Total Revenues	-	-	479,592	479,592
EXPENDITURES				
Community development			480,996	(480,996)
Total Expenditures			480,996	(480,996)
Excess (Deficit) of Revenues over Expenditures	\$ -	\$ -	(1,404)	\$ (1,404)
Fund Balances, July 1, 2007			-	
Fund Balances, June 30, 2008			\$ (1,404)	

**CITY OF IONE**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Special Revenue Fund - 05-STBG**  
**For the Fiscal Year Ended June 30, 2008**

	Original Budget	Final Proposed Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Use of money	\$ -	\$ -	\$ -	\$ -
Intergovernmental			270,325	270,325
Total Revenues	-	-	270,325	270,325
EXPENDITURES				
Community development			280,570	(280,570)
Total Expenditures			280,570	(280,570)
Excess (Deficit) of Revenues over Expenditures	-	-	(10,245)	(10,245)
Other Financing Sources (Uses)				
Operating transfers in			10,000	10,000
Total Other Financing Sources (Uses)			10,000	10,000
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ -	\$ -	(245)	\$ (245)
Fund Balances, July 1, 2007				
Fund Balances, June 30, 2008			\$ (245)	

**City of Ione**  
**Note to Required Supplementary Information**  
**June 30, 2008**

Budgets and Budgetary Accounting

As required by the laws of the State of California, the City prepares and legally adopts a balanced operating budget. Public hearings were conducted on the proposed budget to review all appropriations and the sources of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in financing requirements.

Budgets for the general, special revenue, debt service and capital project funds are adopted on the modified accrual basis of accounting. The budgets for the general and special revenue funds are the only legally adopted budgets. Budgets for the debt service, capital project funds and proprietary funds are used for management and control purposes only.

At the fund level, actual expenditures cannot exceed budgeted appropriations. In order to accommodate operational changes that may result during the course of a budget year, management can modify in line items of a budget, with the limitation that increases or decreases to overall fund budgets; budget modification between funds; transfers between general fund departments; and transfers that affect capital projects cannot be made without Council approval.

## CITY OF IONE

**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2008**

	Special Revenue Funds	Capital Projects Funds	Total
<u>Assets</u>			
Cash and investments	\$ 86,240	\$ 103,602	\$ 189,842
Receivables			
Accounts	83,618	80,500	164,118
Interest	10,756	2,744	13,500
Restricted cash and investments	1,049,243	465,833	1,515,076
Advance to other funds		43,000	43,000
Loans receivable	443,728		443,728
	<u>443,728</u>	<u></u>	<u>443,728</u>
Total Assets	<u>\$ 1,673,585</u>	<u>\$ 695,679</u>	<u>\$ 2,369,264</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 4,194	\$ 3,070	\$ 7,264
Due to other funds	127,786	93,171	220,957
Advance from other funds		43,000	43,000
Deferred revenue	443,728	55,302	499,030
	<u>443,728</u>	<u>55,302</u>	<u>499,030</u>
Total Liabilities	<u>575,708</u>	<u>194,543</u>	<u>770,251</u>
Fund Balances			
Unreserved - undesignated	1,097,877	501,136	1,599,013
	<u>1,097,877</u>	<u>501,136</u>	<u>1,599,013</u>
Total Fund Balance	<u>1,097,877</u>	<u>501,136</u>	<u>1,599,013</u>
Total Liabilities and Fund Balances	<u>\$ 1,673,585</u>	<u>\$ 695,679</u>	<u>\$ 2,369,264</u>

## CITY OF IONE

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2008

	Special Revenue Funds	Capital Project Funds	Total
Revenues			
Special assessment/impact fees	\$ 189,755	\$ 39,453	\$ 229,208
Use of money and property	42,252	31,086	73,338
Intergovernmental	232,203	77,521	309,724
Fines, forfeitures and penalties	19,664		19,664
Other	2,094		2,094
Total Revenues	485,968	148,060	634,028
Expenditures			
Current:			
General government	92,708	74,336	167,044
Public ways and facilities/ transportation	16,350		16,350
Public safety	185,907		185,907
Debt service		40,693	40,693
Capital outlay		98,505	98,505
Total Expenditures	294,965	213,534	508,499
Excess (Deficit) of Revenues Over Expenditures	191,003	(65,474)	125,529
Other Financing Sources (Uses)			
Operating transfers in	67,743	67,246	134,989
Operating transfers out	(576,255)	(24,225)	(600,480)
Total Other Financing Sources (Uses)	(508,512)	43,021	(465,491)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(317,509)	(22,453)	(339,962)
Fund Balances, July 1, 2007	1,415,386	452,505	1,867,891
Prior period adjustment		71,084	71,084
Fund Balances, June 30, 2008	\$ 1,097,877	\$ 501,136	\$ 1,599,013

## CITY OF IONE

**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2008**

<u>Assets</u>	<u>TDA</u>	<u>Traffic Safety</u>	<u>Ione Dist 1 COIC</u>	<u>SLESF AB3229</u>	<u>Asset Seizure Fund</u>	<u>Rehab Housing</u>	<u>Click it or Ticket Grant</u>	<u>Self Help Housing</u>	<u>97-Home Grant</u>
Cash and investments	\$ -	\$ 5,791	\$ -	\$ 2,904	\$ 4,237	\$ -	\$ -	\$ -	\$ -
Receivables									
Accounts			2,095					3,200	
Interest	4,358	194	494	83	31	806		2,327	688
Restricted cash and investments	124,556		74,790			111,778		283,940	96,027
Loans receivable						43,479		-	174,495
<b>Total Assets</b>	<b>\$ 128,914</b>	<b>\$ 5,985</b>	<b>\$ 77,379</b>	<b>\$ 2,987</b>	<b>\$ 4,268</b>	<b>\$ 156,063</b>	<b>\$ -</b>	<b>\$ 289,467</b>	<b>\$ 271,210</b>
<u>Liabilities and Fund Balances</u>									
<b>Liabilities</b>									
Accounts payable	\$ -	\$ -	\$ (2,214)	\$ 4,679	\$ -	\$ -	\$ 561	\$ -	\$ -
Due to other funds							3,273		
Deferred revenue						43,479			174,495
<b>Total Liabilities</b>			(2,214)	4,679		43,479	3,834		174,495
<b>Fund Balances</b>									
Unreserved - undesignated	128,914	5,985	79,593	(1,692)	4,268	112,584	(3,834)	289,467	96,715
<b>Total Fund Balance</b>	<b>128,914</b>	<b>5,985</b>	<b>79,593</b>	<b>(1,692)</b>	<b>4,268</b>	<b>112,584</b>	<b>(3,834)</b>	<b>289,467</b>	<b>96,715</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 128,914</b>	<b>\$ 5,985</b>	<b>\$ 77,379</b>	<b>\$ 2,987</b>	<b>\$ 4,268</b>	<b>\$ 156,063</b>	<b>\$ -</b>	<b>\$ 289,467</b>	<b>\$ 271,210</b>



01-Home-518	03-STBG 1826 Grant	Grant Bid Fund-Pool	Low Income Housing	Pool Fund	RDA Fund	Wildflower Assessment	ARSA	Conservation Fire Break Assessment	Totals
\$ -	\$ -	\$ -	\$ -	\$ 73,308	\$ -	\$ -	\$ -	\$ -	\$ 86,240
				114			78,209		83,618
150	-		594			705		326	10,756
10,865	82,647		82,851			136,324		45,465	1,049,243
143,565	82,189								443,728
<u>\$ 154,580</u>	<u>\$ 164,836</u>	<u>\$ -</u>	<u>\$ 83,445</u>	<u>\$ 73,422</u>	<u>\$ -</u>	<u>\$ 705</u>	<u>\$ 78,209</u>	<u>\$ 326</u>	<u>\$ 1,673,585</u>
\$ -	\$ -	\$ -	\$ -	\$ 77	\$ -	\$ 1,091	\$ -	\$ -	\$ 4,194
		30,313		84,880			9,320		127,786
143,565	82,189								443,728
143,565	82,189	30,313		84,957		1,091	9,320		575,710
11,015	82,647	(30,313)	83,445	(11,535)	(0)	135,938	68,889	45,791	1,097,877
11,015	82,647	(30,313)	83,445	(11,535)	(0)	135,938	68,889	45,791	1,097,877
<u>\$ 154,580</u>	<u>\$ 164,836</u>	<u>\$ -</u>	<u>\$ 83,445</u>	<u>73,422</u>	<u>\$ (0)</u>	<u>\$ 137,029</u>	<u>\$ 78,209</u>	<u>\$ 45,791</u>	<u>\$ 1,673,585</u>

**CITY OF IONE**

**Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Fiscal Year Ended June 30, 2008**

	TDA	Traffic Safety	Ione Dist 1 COIC	SLESF AB3229	Asset Seizure Fund	Rehab Housing	Click it or Ticket Grant	Self Help Housing	97-Home Grant
Revenues									
Special assessment/impact fees	\$ -	\$ -	\$ 21,312	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	23,639	843	2,689	457	69	1,796			3,815
Intergovernmental	38,268			100,000				12,900	
Fines, forfeitures and penalties		19,664							
Other									
Total Revenues	61,907	20,507	24,001	100,457	69	1,796	-	12,900	3,815
Expenditures									
Current:									
General government									
Public ways and facilities/ transportation			16,350						
Public safety				133,128			3,834		
Total Expenditures			16,350	133,128			3,834		
Excess (Deficit) of Revenues Over Expenditures	61,907	20,507	7,651	(32,671)	69	1,796	(3,834)	12,900	3,815
Other Financing Sources (Uses)									
Operating transfers in				27,732					
Operating transfers out	(500,000)	(25,500)						(40,693)	
Total Other Financing Sources (Uses)	(500,000)	(25,500)		27,732				(40,693)	
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(438,093)	(4,993)	7,651	(4,939)	69	1,796	(3,834)	(27,793)	3,815
Fund Balances, July 1, 2007	567,007	10,978	71,942	3,247	4,199	110,788		317,260	92,900
Fund Balances, June 30, 2008	\$128,914	\$ 5,985	\$ 79,593	\$ (1,692)	\$ 4,268	\$ 112,584	\$ (3,834)	\$ 289,467	\$ 96,715

01-Home-518	03-STBG 1826 Grant	Grant Bid Fund	Low Income Housing	Pool Fund	RDA Fund	Wildflower Assessment	ARSA	Conservation Fire Break Assessment	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168,443	\$ -	\$ -	\$ 189,755
422	651		3,292			2,772		1,807	42,252
	81,035								232,203
			2	2,092			-		19,664
									2,094
422	81,686	-	3,294	2,092		171,215	-	1,807	485,968
		53,812		38,896					92,708
						48,945			16,350
									185,907
		53,812		38,896		48,945			294,965
422	81,686	(53,812)	3,294	(36,804)		122,270		1,807	191,003
(10,000)				40,011	(62)				67,743
									(576,255)
(10,000)				40,011	(62)				(508,512)
(9,578)	81,686	(53,812)	3,294	3,207	(62)	122,270		1,807	(317,509)
20,593	961	23,499	80,151	(14,742)	62	13,668	68,889	43,984	1,415,386
\$ 11,015	\$ 82,647	\$ (30,313)	\$ 83,445	(11,535)	\$ -	\$ 135,938	\$ 68,889	\$ 45,791	\$ 1,097,877

CITY OF IONE

Combining Balance Sheet  
Nonmajor Capital Projects Funds  
June 30, 2008

	Governmental		Ballfield Grant	Arena Fund	Drainage Fund	Skate Park Grant Fund	Local Traffic Mitigation	Safe Routes to School	Park and Ride Grant	Totals
	Parks & Rec Fund	Impact Fees								
<u>Assets</u>										
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 103,602	\$ -	\$ -	\$ -	\$ -	\$ 103,602
Accounts receivables	22,008	597		1,792			801	55,302		80,500
Interest receivable	(432)	148					3,028			2,744
Restricted cash and investments	40,701	2,620					422,512			465,833
Advance to other funds	21,000				22,000					43,000
Total Assets	\$ 83,277	\$ 3,365	\$ -	\$ 1,792	\$ 125,602	\$ -	\$ 426,341	\$ 55,302	\$ -	\$ 695,679
<u>Liabilities and Fund Balances</u>										
Liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ 280	\$ -	\$ -	\$ -	\$ -	\$ 2,790	\$ 3,070
Deferred revenue								55,302		55,302
Due to other funds			23,886	9,000				55,302	4,983	93,171
Advance from other funds		43,000								43,000
Total Liabilities		43,000	23,886	9,280				110,604	7,773	194,543
Fund Balances										
Unreserved - designated	83,277	(39,635)	(23,886)	(7,488)	125,602		426,341	(55,302)	(7,773)	501,136
Total Liabilities and Fund Balances	\$ 83,277	\$ 3,365	\$ -	\$ 1,792	\$ 125,602	\$ -	\$ 426,341	\$ 55,302	\$ -	\$ 695,680

CITY OF IONE

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Capital Projects Funds  
For the Fiscal Year Ended June 30, 2008

	Parks & Rec Fund	Impact Fees	Ballfield Grant	Arena Fund	Drainage Fund	Skate Park Fund	Local Traffic Mitigation	Safe Routes to School	Park and Ride Grant	Howard Park Grant	Totals
Revenues											
Special assessment/impact fees	\$ 16,096	\$ 8,959	\$ -	\$ -	\$ -	\$ -	\$ 14,398	\$ -	\$ -	\$ -	\$ 39,453
Use of money and property	2,421	740	-	11,382	-	-	16,543	4,671	-	26,450	31,086
Intergovernmental						46,400					77,521
Total Revenues	18,517	9,699		11,382		46,400	30,941	4,671		26,450	148,060
Expenditures											
Current:											
General government	12,306	33,517		20,277		463			7,773		74,336
Debt service	40,693										40,693
Capital outlay	7,557							50,152		40,796	98,505
Total Expenditures	60,556	33,517		20,277		463		50,152	7,773	40,796	213,534
Excess (Deficit) of Revenues Over Expenditures	(42,039)	(23,818)		(8,895)		45,937	30,941	(45,481)	(7,773)	(14,346)	(65,474)
Other Financing Sources (Uses)											
Operating transfers in	40,692			12,208		(24,225)				14,346	67,246
Operating transfers out											(24,225)
Total Other Financing Sources (Uses)	40,692			12,208		(24,225)				14,346	43,021
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(1,347)	(23,818)		3,313		21,712	30,941	(45,481)	(7,773)		(22,453)
Fund Balances, July 1, 2007	84,624	(24,082)	(23,886)	(8,593)	50,754	(21,712)	395,400				452,505
Prior period adjustment		8,265		(2,208)	74,848			(9,821)			71,084
Fund Balances, June 30, 2008	\$ 83,277	\$ (39,635)	\$ (23,886)	\$ (7,488)	\$ 125,602	\$ -	\$ 426,341	\$ (55,302)	\$ (7,773)	\$ -	\$ 501,136

# City of Ione

## Net Assets by Component

		Fiscal Year ending June 30		
		2006	2007	2008
<b>Governmental Activities</b>				
Restricted	\$	-	\$ -	\$ -
Unrestricted		5,104,262	5,237,094	4,553,697
Total	\$	5,104,262	\$ 5,237,094	\$ 4,553,697
<b>Business-type Activities</b>				
Restricted for capital	\$	1,712,530	\$ 965,180	\$ 95,339
Unrestricted		1,017,128	744,177	953,757
Total	\$	2,729,658	\$ 1,709,357	\$ 1,049,096
<b>Primary Government</b>				
Restricted	\$	1,712,530	\$ 965,180	\$ 95,339
Unrestricted		6,121,390	5,981,271	5,507,454
Grand Total	\$	7,833,920	\$ 6,946,451	\$ 5,602,793
<b>Change in Net Assets</b>				
Governmental Activities			\$ 132,832	\$ (683,397)
Business-type Activities				
Restricted for capital			\$ (747,350)	\$ (869,841)
Unrestricted			\$ (272,951)	\$ 209,580
Total			\$ (1,020,301)	\$ (660,261)
Grand Total			\$ (887,469)	\$ (1,343,658)
<b>% Change in Net Assets</b>				
Governmental Activities			3%	-13%
Business-type Activities				
Restricted for capital			-44%	-90%
Unrestricted			-27%	28%
Total			-37%	-39%
Grand Total			-11%	-19%

**City of Ione**

**General Fund Fund Balance**

	Fiscal Year ending June 30		
	2006	2007	2008
General Fund			
Reserved	\$ -	\$ -	\$ -
Unreserved	<u>1,551,917</u>	<u>1,736,435</u>	<u>1,971,117</u>
Total	<u>\$ 1,551,917</u>	<u>\$ 1,736,435</u>	<u>\$ 1,971,117</u>
Change in fund balance		\$ 184,518	\$ 234,682
% Change in fund balance		12%	14%
Days expenditures in			
unreserved	292	328	269
Unreserved as % of			
expenditures	80%	90%	73%

City of Ione

General Governmental Tax Revenues By Source

Fiscal Year	Property Tax	Sales & Use Tax	Transient Occup. Tax	Franchise Tax	Motor Vehicle In Lieu Tax	Other Taxes	Total	Change	
								\$	%
2006	\$ 506,083	\$ 418,517	\$ 1,561	\$ 80,262	\$ 490,164	\$ 19,903	\$ 1,518,496		
2007	600,120	158,726	516	80,375	717,291	16,778	1,575,813	\$ 57,317	4%
2008	699,744	165,814	4,616	82,247	798,895	18,692	1,772,016	196,203	12%



## City of Ione

### Demographic Statistics

As of 1-Jan	Population*	% Change
1990**	2,288	
2000**	2,507	
2001	3,010	20%
2002	3,176	6%
2003	3,309	4%
2004	3,355	1%
2005	3,426	2%
2006	3,454	1%
2007	3,473	1%
2008	3,519	1%

\* Net of exclusions for correctional institution.

\*\* US Census

**City of Ione**

**Principal Property Taxpayers  
Fiscal Year ending June 30,**

2008			
Taxpayer	Taxable Assessed Value	Rank	% of Taxable Assessed Value
JTS Communities Inc.	\$ 683,523	1	0.2290%
Jack T. & Victoria Sweigart	124,006	2	0.0415%
Jack T. & Victoria Sweigart	103,643	3	0.0347%
Jack T. & Victoria Sweigart	73,687	4	0.0247%
Ryland Homes of California Inc	57,565	5	0.0193%
Ryland Homes of California Inc	55,279	6	0.0185%
Mauna Kea Villages LLC	51,460	7	0.0172%
Ryland Homes of California Inc	43,869	8	0.0147%
Portlock International	35,741	9	0.0120%
Ryland Homes of California Inc	<u>29,111</u>	10	0.0098%
Totals	<u>\$ 298,531,658</u>		<u>100%</u>

Source:

Amador County Treasurer/Tax Collector

# City of Ione

## City Employees, Contract Labor & Elected Officials

	Fiscal Year ending June 30		
	2006	2007	2008
Police	6	8	9
Fire (paid call)	10	10	10
Building	1	1	1
City Planner (contract)	1	1	1
City Engineer (contract)	1	1	1
Streets, Parks/Pool & Corp. Yard	12	10	13
Wastewater (incl. contract)	2	2	2
Finance (incl. contract)	1	3	3
City Attorney (contract)	1	1	1
Administration	2	1	2
City Treasurer (elected)	1	1	1
City Clerk (elected)	1	1	1
City Council (elected)	5	5	5
Total	39	40	45
Total employees per 1,000 pop.	11.29	11.52	12.79

Source:

Payroll and accounts payable

# City of Ione

## Operating Indicators

Function	Fiscal Year ending June 30		
	2006	2007	2008
Police			
Total incidents	2,555	2,684	4,916
Tot. incid. per 1,000 pop.	740	773	1,397
Fire			
Total calls	703	751	789
Tot. calls per 1,000 pop.	204	216	224
Streets			
Street resurfacing			0.6
Building			
Building permits	268	138	97
Certificate of Occupancy	17	68	42
Parks & Recreation			
Acres per 1,000 pop.	27	27	26
Evalynn Bishop Hall	\$ 4,549	\$ 6,429	\$ 9,505
Ed Hughes Memorial Arena	\$ -	\$ 10,760	\$ 11,396
Ball fields	\$ 1,500	\$ 1,500	\$ 1,700
Amphitheater	\$ 40	\$ 40	\$ 30
Horse stalls	\$ 11,178	\$ 12,295	\$ 10,870
Camping area	\$ 142	\$ 290	\$ 220
Swimming pool	\$ 7,254	\$ 6,294	\$ 2,092
Golf course	\$ 44,316	\$ 44,316	\$ 45,952
Wastewater			
Active sewer accounts	1,321	1,391	1,433
Secondary (gallons)	159,351,000	139,873,000	124,560,000
Tertiary (gallons)	175,867,000	176,905,000	189,421,000

# City of Ione

## Capital Asset Statistics by Function

Function	Fiscal Year ending June 30		
	2006	2007	2008
Police			
Station	1	1	1
Patrol units			9
Fire			
Station	1	1	1
Fire trucks/boat			13
Fire hydrants	3	3	3
Streets			
Streets (lane miles)			32.2
Streetlights	49	49	49
Street signs			123
Streetsweeper	1	1	1
Parks & Recreation			
Park acreage	93	93	93
Parks	7	7	7
Horse Race Track	1	1	1
Evalynn Bishop Hall	1	1	1
Ed Hughes Memorial Arena	1	1	1
Amador Skateboard park	1	1	1
Soccer fields	4	4	4
Ball fields	4	4	4
Horse shoe pit	1	1	1
Amphitheater	1	1	1
Beer garden	1	1	1
Horse stalls	10	10	10
Camping area	1	1	1
Swimming pool	1	1	1
Golf course	1	1	1
Wastewater			
Secondary Plant	1	1	1
Tertiary Plant	1	1	1

*The Accounting Office of:*  
*Larry Bain, CPA*  
2148 Frascati Drive  
El Dorado Hills, CA 95762

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

To the City Council  
City of Ione  
Ione, California

We have audited the Financial Statements of the City of Ione as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated March 9, 2009. In our audit report we issued a qualified opinion because of a lack of documentation to support the accounts receivables and deposit liability accounts and because of material misstatements in accounts payable.

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 of Ione's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 the 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 we identified twenty one 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 entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the prior year deficiencies identified as 07-8, 07-9, 07-15, 07-18, 07-19, 07-21, 07-22, 07-26, 07-29, 07-30 to be deficiencies in the current year and we consider the current year deficiencies identified as 08-1, 08-2, 08-3, 08-4, 08-5, 08-6, 08-7, 08-8 and 08-9, following this letter, to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. However, we believe the significant deficiencies described above constitute material weaknesses. We also noted other matters not deemed significant deficiencies and material weaknesses following this report.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ione's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance 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 indicated one instance of non compliance identified as finding 07-6 that is required to be reported under *Government Auditing Standards*. We also noted the status of prior year compliance findings.

The City of Ione's written response to the significant deficiencies identified in our audit, if any, and any follow up for subsequent year corrections has not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we do not express an opinion on it.

This communication is intended solely for the information and use of the Audit Committee and management and is not intended to be and should not be used by anyone other than these specified parties.



**Larry Bain, CPA**

March 9, 2009

**THE ACCOUNTING OFFICE OF:**  
**LARRY BAIN, CPA**  
2148 Frascati Dr.  
El Dorado Hills, CA 95762

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE  
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

March 9, 2009

To the City Council  
City of Ione, California

**Compliance**

We have audited the compliance of the City of Ione (City) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

**Internal Control over Compliance**

The management of the City of Ione is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.



Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in an entity's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ione as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 9, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Ione's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

This communication is intended solely for the information and use of the City Council and management of the City of Ione, 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.

A handwritten signature in blue ink, appearing to read "Larry Bain".

**Larry Bain, CPA**  
March 9, 2009

**CITY OF IONE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2008**

Description and Program Title	<u>Federal CFDA Number</u>	<u>Grant ID No.</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
CDBG	14.218	05-STBG 1381	\$ 280,570
Home Investment Partnership Program	14.239	06-HOME 2370	<u>485,746</u>
Total U.S. Department of Housing and Urban Development			<u>766,316</u>
U.S. Department of Transportation			
Safe Routes to School	20.205	SR2SL5311(003)	50,152
Congestion Mitigation and Air Quality	20.205	CML-5311(004)	<u>7,772</u>
Total U.S. Department of Transportation			<u>57,924</u>
Total Expenditures of Federal Awards			<u><u>\$ 824,240</u></u>

**CITY OF IONE**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2008**

A. General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal award programs of the City of Ione, California (City). The Schedule includes federal awards received directly from federal agencies as well as federal awards passed through other agencies. The City's reporting entity is defined in Note 1 to the City's basic financial statements. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position of the City.

B. Basis of Accounting

The accompanying schedule of federal awards is presented using the modified-accrual basis of accounting which is described in Note 1B to the City's basic financial statements.

C. Relationship to Basic Financial Statements and Federal Financial Reports

Information reported in the accompanying schedule for expenditures of federal awards agrees with the amounts reported in both the basic financial statements and related federal financial reports for the major federal programs. Revenues from federal award programs are reported as intergovernmental revenues in the basic financial statements.

**City of Ione**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

**SECTION 1 – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued:

*qualified*

Internal control over financial reporting:

Material weaknesses identified

  X   Yes        No

Significant deficiencies identified not  
considered to be material weaknesses

  X   Yes        No

Non-compliance material to financial statements noted

  X   Yes        No

Federal Awards

Internal control over major programs:

Material weaknesses identified

       Yes   X   No

Significant deficiencies identified not  
considered to be material weaknesses

       Yes   X   No

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

*unqualified*

Any audit findings disclosed that are required  
to be reported in accordance with Section .510(a)  
of OMB Circular A-133

       Yes   X   No

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

14.239

Home Investment Partnership Program  
Housing and Community Development

Dollar threshold used to distinguish  
Between Type A and Type B programs

\$300,000

Auditee qualifies as low-risk auditee:

       Yes   X   No

**City of Ione**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

FS 07-8: Deposits liability  
FS 07-9: Deposits liability  
FS 07-15: Deposits liability  
FS 07-18: Bank reconciliations  
FS 07-19: Interfund activity  
FS 07-21: ARSA fund  
FS 07-22: Developer deposits  
FS 07-26: Building permits  
FS 07-29: Fiscal agent account  
FS 07-30: Fund equity  
FS 08-1: Accounts payables accruals  
FS 08-2: Loan payoff  
FS 08-3: Accounts receivable accrual  
FS 08-4: Yearend procedures  
FS 08-5: Operating transfers/revenue recognition  
FS 08-6: Unrecorded liabilities  
FS 08-7: Unrecorded receivables  
FS 08-8: Financial and accounting policy  
FS 08-9: SEFA preparation

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings to report.

**City of Ione**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

**PRIOR YEAR COMPLIANCE FINDINGS**

**Prior Year Finding 07-1:** During our testing of the 2000 Park Bond Act grant, we noted the City had \$26,450 available grant funds that were not programmed towards a project. The City has until March 9008 to program the funds towards a project and June 2008 to receive final payment for 2000 Park Bond Act grant reimbursement.

**Current Year Status:** Resolved during the current fiscal year. The City submitted the necessary paperwork to reprogram the remaining grant funds for the Howard Park Sewer and Snack Shack and submitted final project completion package to the State.

**Prior Year Finding 07-2:** During our testing of the 2002 Resources Bond Act grant we noted the City was awarded \$232,000 in grant funding for the Skate Park Project, spent \$311,543 on the project as of June 30, 2007 and received a grant reimbursement from the 2002 Resources Bond Act grant of \$185,600. The City also received donations from outside sources and the City contributed general fund money for the project totaling \$102,865. There appears to be an additional \$46,400 of grant fund reimbursements available at June 30, 2007. The City has not maintained complete grant records to accurately monitor the amount due the City. Furthermore there did not appear to be a grant administrator assigned to oversee the project expenses and reimbursements.

**Current Year Status:** Resolved during the current fiscal year. The City submitted the final project completion package to the State including documentation of additional expenditures for matching purposes.

**Prior Year Finding 07-3:** During our testing of the 2002 Resources Bond Act grant, we noted the City received an advance payment of \$50,000 in the 2005-2006 fiscal year for the Howard Park Swimming Pool. The City made one payment of \$27,000 to the grant writer out of this advance. The grant agreement requires the City to spend the advance on the project within six months of receiving the advance. Any unspent funds remaining must be returned to the State along with accrued interest. The City is at risk of losing the grant funding and also could have an additional obligation to the State if the project expenditures paid to the grant writer are not eligible.

**Current Year Status:** Resolved during the current fiscal year. The City has returned the advance plus accrued interest and determined that the grant writing expenses are not reimbursable by the State. Staff is reviewing the grant to determine if the funds can be used for other purposes or at another site.

**Prior Year Finding 07-4:** During our testing of the capital project grant projects we noted that no employee of the City appears to be responsible for administrating the grant projects. The grant project files were also found to be disorganized.

**Current Year Status:** Resolved during the current fiscal year. The City has reviewed its practices for applying for grants and assigned an employee the responsibility for administration and compliance with grants.

**Prior Year Finding 07-6:** During our testing of community development block grants we noted the City was posting grant payoffs as an increase to cash and a reduction to accounts receivables. We noted the City was not maintaining grant summary schedules showing the activity for each loan and the City was not reconciling summary schedules to the general ledger. Furthermore we noted instances where grant activity was posted to incorrect general ledger funds. We also noted that no City employee appeared to be responsible for administrating the grant programs in accordance with the grant agreement requirements. The significant deficiencies noted above increase the risk that material misstatements could be made to the financial statements without being detected.

**City of Ione**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

**Current Year Status:** During the current year audit we noted the City had received a performance finding from the Department of Housing and Community Development, regarding the 05-STBG-1381 grant, for not filing Program Income reports for fiscal years 2005-2007, Financial Accomplishment Reports for fiscal year 2006 and Grantee Performance Report for fiscal year 2006. The finding indicated that the City would be ineligible to apply for 2007/2008 CDBG grants unless the reports were submitted prior to the submittal of applications. As of June 30, 2008 the City assigned the finance director administration responsibility and compliance oversight for grant projects. The required reports were subsequently submitted and on March 98, 2008 the City received notice that all reports had been received and the City was reinstated as eligible to participate in the State CDBG program.

**PRIOR YEAR INTERNAL CONTROL FINDINGS**

**Prior Year Finding 07-7:** During our testing of fixed assets we noted the City has not maintained a listing of historical cost for general and enterprise fund infrastructure and fixed assets, or a depreciation schedule for infrastructure and fixed assets in accordance with governmental accounting standards board statement (GASB) 34. Furthermore we did not observe a fixed assets policy that was in compliance with GASB 34. As a result of this significant deficiency we issued an adverse opinion on the government-wide financial statements as required under GASB 34.

**Current Year Status:** The City agrees. An appraisal firm developed an asset listing/depreciation schedule. In addition, the City's capitalization policy was modified to deal with capitalization of infrastructure. Capital assets were added to the financial statements for the fiscal year ending June 30, 2008.

**Prior Year Finding 07-8:** During our testing of the general fund deposits liability accounts we noted the City collects deposits from developers and citizens of Ione to be spent on the behalf of developers and for the Capital Facility District Mello-Roos assessment revenue and limited obligation debt payments. The City is using the general fund deposit liability accounts to record this activity. Furthermore the City could not reconcile the individual or organization deposit liabilities to a subsidiary ledger at June 30, 2007. The risk of material misstatement to the financial statements resulting from this significant deficiency is high.

**Current Year Status:** The City agrees. The deposit reconciliation will be a major undertaking requiring substantial resources to complete the reconciliation. The City created an agency fund (fund 14) in FY 2006-2007 and has set up an agency fund (fund 12) for developer deposits.

**Prior Year Finding 07-9:** During our testing of the deposit liability accounts we noted the City established a deposit liability account in the general fund to account for one a time special tax, paid by the developer, and expenditures related to the Community Facilities District No. 2006-1 for public safety services. The expenditures were netted against the deposits and there was no allocation between police and fire activities. We also noted the voters approved the assessments to begin in the 2005-2006 fiscal year, however the City did not assess the properties in the 2005-2006 fiscal year.

**Current Year Status:** Resolved during the current fiscal year. The City agrees. No houses have been built on CFD 2006-1. The developer paid the assessment on undeveloped land. The assessment was placed on the tax rolls for FY 2007-2008. The developer was also billed for the prior year assessment. The City has retained a firm to do the annual assessment and place the assessment on the tax rolls. The City is tracking the assessments in fund 23. The accounting structure is set up to track revenues for police and fire separately.

**City of Ione**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

**Prior Year Finding 07-10:** During our analytical review we noted the City allocated 2005-2006 proceeds from the 1989-1 and 1989-2 Community Facility Districts (CFD) assessments to property tax revenue in the general fund. We noted on the May 31, 2006 receipt the City misallocated \$356,533 of Community Facility District assessments to the secured property tax account in the general fund. We did not observe the \$356,533 transferred to the trustee to be used for the 1989-1 and 1989-2 bonded debt payments which it was collected for. Furthermore \$4,920 of delinquent sewer charges and \$10,617 of Ione Maintenance District funds were also misallocated to general fund property tax revenues.

**Current Year Status:** Resolved during the current fiscal year. The City and its consultants have researched the issue and the money was forwarded to the trustee and it was used to redeem Improvement Area No. 3 of the CFD 2005-2 bonds in January 2008.

**Prior Year Finding 07-13:** During our testing of accrued payroll we noted the City double posted the January 31, 2007 payroll resulting in an overstatement of liability accounts and an overstatement of the expense accounts by \$57,366.

**Current Year Status:** Resolved during the current fiscal year. The City has implemented an in house payroll system which has helped. Staff also reviews unusual balances and reconciled payroll expense to the 941's in the 2007-2008 fiscal year.

**Prior Year Finding 07-15:** During our testing of accounts receivables/deposit liability accounts we noted Tower Investments was billed \$69,788.16 on November 30, 2005 for legal fees related to the CFD formation. When the City received the money cash was offset by deposits liability account as opposed to accounts receivable. This miscoding resulted in an overstatement of accounts receivables and an overstatement of deposit liabilities in the amount of \$69,788.16.

**Current Year Status:** As of June 30, 2008 the City had established a developer deposit fund. The deposit liability accounts and the accounts receivable accounts were not reconciled to the general ledger as of June 30, 2008. The City is in the process of moving developer receivables and deposits activity to fund 12.

**Prior Year Finding 07-18:** During our testing of cash we note the City had not performed bank reconciliation since October 2005. After performing the bank reconciliation we noted \$1,036,610 of banking activity that had not been recorded in the general ledger. The adjustments included a \$920,220 transfer from the bank account to the CFD trustee related to the defaulted bond activity, a \$75,000 collection received for a land purchase, but a stop payment was made on the check and several smaller transactions.

Because of the reduction to cash of over \$1,000,000 in the general fund interest revenue was over allocated to the general fund from October 2005 to the date of the audit. The risk of material misstatement to the financial statements as a result of fraud and untimely reconciliations of cash is high.



**City of Ione**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

**Current Year Status:** During the 2007-2008 fiscal year the auditor was providing technical assistance with preparing the bank reconciliations. During our reconciliation we noted the City posted an \$87,699 reduction to cash as of June 30, 2008 for PERS retirement electronic transfers that were made in July 2008. We proposed a reclassification for this activity as an increase to accrued payroll and an increase to cash at June 30, 2008. We noted the City made an error in double posting a \$63,583 payment in the housing acquisition fund. We proposed an audit entry reversing the double posting. Furthermore we noted the City back posted, to June 30, 2008, \$161,996 in checks that were written in the 2008-2009 fiscal year. This resulted in a \$161,996 understatement to cash and accounts payables at June 30, 2008. Because this activity affected multiple funds, no proposed audit entry was made to correct the \$161,996 error. We qualified our opinion on the financial statements.

The City agrees. Bank reconciliations are very important. It will take some time to do reconciliations on a regular basis. In the interim, staff is using the auditor to provide technical assistance and recently staff has hired another consultant to transition from our auditor. The ultimate goal is to bring the function in-house. With respect to back posting checks, staff has implemented procedures. Staff will work to ensure this does not happen in the future.

**Prior Year Finding 07-19:** During our testing of the Howard Park debt, we noted that the final balloon payment of \$244,800 will be applied against a credit from prior year sewer annexation fees incurred by the seller of Howard Park. To date we did not observe the \$244,800 paid to the sewer capital fund from the City.

**Current Year Status:** Still pending as of June 30, 2008. The City is exploring the use of fund 8 to pay the balloon payment for sewer connections as well as other options.

**Prior Year Finding 07-21:** During our testing of Amador Regional Sanitation Agency (ARSA) expenditures we noted a \$14,560 capital lease payment for a parking lot purchase paid for from the ARSA fund. We also noted over \$300,000 in legal expenditures, resulting from the Portlock lawsuit, coded to this fund.

**Current Year Status:** The City agrees. The City is reviewing the source of money in the ARSA fund to determine if the funds are restricted to use on the tertiary plant or if they can be used for the Portlock legal costs or non wastewater disposal activities.

**Prior Year Finding 07-22:** During our audit we noted the City received \$61,120 in sewer connection fees from a developer. The developer had previously deposited connection fees with the City to be used against future connection fees. Furthermore the City coded these fees to the general fund when they should have been coded to the sewer capital fund. We also noted a lack of communication between City management and the building department regarding the developer agreements and how the agreements would affect charging the developers.

**Current Year Status:** See response to findings 07-8 and 07-26

**Prior Year Finding 07-25:** During our audit we noted the City spent \$87,989 from the fire department capital projects fund 20. Fund 20 appears to be restricted to construction of a second fire station, two additional pumps and one combination engine. The expenditures noted above did not appear to fit into these categories.

**Current Year Status:** Resolved during the current fiscal year. During the current year audit we noted the City researched this activity and prepared journal entries to reclassify the activity into the proper funds.

**City of Ione**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

**Prior Year Finding 07-26:** During our testing of building permits we noted permits 1969 and 1990, which were issued after the August 21, 2005 approved rate increase, were charged under the old fee schedule. Furthermore for permit 1969 we noted two park impact fee charges of \$3,284, but no police impact fee of \$1,263 and no sewer impact fee of \$7,640. Also no sewer impact fees were charged for permits 1993 or 1995. We also noted a miscoding of permits 1990, 1993, 1995 and 1996. The impact fees for these permits were coded to the general fund rather than to the impact fee funds.

**Current Year Status:** The City agrees and has developed a "Framework for Planning, Entitlement Review and Development", which has been adopted and it is being implemented. With respect to building permits 1993 and 1995, sewer impact fees have been billed. With respect to the other aforementioned building permits, staff will review.

**Prior Year Finding 07-29:** During our testing of the Community Facility District (CFD) bonds, we noted the City refunded the 1989-1 and 1989-2 bonds and created new community facility districts to pay for the new limited liability debt. The City did not designate an employee to reconcile the fiscal agent statements for the activity. This lack of monitoring could result in material misstatements to the financial statements.

**Current Year Status:** During the 2007-2008 fiscal year we noted the City was not performing reconciliations of the CFD fiscal agent accounts.

**Prior Year Finding 07-30:** During our reconciliation of equity from the current year general ledger to the prior year audit, we noted many of the funds were out of balance. We noted the City closed some funds using the fund equity account as opposed to transfers in and out and the City posted a \$73,901 adjustment to cash and fund equity to July 1, 2005.

**Current Year Follow Up:** During the current year we noted the City used the equity account (11044t) to transfer cash in funds 51 and 58. We proposed a journal entry to correct the \$111,000 posting. We also proposed a journal entry for \$25,762 increasing equity and decreasing revenue in fund 6 to reconcile prior year equity in fund 6. The City agrees. Procedures were in place and this item was missed during the year end review. Staff will work to ensure this does not happen in the future.

**Other Significant Deficiencies, Not Deemed to be Material Weaknesses**

**Prior Year Finding 07-32:** During our audit we noted the City was not withholding payroll taxes from Council member stipends and Council appointed treasurer and secretary stipends.

**Current Year Status:** Resolved during the current fiscal year. The City Council, Treasurer and City Clerk were added to the City's new in-house payroll software effective January 1, 2008.

**Prior Year Finding 07-33:** During our testing of pool receipts we noted that collections at the pool are not supported by a cash register tape or other receipt register.

**Current Year Status:** No action taken during the current year. The City does not agree with the finding. As noted last year, the City has changed its procedure and no further changes are deemed necessary at the present time.

**Prior Year Finding 07-34:** During our testing of receipts we noted the City was not requiring the motels to use a standard TOT tax form. Furthermore we noted that the TOT tax for the \$516 collected in the 2006-2007 fiscal year, \$1,561 in the 2005-2006 fiscal year and \$8,520 in the 2004-2005 fiscal year.

**City of Ione**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

**Current Year Status:** The City did prepare a TOT reporting form during the 2007-2008 fiscal year and reviews were performed to verify the amount of taxes collected by the motels and remitted to the City. To date no on site audits were performed to verify the amount of taxes collected by the motels and remitted to the City. The onsite audit would include reconciling amounts recorded on sequentially numbered folios to the daily revenue registers, maid sheets etc., and agreeing amounts reported on tax returns to the amounts remitted to the City. We noted \$4,616 was collected for the TOT tax in the 2007-2008 fiscal year which was an improvement over the prior fiscal year.

**Prior Year Finding 07-36:** During our receipts testing we noted building permit 1904 appears to have been over charged \$1,200. The building department did not have an explanation for the charges.

**Current Year Status:** This is still outstanding and the City will review during the 2008-2009 fiscal year.

**Prior Year Finding 07-38:** During our testing of payroll we noted City staff is entering payroll into excel, then an outside accountant is re-entering payroll into quickbooks and providing staff with payroll report. Staff is then reentering payroll into excel and finally posting to the general ledger. This was a finding in the prior year.

**Current Year Status:** Resolved during the current fiscal year. The City went live on its in-house payroll software January 1, 2008.

**Prior Year Finding 07-41:** During our testing of grant activity we noted the house, used to obtain a self help housing grant recorded in fund 8, had been sold. As a result the loan was terminated at the date of sale, June 11, 2003 and the remaining \$3,200 was owed to the City. The City had not collected the amount due as of June 30, 2007.

**Current Year Follow Up:** During the current year we noted the \$3,200 was still recorded in the general ledger in fund 8. The City should pursue collection or consider writing off the loan as uncollectable. This is still outstanding and the City will review during the 2008-2009 fiscal year.

**Prior Year Finding 07-42:** During our testing of receipts we noted building permit #2091 paid with receipt #35845 on 1/26/07 did not indicate a \$3,284 charge for sewer connection.

**Current Year Follow Up:** The City has follow-up billed and the City will review this year. We did not observe amount received during the 2007-2008 fiscal year.

**City of Ione**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

**INTERNAL CONTROL FINDINGS**

**Deemed to be Significant Deficiencies and Material Weaknesses**

**Finding 08-1:** During the current year audit we noted many checks processed in July, August and part of September 2008 were backdated and cash was back posted to June 30, 2008. The City internal controls did not detect the errors being made by the accounts payable clerk.

**Recommendation:** We recommend the City implement controls over cash to monitor the accounts payable clerk entries. This would include reviewing the check dates and posting dates for the activity. The City should also consider limiting access to the accounts payable general ledger module by the employee who processes the checks. The City should implement cut off and year end procedures to agree subsidiary ledgers to the general ledger. We also noted several accounts payable general ledger accounts had negative balances which is an indicator that errors were occurring.

**City Response:** The City agrees and procedures have been implemented. Staff will work to ensure this does not happen in the future.

**Finding 08-2:** During our testing of housing grant projects we noted the City recorded a journal entry to record a loan payoff of \$50,800 in fund 41. We did not observe supporting documentation attached to a journal entry to support the payoff. Per review we also noted the property was transferred from the grantee to her son in June 2003, but based on our audit we did not see evidence that the loan was repaid to the City and therefore the loan receivable should not have been removed from the general ledger. It appears that the loan should have been paid back with the property transfer in 2003.

**Recommendation:** We recommend the City review if this loan should be paid to the City and then the City should take steps to collect the loan from the grantee. We also recommend the City verify that funds have been received by the City prior to writing off loan receivables. The City should have controls in place for an independent management employee to approve journal entries prior to entering the journal entry into the general ledger and to verify that all supporting documentation is attached to support the journal entry.

**City Response:** The City agrees and is researching the issue.

**Finding 08-3:** During our audit we prepared a prior year adjustment for \$92,744 to recognize an accounts receivable that should have been accrued at June 30, 2007 for the safe routes to school grant.

**Recommendation:** We recommend the City review amounts received after fiscal year end and determine which period item should be recorded as part of year end cut off procedures. We also recommend determining if any amounts are receivable that have not been recorded/collected, as of the date of the audit, and record unbilled receivables in the general ledger.

**Finding 08-4:** During the audit we noted the City provided the auditor with multiple journal entries to reclassify and record activity in the general ledger.

**Recommendation:** We recommend the City perform internal checks of account balances and activity prior to having the audit performed. We recommend, in the future, delaying the audit until the City has a chance to perform year end procedures and to close the books.

**City Response:** The City agrees with the first recommendation. Procedures were in place and this item was missed during the year end review. Staff will work to ensure this does not happen in the future. The City does not agree with the second recommendation. The reasons are lack of available resources, condition of books and records and impact of delaying audit on operations.

**City of Ione**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

**Finding 08-5:** During our testing of transfer activity we noted the City recorded \$400,000 State Proposition 1 revenue to the reserve fund #10 as an increase to transfers from other fund and an increase to cash, however the City did not record the revenue or the transfer out in the general fund. This understated general fund revenue and understated general fund operating transfers out and also created an out of balance whereby operating transfers in did not equal operating transfers out.

**Recommendation:** We recommend the City record all revenue in the proper funds and accounts. We also recommend the City verify that operating transfers in equal operating transfers out.

**City Response:** The City agrees. Procedures were in place and this item was missed during the year end review. Staff will work to ensure this does not happen in the future.

**Finding 08-6:** During our search for unrecorded liabilities, \$163,504 was not accrued as of June 30, 2008.

**Recommendation:** We recommend the City perform year end cut off procedures to determine which period payables should be recorded in after the fiscal year end. If an item belongs to the fiscal year just ended then the City should record an account payable to accrue the liability.

**City Response:** The City agrees and procedures were implemented. Staff will work to ensure this does not happen in the future.

**Finding 08-7:** During our search for unrecorded receivables we noted \$113,950 in Home Fund revenue should have been recorded as a receivable at June 30, 2008 to match the loan payout which occurred in the 2007/2008 fiscal year.

**Recommendation:** We recommend the City perform year end cut off procedures to determine which period receivables should be recorded in after the fiscal year end. If an item belongs to the fiscal year just ended then the City should record an account receivable to accrue the asset. The revenue should be recognized if the receivable is received within sixty days after fiscal year end, otherwise the City would record a deferred revenue liability.

**City Response:** The City agrees. Procedures were in place and this item was missed during the year end review. Staff will work to ensure this does not happen in the future.

**Finding 08-8:** During our audit we noted the City did not have a written financial and accounting policy that included internal control procedures.

**Recommendation:** The City should establish financial and accounting policies that demonstrate how transactions are processed from beginning to end. The policy should include the processes for internal controls that are designed to provide reasonable assurance that objectives related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations are met.

**City Response:** The City is in the process of designing a written financial and accounting policy including policies over internal controls.

**City of Ione**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

**Finding 08-9:** During our audit we noted a weakness over the City's controls in preparing the schedule of expenditures of federal awards (SEFA). The City included \$63,583 in the SEFA that were related to prior years expenditures. After bringing the error to the City's attention the City was in agreement that the questioned expenditures were incurred during a prior fiscal year.

**Recommendation:** We recommend City staff charged with overseeing compliance for federal awards receive training in the preparation of the SEFA.

**City Response:** The City concurs.

**INTERNAL CONTROL FINDINGS**

**Not Deemed to be Significant Deficiencies and Material Weaknesses**

**Finding 08-10:** During our testing of compensated absences we noted three employees who had accrued more than the 180 maximum vacation hours allowable at any one time under the City policy. We also noted minor exceptions in our detail testing of compensated time off, including instances of department heads not signing time off forms and minor differences between the time off request forms, time sheets and the computerized log.

**Recommendation:** We recommend the City review employees who have accrued more hours than allowed under the City policy and determine how to resolve the overage. We recommend the City also stop accruing hours when the maximum is reached or change the policy to indicate otherwise.

**City Response:** In FY 2007-08, one (SEIU) of the two union contracts had a cap on vacation accrual. Both contracts expired on June 30<sup>th</sup> and were extended until an agreement was reached. On January 1, 2009, new contracts went into effect. The vacation accrual cap for existing SEIU employees was increased to a minimum 216 hours depending on years of service. Contract language further stipulates that no additional accrual is allowed beyond the maximum.

**Finding 08-11:** During our reconciliation of the Community Facility District escrow reserve accounts we noted the City had a balance of \$7,503 in the 1989-1 and 1989-2 escrow cash account at U.S. bank. The 1989-1 and 1989-2 bonds were defeased in August of 2006.

**Recommendation:** We recommend the City research why there are funds in the 1989-1 and 1989-2 escrow account and allocate the funds to the designated owner.

**City of Ione**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2008**

**None**