

CITY OF IONE, CALIFORNIA

Audited Financial Statements, Supplemental Information
and Compliance Report

June 30, 2019

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CITY OF IONE, CALIFORNIA

Audited Financial Statements, Supplemental Information and Compliance Report

June 30, 2019

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550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Ione, 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 Ione, California as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Errors

As discussed in Note M, certain errors resulting in the overstatement of unearned development fees and an understatement in deferred inflows of resources were discovered by management during the year ended June 30, 2019. Accordingly, amounts reported for unearned development fees deferred inflows of resources in have been restated in the June 30, 2019 financial statements now presented and adjustments have been made to fund balance of certain governmental funds, the Sewer O&M Fund and government-wide net position to correct the errors. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the Proportionate Share of the Net Pension Liability, Schedule of Contributions to the Pension Plan and Schedule of Changes in the OPEB Liability and Related Ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2022 on our consideration of the City's internal control over financial reporting and on our tests compliance with certain provisions of laws, regulation, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control

To the City Council
City of Ione, California

over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Richardson & Company, LLP

February 15, 2022

City of Lone
Management's Discussion and Analysis
June 30, 2019

This discussion and analysis of the City of Lone's financial statements is designed to provide an overview of the City's financial performance during the fiscal year ended June 30, 2019. This information is presented in conjunction with the audited basic financial statements, which follow this section.

Financial Highlights

- The City's net position was \$48,497,904 at June 30, 2019. Net position increased \$1,895,683 or 4.1%. Of the total net position, \$45,211,103 represents net investment in capital assets with the remaining restricted for specific purposes: public safety, community development, streets and roads, and capital projects.
- Total cash and investments increased \$127,843 or 2.2% to \$5,937,144.
- As of June 30, 2019, the City's governmental funds reported combined fund balance of \$4,946,029 compared to \$4,447,954 in Fiscal Year 2017-18.
- Fund balance of the General Fund increased \$233,738 or 29.3% to \$(563,776) as of June 30, 2019. Of the fund balance \$662,453 is non-spendable reflecting advances to other funds (receivable) and the remainder in the amount of \$(1,226,229) is reported as unassigned.
- The General Fund cash balance increased \$159,032 or 86.7% from \$183,542 to \$342,574.
- Projects funded by the gas tax fund include storm drains, street repairs and street improvements.
- Capital asset additions to the General Fund of \$119,319 were for park improvements and a police vehicle, with Sewer Fund additions of \$1,411,836 for the completion of the pond lining project.
- The City's Proprietary Fund (sewer) net position increased \$418,654 or 3.7% to \$11,623,911. Cash and investments decreased \$948,298 or 55.9% to \$746,891 due in large part to payments for the pond lining project and increased operating costs.
- The City's long-term liabilities include a note payable for purchase of a commercial lawn mower, lease for the new fire station, compensated absences, net pension liability, and net OPEB obligation. The Train Depot loan of \$9,000 was paid in full during the fiscal year. The long-term capital lease loan for Fire Station No. 2 with an original principal balance of \$560,000 has an outstanding balance as of June 30, 2019 of \$322,575. The City's proprietary fund (sewer) long-term liabilities consist of a long-term loan for sewer capital construction in the amount of \$2,934,533 with a remaining balance of \$2,851,039, compensated absences, net pension liability, and net OPEB obligation.

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 comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 Position

City of Lone
Management's Discussion and Analysis
June 30, 2019

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 position 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 position changed during the most recent fiscal year. All changes in net position 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/roads, parks/recreation; 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.

The Governmental Funds Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by Governmental Accounting Standards Board (GASB) Statement 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the details of these non-major funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities. The City's major governmental funds are: General Fund, HOME Program Grant Special Revenue Fund, and Measure M Special Revenue Fund.

Proprietary fund(s) are used to account for the services the City charges to provide which in this case is sewer. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position 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

City of Lone
Management's Discussion and Analysis
June 30, 2019

in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. The City of Lone previously maintained three individual enterprise funds to account for its sewer enterprises; however, is combining them in the current fiscal year as they are not required to be reported separately. 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.

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 Lone maintains three fiduciary or agency funds: community facilities districts, asset seizure police, and regional traffic mitigation.

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 and 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.

Statement of Net Position

The City's net position at the end of the year was \$48.5M as compared to \$46.6M in the prior year, an increase of \$1.9M. Governmental activities net position increased by \$1.5MM or 4.2% and the business-type activities net position increased by \$419K or 3.7%. The increase in governmental net position is primarily due to an increase in revenues and a decrease in expenditures. The increase in business-type net position is due to the lack of a prior period adjustment of \$584K in the prior fiscal year.

| | Governmental Activities | | Business-Type Activities | | Total | | Variance | |
|--|-------------------------|--------------|--------------------------|--------------|--------------|--------------|-------------|---------|
| | FY 17/18 | FY 18/19 | FY 17/18 | FY 18/19 | FY 17/18 | FY 18/19 | Amount | % |
| Assets: | | | | | | | | |
| Cash and other assets | \$6,444,301 | \$7,541,824 | \$2,129,701 | \$1,222,375 | \$8,574,002 | \$8,764,199 | \$190,197 | 2.2% |
| Total Capital Assets | 34,480,673 | 34,141,790 | 13,319,493 | 14,263,003 | 47,800,166 | 48,404,793 | 604,627 | 1.3% |
| Total Assets | 40,924,974 | 41,683,614 | 15,449,194 | 15,485,378 | 56,374,168 | 57,168,992 | 794,824 | 1.4% |
| Deferred Outflows of Resources: | | | | | | | | |
| Pension plan | 944,768 | 831,082 | 56,224 | 47,040 | 1,000,992 | 878,122 | (122,870) | -12.3% |
| OPEB | 33,621 | 46,937 | 5,877 | 3,344 | 39,498 | 50,281 | 10,783 | 27.3% |
| Total Deferred Outflows of Resources | 978,389 | 878,019 | 62,101 | 50,384 | 1,040,490 | 928,403 | (112,087) | -10.8% |
| Liabilities: | | | | | | | | |
| Current | 1,269,640 | 238,083 | 857,907 | 632,617 | 2,127,547 | 870,700 | (1,256,847) | -59.1% |
| Noncurrent liabilities | 4,971,938 | 5,135,495 | 3,422,436 | 3,249,618 | 8,394,374 | 8,385,113 | (9,261) | -0.1% |
| Total Liabilities | 6,241,578 | 5,373,578 | 4,280,343 | 3,882,235 | 10,521,921 | 9,255,813 | (1,266,108) | -12.0% |
| Deferred Inflows of Resources: | | | | | | | | |
| Pension plan | 264,821 | 199,664 | 25,695 | 21,467 | 290,516 | 221,131 | (69,385) | -23.9% |
| OPEB plan | | 114,398 | | 8,149 | | 122,547 | 122,547 | 100.0% |
| Total Deferred Inflows of Resources | 264,821 | 314,062 | 25,695 | 29,616 | 290,516 | 343,678 | 53,162 | 18.3% |
| Net Position: | | | | | | | | |
| Net investment in capital assets | 34,129,364 | 33,799,139 | 10,384,960 | 11,411,964 | 44,514,324 | 45,211,103 | 696,779 | 1.6% |
| Restricted | | 9,180,675 | 136,600 | - | 136,600 | 9,180,675 | 9,044,075 | 6620.8% |
| Unrestricted | 1,267,600 | (6,105,821) | 683,697 | 211,947 | 1,951,297 | (5,893,874) | (7,845,171) | -402.0% |
| Total Net Position | \$35,396,964 | \$36,873,993 | \$11,205,257 | \$11,623,911 | \$46,602,221 | \$48,497,904 | \$1,895,683 | 4.1% |

City of Lone
Management's Discussion and Analysis
June 30, 2019

Statement of Activities

Governmental Activities revenues were comparable to the prior year with an increase of \$61,571, or 1.2%. Expenses increased from the prior year by \$476,418, or 12.3%, primarily due to increased public safety with \$190,770 of that in Measure M funded expenses.

| | Governmental Activities | | Variance | |
|--|-------------------------|---------------------|--------------------|--------------|
| | FY 17/18 | FY 18/19 | Amount | % |
| Revenues: | | | | |
| Taxes | \$1,813,936 | \$1,954,685 | \$140,749 | 7.8% |
| Charges for services | 1,667,184 | 1,078,824 | -\$588,360 | -35.3% |
| Operating grants/contributions | 760,586 | 820,432 | \$59,846 | 7.9% |
| Capital grants/contributions | 652,778 | 1,032,856 | \$380,078 | 58.2% |
| Other Revenue | 47,059 | 35,688 | -\$11,371 | -24.2% |
| Investment Income | 67,144 | 147,773 | 80,629 | 120.1% |
| Total Revenues | 5,008,687 | 5,070,258 | 61,571 | 1.2% |
| Expenses: | | | | |
| General government | 709,209 | 667,548 | (41,661) | -5.9% |
| Public safety | 1,851,551 | 2,473,724 | 622,173 | 33.6% |
| Community development/Parks | 328,390 | 446,873 | 118,483 | 36.1% |
| Public works | 721,706 | 638,025 | (83,681) | -11.6% |
| Streets and roads | 252,397 | 86,113 | (166,284) | -65.9% |
| Interest on debt | 14,295 | 41,683 | 27,388 | 191.6% |
| Total Expenses | 3,877,548 | 4,353,966 | 476,418 | 12.3% |
| Change in Net Position | 1,131,139 | 716,292 | (414,847) | -36.7% |
| Net position, beginning of year (restated) | 34,737,731 | 36,157,701 | 1,419,970 | |
| Prior period adjustment | (471,906) | | 471,906 | -100.0% |
| Net position, end of year | \$35,396,964 | \$36,873,993 | \$1,477,029 | 4.2% |

Business-type Activities revenues reflect a decrease primarily in capital contributions (impact fees and connection fees) with an overall decrease of \$680,690, or (26.8%). Expenses increased from the prior year by \$366,197, or 23.6%, primarily due to increased operating expenses related to sewer maintenance.

| | Business-Type Activities | | Variance | |
|--|--------------------------|---------------------|------------------|---------------|
| | FY 17/18 | FY 18/19 | Amount | % |
| Revenues: | | | | |
| Charges for services | \$1,250,291 | \$1,286,739 | \$36,448 | 2.9% |
| Capital grants/contributions | 1,273,005 | 540,576 | (732,429) | -57.5% |
| Investment Income | 12,317 | 27,608 | 15,291 | 124.1% |
| Total Revenues | 2,535,613 | 1,854,923 | (680,690) | -26.8% |
| Expenses: | | | | |
| Wastewater | 1,481,206 | 1,849,372 | 368,166 | 24.9% |
| Interest on debt | 69,934 | 67,965 | (1,969) | -2.8% |
| Total Expenses | 1,551,140 | 1,917,337 | 366,197 | 23.6% |
| Change in Net Position | 984,473 | (62,414) | (1,046,887) | -106.3% |
| Net position, beginning of year (restated) | 10,805,168 | 11,686,325 | 881,157 | |
| Prior period adjustment | (584,384) | | 584,384 | -100.0% |
| Net position, end of year | \$11,205,257 | \$11,623,911 | \$418,654 | 3.7% |

City of Lone
Management's Discussion and Analysis
June 30, 2019

General Fund Budget

The City adopts an annual budget that includes operating costs, staffing, vehicles, and capital expenditures. Actual revenues were \$455,091 higher than the final budget amounts in taxes, licenses/fees/permits, interest income, intergovernmental revenue, and charges for services. The final budget for expenditures reported in the General Fund was \$100,979 lower than actual expenditures in facilities, capital outlay, and debt service.

Capital Assets

The City's investment in capital assets, net of depreciation, for its governmental and business-type activities were \$48.4 million as of June 30, 2019 and \$47.8 million as of June 30, 2018, respectively. Major governmental capital asset additions during the year were \$119,319 for park improvements and a police vehicle. Additions in business-type activities were \$1,411,836 for completion of the sewer system pond lining project. More detail of the capital assets and current transactions can be found in Note E of the Financial Statements.

Long-Term Debt

The City's long-term liabilities are for capital acquisitions/improvements, compensated absences, pension liability, and OPEB obligation. As of June 30, 2019, the City's long-term liabilities for governmental and business-type activities are \$5.1 million and \$3.2 million, respectively. More detail of the long-term liabilities and current transactions can be found in Note F of the Financial Statements.

Economic Factors and Future Budgets

The City of Lone experienced significant building within the City in the years following this audit. With this, City revenues have increased which facilitates improvement of the City's financial condition. In Fiscal Year 2021-2022, the City implemented measures to address overall financial sustainability including a repayment plan for interfund loans and enhanced transparency. This will provide the community with a better understanding of City activities and related financial impacts.

Requests For Information

This financial report is designed to provide a general overview of the City's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Lone, Finance Department, 1 East Main Street, Lone, CA Placerville, CA 95640.

BASIC FINANCIAL STATEMENTS

CITY OF IONE

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2019

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and investments | \$ 5,190,253 | \$ 746,891 | \$ 5,937,144 |
| Receivables: | | | |
| Accounts receivable | 258,822 | 146,076 | 404,898 |
| Due from other governments | 296,209 | 10,822 | 307,031 |
| Interest receivable - investments | 5,003 | - | 5,003 |
| Interest receivable - loans receivable | 438,582 | - | 438,582 |
| Loans receivable | 1,613,965 | - | 1,613,965 |
| Internal balances | (309,955) | 309,955 | - |
| Deposits with others | 48,945 | 8,631 | 57,576 |
| Capital assets: | | | |
| Nondepreciable | 29,705,757 | 5,745,969 | 35,451,726 |
| Depreciable, net | 4,436,033 | 8,517,034 | 12,953,067 |
| Total Capital Assets | <u>34,141,790</u> | <u>14,263,003</u> | <u>48,404,793</u> |
| Total Assets | <u>41,683,614</u> | <u>15,485,378</u> | <u>57,168,992</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension plan | 831,082 | 47,040 | 878,122 |
| Other post employment benefits (OPEB) plan | 46,937 | 3,344 | 50,281 |
| Total Deferred Outflows of Resources | <u>878,019</u> | <u>50,384</u> | <u>928,403</u> |
| LIABILITIES | | | |
| Accounts payable and other liabilities | 187,435 | 560,119 | 747,554 |
| Accrued payroll and benefits | 40,770 | 35,793 | 76,563 |
| Due to other governments | 1,966 | - | 1,966 |
| Accrued interest payable | - | 24,590 | 24,590 |
| Unearned revenues | - | 6,656 | 6,656 |
| Refundable deposits | 7,912 | 5,459 | 13,371 |
| Noncurrent liabilities - current portion | 114,380 | 93,731 | 208,111 |
| Noncurrent liabilities - noncurrent portion | 5,021,115 | 3,155,887 | 8,177,002 |
| Total Liabilities | <u>5,373,578</u> | <u>3,882,235</u> | <u>9,255,813</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension plan | 199,664 | 21,467 | 221,131 |
| OPEB plan | 114,398 | 8,149 | 122,547 |
| Total Deferred Inflows of Resources | <u>314,062</u> | <u>29,616</u> | <u>343,678</u> |
| NET POSITION | | | |
| Net investment in capital assets | 33,799,139 | 11,411,964 | 45,211,103 |
| Restricted for public safety | 2,066,129 | - | 2,066,129 |
| Restricted for community development | 2,804,621 | - | 2,804,621 |
| Restricted for streets and roads | 1,389,075 | - | 1,389,075 |
| Restricted for capital projects | 2,920,850 | - | 2,920,850 |
| Unrestricted | (6,105,821) | 211,947 | (5,893,874) |
| Total Net Position | <u>\$ 36,873,993</u> | <u>\$ 11,623,911</u> | <u>\$ 48,497,904</u> |

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

CITY OF IONE

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

| FUNCTIONS AND PROGRAMS | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | Total |
|--|---------------------|----------------------|------------------------------------|--------------------------------|---|--------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants & Contributions | Governmental Activities | Business-type Activities | |
| PRIMARY GOVERNMENT | | | | | | | |
| GOVERNMENTAL ACTIVITIES | | | | | | | |
| General government | \$ 667,548 | \$ 65,567 | \$ 3,354 | \$ 42,289 | \$ (556,338) | \$ - | \$ (556,338) |
| Public safety | 2,473,724 | 500,340 | 652,400 | 324,092 | (996,892) | - | (996,892) |
| Community development | 330,392 | - | 37,196 | - | (293,196) | - | (293,196) |
| Public works | 638,025 | 512,917 | 1,533 | 25,000 | (98,575) | - | (98,575) |
| Streets and roads | 86,113 | - | 125,949 | 415,006 | 454,842 | - | 454,842 |
| Parks and recreation | 116,481 | - | - | 226,469 | 109,988 | - | 109,988 |
| Interest on long term debt | 41,683 | - | - | - | (41,683) | - | (41,683) |
| Total Governmental Activities | <u>4,353,966</u> | <u>1,078,824</u> | <u>820,432</u> | <u>1,032,856</u> | <u>(1,421,854)</u> | <u>-</u> | <u>(1,421,854)</u> |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Sewer Fund | <u>1,917,337</u> | <u>1,286,739</u> | <u>-</u> | <u>540,576</u> | <u>-</u> | <u>(90,022)</u> | <u>(90,022)</u> |
| Total Business-type Activities | <u>1,917,337</u> | <u>1,286,739</u> | <u>-</u> | <u>540,576</u> | <u>-</u> | <u>(90,022)</u> | <u>(90,022)</u> |
| TOTAL PRIMARY GOVERNMENT | <u>\$ 6,271,303</u> | <u>\$ 2,365,563</u> | <u>\$ 820,432</u> | <u>\$ 1,573,432</u> | <u>(1,421,854)</u> | <u>(90,022)</u> | <u>(1,511,876)</u> |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 765,250 | - | 765,250 |
| Sales and use taxes | | | | | 191,514 | - | 191,514 |
| Transient occupancy tax | | | | | 835 | - | 835 |
| Franchises | | | | | 99,571 | - | 99,571 |
| Motor vehicle in-lieu tax | | | | | 897,515 | - | 897,515 |
| Other revenue | | | | | 35,688 | - | 35,688 |
| Investment income | | | | | <u>147,773</u> | <u>27,608</u> | <u>175,381</u> |
| Total General Revenues | | | | | <u>2,138,146</u> | <u>27,608</u> | <u>2,165,754</u> |
| Change in Net Position | | | | | 716,292 | (62,414) | 653,878 |
| Net Position, Beginning of Year - as previously reported | | | | | 35,396,964 | 11,205,257 | 46,602,221 |
| Restatement | | | | | <u>760,737</u> | <u>481,068</u> | <u>1,241,805</u> |
| Net Position, Beginning of Year - as restated | | | | | <u>36,157,701</u> | <u>11,686,325</u> | <u>47,844,026</u> |
| Net Position, End of Year | | | | | <u>\$ 36,873,993</u> | <u>\$ 11,623,911</u> | <u>\$ 48,497,904</u> |

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

CITY OF IONE
BALANCE SHEETS
GOVERNMENTAL FUNDS

June 30, 2019

| | Major Funds | | | | Total Governmental Funds |
|---|---------------------|---|---|-----------------------------------|--------------------------------|
| | General Fund | HOME Program Special Revenue Fund | Measure M Special Revenue Fund | Nonmajor Governmental Funds | |
| ASSETS | | | | | |
| Cash and investments | \$ 342,574 | \$ 360,786 | \$ 360,654 | \$ 4,126,239 | \$ 5,190,253 |
| Receivables: | | | | | |
| Accounts receivable | 249,243 | - | - | 9,579 | 258,822 |
| Due from other governments | 81,992 | - | 54,720 | 159,497 | 296,209 |
| Interest receivable - investments | 5,003 | - | - | - | 5,003 |
| Interest receivable - loans receivable | - | 351,377 | - | 87,205 | 438,582 |
| Loans receivable | - | 1,162,688 | - | 451,277 | 1,613,965 |
| Deposits with others | 46,614 | - | - | 2,331 | 48,945 |
| Due from other funds | 53,886 | - | - | - | 53,886 |
| Advances to other funds | 662,453 | - | 346,414 | 1,780,602 | 2,789,469 |
| | <u>\$ 1,441,765</u> | <u>\$ 1,874,851</u> | <u>\$ 761,788</u> | <u>\$ 6,616,730</u> | <u>\$ 10,695,134</u> |
| Total Assets | | | | | |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | | |
| LIABILITIES | | | | | |
| Accounts payable and other liabilities | \$ 179,018 | \$ - | \$ - | \$ 8,417 | \$ 187,435 |
| Accrued payroll and benefits | 34,640 | - | - | 6,130 | 40,770 |
| Due to other funds | - | - | - | 53,886 | 53,886 |
| Due to other governments | - | - | - | 1,966 | 1,966 |
| Refundable deposits | 7,912 | - | - | - | 7,912 |
| Advances to other funds | 1,572,167 | - | - | 1,527,257 | 3,099,424 |
| | <u>1,793,737</u> | <u>-</u> | <u>-</u> | <u>1,597,656</u> | <u>3,391,393</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - other receivables | 211,804 | - | - | 93,361 | 305,165 |
| Unavailable revenue - loan interest receivable | - | 351,377 | - | 87,205 | 438,582 |
| Unavailable revenue - loan principal receivable | - | 1,162,688 | - | 451,277 | 1,613,965 |
| | <u>211,804</u> | <u>1,514,065</u> | <u>-</u> | <u>631,843</u> | <u>2,357,712</u> |
| Fund balances: | | | | | |
| Nonspendable | 662,453 | - | - | - | 662,453 |
| Restricted for public safety | - | - | 761,788 | 1,248,393 | 2,010,181 |
| Restricted for community development | - | 360,786 | - | 391,288 | 752,074 |
| Restricted for streets and roads | - | - | - | 1,354,699 | 1,354,699 |
| Restricted for capital projects | - | - | - | 2,920,850 | 2,920,850 |
| Unassigned | (1,226,229) | - | - | (1,527,999) | (2,754,228) |
| | <u>(563,776)</u> | <u>360,786</u> | <u>761,788</u> | <u>4,387,231</u> | <u>4,946,029</u> |
| | <u>\$ 1,441,765</u> | <u>\$ 1,874,851</u> | <u>\$ 761,788</u> | <u>\$ 6,616,730</u> | <u>\$ 10,695,134</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |

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

CITY OF IONE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2019

| | |
|---|-----------------------------|
| Total Fund Balances of Governmental Funds | \$ 4,946,029 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds. | 34,141,790 |
| Deferred outflows of resources related to the City's pension and OPEB plans will reduce the net pension and OPEB liabilities in the future. | 878,019 |
| Deferred inflows for unavailable revenue in governmental funds are recognized in the government-wide statements. | 2,357,712 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported on the governmental funds balance sheet. | (5,135,495) |
| Deferred inflows of resources related to the City's pension and OPEB plans will be reflected in the net pension and OPEB liabilities in the future. | <u>(314,062)</u> |
| Net Position of Governmental Activities | <u><u>\$ 36,873,993</u></u> |

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

CITY OF IONE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

| | Major Funds | | | | Total Governmental Funds |
|--|---------------------|--|---|-----------------------------------|--------------------------------|
| | General Fund | HOME Program Grant Special Revenue Fund | Measure M Special Revenue Fund | Nonmajor Governmental Funds | |
| REVENUES: | | | | | |
| Taxes | \$ 1,043,540 | \$ - | \$ - | \$ 5,363 | \$ 1,048,903 |
| Impact fees | - | - | 393,159 | 744,922 | 1,138,081 |
| Licenses, fees and permits | 256,517 | - | - | - | 256,517 |
| Use of money and property | 134,470 | - | 8,268 | 57,159 | 199,897 |
| Intergovernmental revenues | 937,524 | - | - | 665,186 | 1,602,710 |
| Fines, forfeitures and penalties | 550 | - | - | 15,001 | 15,551 |
| Charges for services | 167,974 | - | 110,029 | 407,173 | 685,176 |
| Other | 22,966 | - | 1,000 | 81,795 | 105,761 |
| Total Revenues | <u>2,563,541</u> | <u>-</u> | <u>512,456</u> | <u>1,976,599</u> | <u>5,052,596</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 602,194 | - | - | - | 602,194 |
| Public ways and facilities/ transportation | 448,530 | - | - | 329,245 | 777,775 |
| Public safety | 882,996 | - | 524,580 | 381,780 | 1,789,356 |
| Parks and recreation | 298,935 | - | - | 195 | 299,130 |
| Capital outlay | 20,370 | - | - | 98,949 | 119,319 |
| Debt Service: | | | | | |
| Principal | 43,924 | - | - | 28,734 | 72,658 |
| Interest | 28,485 | - | - | 13,198 | 41,683 |
| Total Expenditures | <u>2,325,434</u> | <u>-</u> | <u>524,580</u> | <u>852,101</u> | <u>3,702,115</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>238,107</u> | <u>-</u> | <u>(12,124)</u> | <u>1,124,498</u> | <u>1,350,481</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from insurance | 822 | - | - | - | 822 |
| Transfers in | - | 1,353,098 | - | 345,728 | 1,698,826 |
| Transfers out | (5,191) | - | - | (1,693,635) | (1,698,826) |
| Total Other Financing Sources (Uses) | <u>(4,369)</u> | <u>1,353,098</u> | <u>-</u> | <u>(1,347,907)</u> | <u>822</u> |
| Net Change in Fund Balances | 233,738 | 1,353,098 | (12,124) | (223,409) | 1,351,303 |
| Fund Balances, Beginning of Year - as previously reported | (797,514) | 170,376 | 773,912 | 4,301,180 | 4,447,954 |
| Restatement | - | (1,162,688) | - | 309,460 | (853,228) |
| Fund Balances, Beginning of Year - as restated | <u>(797,514)</u> | <u>(992,312)</u> | <u>773,912</u> | <u>4,610,640</u> | <u>3,594,726</u> |
| Fund Balances, End of Year | <u>\$ (563,776)</u> | <u>\$ 360,786</u> | <u>\$ 761,788</u> | <u>\$ 4,387,231</u> | <u>\$ 4,946,029</u> |

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

CITY OF IONE

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

| | |
|--|-------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 1,351,303 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | |
| <p>Governmental funds report capital outlays as expenditures and proceeds from disposals of capital assets as revenues. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense and gains or losses on disposals of capital assets is reported.</p> | |
| Depreciation expense | (458,202) |
| Capital outlay | 119,319 |
| <p>Some receivables are deferred in the governmental funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the statement of activities. This amount represents the change in deferred inflows of resources related to unavailable revenue.</p> | |
| | 17,040 |
| <p>Deferred outflows and inflows of resources of related to the City's pension and OPEB plans do not result in the receipt or use of current financial resources and are not reported in the governmental funds as follows:</p> | |
| Change in deferred outflows of resources - pension plan | (113,686) |
| Change in deferred outflows of resources - OPEB plan | 13,316 |
| Change in deferred inflows of resources - pension plan | 65,157 |
| Change in deferred inflows of resources - OPEB plan | (114,398) |
| <p>Changes in the long-term liabilities reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds. Principal payments are reported as expenditures in governmental funds, but are reported as a reduction of the liability in the statement of net position. These amounts represents the changes in long-term liabilities:</p> | |
| Changes in long-term debt | 72,658 |
| Change in compensated absences liability | 25,331 |
| Change in net pension liability | 108,879 |
| Change in net OPEB liability | <u>(370,425)</u> |
| Change in Net Position of Governmental Activities | <u>\$ 716,292</u> |

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

CITY OF IONE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS

June 30, 2019

| | Sewer Fund | Sewer Capital Fund | Sewer CDCR Capital Fund | Sewer Tertiary Plant Fund | Total Enterprise Funds |
|---|---------------|--------------------------|-------------------------------|---------------------------------|------------------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 746,891 | \$ - | \$ - | \$ - | \$ 746,891 |
| Receivables: | | | | | |
| Accounts receivable | 146,076 | - | - | - | 146,076 |
| Due from other governments | 10,822 | - | - | - | 10,822 |
| Deposits with others | 8,631 | - | - | - | 8,631 |
| Total Current Assets | 912,420 | - | - | - | 912,420 |
| Noncurrent Assets: | | | | | |
| Advances to other funds | 309,955 | - | - | - | 309,955 |
| Capital assets: | | | | | |
| Nondepreciable | 5,745,969 | - | - | - | 5,745,969 |
| Depreciable, net | 8,517,034 | - | - | - | 8,517,034 |
| Total capital assets | 14,263,003 | - | - | - | 14,263,003 |
| Total Assets | 15,485,378 | - | - | - | 15,485,378 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Pension plan | 47,040 | - | - | - | 47,040 |
| OPEB plan | 3,344 | - | - | - | 3,344 |
| Total Deferred Outflows of Resources | 50,384 | - | - | - | 50,384 |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable and other liabilities | 560,119 | - | - | - | 560,119 |
| Accrued payroll and benefits | 35,793 | - | - | - | 35,793 |
| Interest payable | 24,590 | - | - | - | 24,590 |
| Unearned revenues | 6,656 | - | - | - | 6,656 |
| Refundable deposits | 5,459 | - | - | - | 5,459 |
| Noncurrent liabilities - current portion | 93,731 | - | - | - | 93,731 |
| Total Current Liabilities | 726,348 | - | - | - | 726,348 |
| Noncurrent Liabilities: | | | | | |
| Noncurrent liabilities - noncurrent portion | 3,155,887 | - | - | - | 3,155,887 |
| Total Noncurrent Liabilities | 3,155,887 | - | - | - | 3,155,887 |
| Total Liabilities | 3,882,235 | - | - | - | 3,882,235 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Pension plan | 21,467 | - | - | - | 21,467 |
| OPEB plan | 8,149 | - | - | - | 8,149 |
| Total Deferred Inflows of Resources | 29,616 | - | - | - | 29,616 |
| NET POSITION | | | | | |
| Net investment in capital assets | 11,411,964 | - | - | - | 11,411,964 |
| Unrestricted | 211,947 | - | - | - | 211,947 |
| Total Net Position | \$ 11,623,911 | \$ - | \$ - | \$ - | \$ 11,623,911 |

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

CITY OF IONE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS - ENTERPRISE FUNDS

For the Year Ended June 30, 2019

| | Sewer Fund | Sewer Capital Fund | Sewer CDCR Capital Fund | Sewer Tertiary Plant Fund | Total Enterprise Funds |
|--|----------------------|--------------------------|-------------------------------|---------------------------------|------------------------------|
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 1,273,365 | \$ - | \$ - | \$ - | \$ 1,273,365 |
| Other | 13,374 | - | - | - | 13,374 |
| Total Operating Revenues | <u>1,286,739</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,286,739</u> |
| OPERATING EXPENSES | | | | | |
| Salaries and benefits | 211,819 | - | - | - | 211,819 |
| Services and supplies | 1,309,772 | - | - | - | 1,309,772 |
| Depreciation | 327,781 | - | - | - | 327,781 |
| Total Operating Expenses | <u>1,849,372</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,849,372</u> |
| Operating Income (Loss) | <u>(562,633)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(562,633)</u> |
| NON OPERATING REVENUES (EXPENSES) | | | | | |
| Investment income | 27,608 | - | - | - | 27,608 |
| Interest expense | (67,965) | - | - | - | (67,965) |
| Total Nonoperating Revenues (Expenses) | <u>(40,357)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(40,357)</u> |
| Income (Loss) Before Capital Contributions and Transfers | <u>(602,990)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(602,990)</u> |
| CAPITAL CONTRIBUTIONS AND TRANSFERS | | | | | |
| Connection fees | 540,576 | - | - | - | 540,576 |
| Transfers in | 136,600 | 2,494,807 | - | 467,306 | 3,098,713 |
| Transfers (out) | (2,962,113) | - | (136,600) | - | (3,098,713) |
| Net Capital Contributions and Transfers | <u>(2,284,937)</u> | <u>2,494,807</u> | <u>(136,600)</u> | <u>467,306</u> | <u>540,576</u> |
| Change in Net Position | (2,887,927) | 2,494,807 | (136,600) | 467,306 | (62,414) |
| Net Position, Beginning of Year - as Previously Reported | 14,511,838 | (2,975,875) | 136,600 | (467,306) | 11,205,257 |
| Restatement | | 481,068 | | | 481,068 |
| Net Position, Beginning of Year - as Restated | <u>14,511,838</u> | <u>(2,494,807)</u> | <u>136,600</u> | <u>(467,306)</u> | <u>11,686,325</u> |
| Net Position, End of Year | <u>\$ 11,623,911</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 11,623,911</u> |

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

CITY OF IONE

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS - ENTERPRISE FUNDS

For the Year Ended June 30, 2019

| | Sewer Fund | Sewer Capital Fund | Sewer CDCR Capital Fund | Sewer Tertiary Plant Fund | Total Enterprise Funds |
|--|---------------|--------------------------|-------------------------------|---------------------------------|------------------------------|
| Cash Flows from Operating Activities: | | | | | |
| Cash received from customers | \$ 1,217,045 | \$ - | \$ - | \$ - | \$ 1,217,045 |
| Cash payments to suppliers | (863,188) | - | - | - | (863,188) |
| Cash payments to employees | (254,813) | - | - | - | (254,813) |
| Cash Provided by Operating Activities | 99,044 | - | - | - | 99,044 |
| Cash Flows from Noncapital and Financing Activities: | | | | | |
| Amounts received from (paid to) other funds | 16,936 | - | (136,600) | - | (119,664) |
| Cash used for Noncapital and Financing Activities | 16,936 | - | (136,600) | - | (119,664) |
| Cash Flows from Capital and Related Financing Activities: | | | | | |
| Purchase of capital assets | (1,343,683) | - | - | - | (1,343,683) |
| Connection fees | 540,576 | - | - | - | 540,576 |
| Principal payments on long-term debt | (83,494) | - | - | - | (83,494) |
| Interest paid on debt | (68,685) | - | - | - | (68,685) |
| Cash used for Capital and Related Financing Activities | (955,286) | - | - | - | (803,107) |
| Cash Flows from Investing Activities: | | | | | |
| Interest income | 27,608 | - | - | - | 27,608 |
| Cash used for Investing Activities | 27,608 | - | - | - | 27,608 |
| Increase in Cash and Cash Equivalents | (811,698) | - | (136,600) | - | (948,298) |
| Cash and Cash Equivalents, Beginning of Year | 1,558,589 | - | 136,600 | - | 1,695,189 |
| Cash and Cash Equivalents, End of Year | \$ 746,891 | \$ - | \$ - | \$ - | \$ 746,891 |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | | | | | |
| Operating income | \$ (562,633) | \$ - | \$ - | \$ - | \$ (562,633) |
| Adjustments to Operating Income: | | | | | |
| Depreciation | 327,781 | - | - | - | 327,781 |
| Construction in process abandoned | 140,545 | - | - | - | 140,545 |
| Changes in operating assets and liabilities: | | | | | |
| (Increase) decrease in accounts receivable | (65,643) | - | - | - | (65,643) |
| (Increase) decrease in due from other governments | (10,822) | - | - | - | (10,822) |
| (Increase) decrease in deferred outflows of resources | 11,717 | - | - | - | 11,717 |
| Increase (decrease) in accounts payable and other liabilities | 306,039 | - | - | - | 306,039 |
| Increase (decrease) in accrued payroll and benefits | 30,692 | - | - | - | 30,692 |
| Increase (decrease) in unearned revenues | 6,656 | - | - | - | 6,656 |
| Increase (decrease) in refundable deposits | 115 | - | - | - | 115 |
| Change in pension, OPEB and compensated absences | (89,324) | - | - | - | (89,324) |
| Change in deferred inflows of resources | 3,921 | - | - | - | 3,921 |
| Cash Provided by Operating Activities | \$ 99,044 | \$ - | \$ - | \$ - | \$ 99,044 |
| CHANGES IN NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | | |
| Change in accounts payable for capital purchases | \$ 68,153 | | | | \$ 68,153 |
| Construction in process abandoned | \$ 140,545 | | | | \$ 140,545 |

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

CITY OF IONE

STATEMENT OF FIDUCIARY NET POSITION -
AGENCY FUNDS

June 30, 2019

| | <u>Total</u> |
|--|------------------------------|
| ASSETS | |
| Cash and investments | \$ 350,037 |
| Accounts receivable | 1,038 |
| Cash and investments with fiscal agent | <u>498,696</u> |
| Total Assets | <u><u>\$ 849,771</u></u> |
| LIABILITIES | |
| Refundable deposits | \$ 46 |
| Due to others | <u>849,725</u> |
| Total Liabilities | <u><u>\$ 849,771</u></u> |

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ione was incorporated in 1953, under the laws and regulations of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety, highways and streets, sewer, culture-recreation, public improvements, planning and zoning, and general administrative services. The voters of the City of Colfax, California, give authority and responsibility for operations to the City Council. The City Council has the authority to employ administrative and support personnel to carry out its directives. The primary method used to monitor the performance of the City's management is the financial budget, which is adopted annually by the City Council.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

Reporting Entity

The City operates as a self-governing local government unit within the state of California. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. Voters elect a city council that passes laws and determines broad policies. The council also oversees the operations of the City and approves all budgets, fund transfers and fund balance reserves. The City's main funding sources include property taxes, sales taxes, other inter-governmental revenue from state and federal sources, user fees, and federal and state financial assistance.

Basis of Presentation

Government-wide and Fund Financial Statements: The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services and privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The accounts of the City are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the last is excluded from the

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements and fiduciary fund statements, with the exception of agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period, with the exception of property taxes. Property taxes are considered to be available if they are collected within 60 days of the current fiscal period. Amounts received after the availability period are reported as unavailable revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Major revenues that are determined to be susceptible to accrual include property taxes and assessments, sales taxes, franchise taxes, charges for services, intergovernmental revenues, and earnings on investments. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues (government mandated nonexchange transactions) are recognized when the City has satisfied all applicable eligibility requirements and if the amounts are measurable. If the grant funds are received before the revenue recognition criteria are satisfied, the unearned amounts are reported as unearned revenue.

The City reports the following major governmental funds:

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

HOME Program Grant Special Revenue Fund – This fund accounts for low- and moderate-income loans made using HOME program grant funds. Several sub-funds for grants made during individual years were combined into one single fund during the year-ended June 30, 2019.

Measure M Special Revenue Fund – This fund accounts for revenues and expenditures for firefighter related activities funded by the Measure M tax that was approved by voters in Amador County in 2008.

The City reports the following major enterprise fund:

Sewer Enterprise Fund – This fund accounts for the operation of the City's sewer utility. Activities of this fund includes administration, operation and maintenance of the water and sewer systems and billing

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and collection activities. The Fund also accumulate resources for future expansion. All costs are financed through charges made to utility customers and developers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the Funds. Several sub-funds were combined into one Sewer Fund during the year ended June 30, 2019.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (not including private purpose trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

PROPRIETARY FUNDS

Enterprise Funds – Enterprise funds are used to account for operations that are financed and operated in manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers or other funds for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

FIDUCIARY FUNDS

Agency Funds – Agency Funds are used to account for assets held by the City in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The City's agency funds account for Community Facility Districts used for conduit debt owed by property owners, regional traffic mitigation funds and police asset seizure funds. Asset seizure funds are seized by the Police Department and held until the assets are forfeited or returned to the owner. The regional traffic mitigation funds are distributed to the Amador County Transportation Planning Agency for regional traffic mitigation activities.

Cash and Cash Equivalents: The City's cash and cash equivalents are defined as cash on hand, demand deposits, and short-term investments with original maturities of three months or less, that are readily convertible to known amounts of cash and not subject to significant changes in value from interest rate fluctuations, including the City's investment in California Local Agency Investment Fund (LAIF), money market mutual funds and certificates of deposits.

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocations of Investment Income Among Funds: Investment income is allocated to funds required by law or administrative action to receive investment income and proprietary funds. Interest is allocated on a monthly basis based on the weighted average cash balances in each fund receiving interest.

Receivables and Payables: Sales, use, and utility user taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 90 days of year end. Property taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year-end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available. Unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds when the related service is performed.

Long-term loans in governmental funds represent low-and-moderate income housing loans under the HOME and CDBG programs, as described in Note D. Loans are recognized as receivables and deferred inflows of resources in governmental funds as the loans do not represent current available financial resources. Non-current interest receivable on the loans are also offset with deferred inflows for unavailable revenues as they are generally due when the related property is sold and do not represent resources available for appropriation.

Restricted Assets: Certain proceeds of long-term debt are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The “reserve” account is used to report resources set aside to make up potential future deficiencies in the bond’s debt service. Certain unspent debt proceeds are restricted to specific capital projects by the applicable debt covenant. The City also collects impact fees in the Sewer Fund that are restricted for certain capital replacement activities.

Property Taxes: The County of Amador (the County) is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due, provided they are collected within 60 days after year end. Secured property taxes are levied each July 1 on the assessed values as of January 1 of the prior year. These taxes are paid in two equal installments; the first is due November 1 and become delinquent with penalties after December 10; the second is due February 1 and become delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, costs and interest when paid. These taxes are secured by liens on the property being taxed.

The term “unsecured” refers to taxes on personal property other than land and buildings. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after fiscal year-end. Unsecured property taxes are levied each July 1 on the assessed values as of January 1 of the prior year. They become delinquent on August 31. The County apportions secured property tax revenue in accordance with the alternate methods of distribution, the “Teeter Plan,” as prescribed by Section 4717 of the California Revenue and Taxation code. Therefore, the City receives 100% of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible. These taxes are accrued as intergovernmental receivables only if they are received from the County within 60 days after year end for the governmental funds and are accrued when earned for government-wide presentation regardless of the timing of the related cash flows.

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets are recorded at historical costs. Capital assets are not capitalized in governmental funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at their acquisition value, which is the value, which is the price that would be paid to acquire the asset with equivalent service potential in an orderly market transaction and the acquisition date. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the current year's additions to governmental or business-type capital assets. Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|-------------------------|-------------|
| Buildings | 20-30 years |
| Building improvements | 10-15 years |
| Site improvements | 15-20 years |
| Equipment and machinery | 3-20 years |
| Infrastructure | 7-50 years |

It is the policy of the City to capitalize all land, building, improvements, equipment, and infrastructure assets with an initial, individual cost of more than \$5,000. Costs of assets sold or retired and the resulting gain or loss is included in the operating statement of the related proprietary fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale. The proceeds reported in the governmental fund are eliminated and the gain or loss on sale is reported in the government-wide presentation.

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the statement of financial position reports a separate section for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expenditure/expense) or an inflow of resources (revenue) until the earnings process is complete. The governmental funds report unavailable revenues for grants, loans receivable, accrued interest on loans receivable and other revenues when the amounts meet the asset recognition criteria under GASB 33 and were accrued as receivables, but the amounts were not received in the availability period. Deferred outflows and inflows of resources include amounts deferred related to the City's pension plan under GASB 68 and the City's OPEB Plan under GASB 75 as described in Notes H and I.

Compensated Absences: It is the City's policy to permit employees to accumulate earned but unused vacation based on classification and length of service. Vacation is accrued when incurred in the government-wide presentation and in the proprietary funds and reported as a fund liability. Amounts that are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations or retirements that are currently payable, are reported as expenditures and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources represent a reconciling item between the fund and government-wide presentation. No expenditure is reported in the governmental fund financial statements for these amounts.

City employees are granted vacation in varying amounts based on classification and length of service from 80 to 192 hours per year and may accumulate a maximum of 240 hours. The City Manager may

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

approve vacation buy outs of up to 80 hours every 12-month period. Upon termination or retirement, the City pays 100% of the vacation time accrued. Sick leave is accrued from 80 to 96 hours per year and is capped at 960 hours. Sick leave is not payable at retirement except for one management employee who may elect to have 50% of sick leave hours paid at separation. The remaining employees may convert the sick leave to CalPERS service credit. General employees may select compensatory time-off to a maximum of 40 hours in lieu of overtime, which is included in compensated absences. Department heads are provided 5 days of administrative leave per fiscal year, which is not payable at separation and is not accrued as compensated absences. Compensated absences are liquidated by the General Fund and Sewer Enterprise Fund.

Interfund Transactions: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Advances between funds are reported as nonspendable fund balance in governmental funds to indicate they do not constitute resources available for appropriation.

Unearned Revenues: Unearned revenues arise when resources are received by the City before it has legal claim to them (i.e. when cost reimbursement grant revenues are received prior to the incurrence of qualifying expenditures) or when exchange revenues are received before the exchange takes place, such as unearned developer deposits for permitting and plan checks.

Long-term Debt: The proceeds of long-term debt of governmental funds are reported at face value (net of premium or discount) in the government-wide financial statements as other financing sources and represent a reconciling item between the fund and government-wide presentation. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the related proprietary fund. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures/expenses of the governmental or proprietary fund.

Pension and Other Postemployment Benefits (OPEB) Plan: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to the pension plan, and pension expense, information about the fiduciary net position of the Commission’s California Public Employee’s Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General Fund and Sewer Enterprise Fund are used to liquidate the net pension liability and net OPEB liability.

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance: In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned fund balance.

Nonspendable – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which comprise prepaid items and long-term receivables.

Restricted – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the City Council. These amounts cannot be used for any other purpose unless the City Council modifies or removes the fund balance commitment.

Assigned – Fund balance should be reported as assigned when the amounts are constrained by the government’s intent to be used for specific purposes but are neither restricted nor committed.

Unassigned – Unassigned fund balance is the residual classification of the City’s funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes.

Net Position: The government-wide and proprietary fund financial statements present net position. Net position is categorized as the net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The purpose of each restriction is reported on the face of the statement of net position.

Unrestricted Net Position – This category represents net position of the City not restricted for any project or other purpose.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted, committed, assigned and unassigned resources as they are needed. The City’s committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Use of Estimates: The preparation of the 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 expenses during the reporting period. Actual results could differ from those estimates.

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information: The City Council annually adopts the budget resolution for all operating funds of the City. Budgetary control is legally maintained at the fund level. Department heads submit budget requests to the City Administrator. The Administrator prepares an estimate of revenues and prepares recommendations for the next year’s budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30.

All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budgets during the year. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year. Amounts shown in the financial statements represent the original budgeted amounts and all supplemental appropriations. The supplemental appropriations were immaterial. The budgetary data is prepared on the modified accrual basis consistent with the related “actual” amounts. The City does not use encumbrance accounting.

Excess Expenditures Over Appropriations: The following funds had excess expenditures and transfers out over appropriations:

| Fund | Excess Over Appropriations |
|---|-------------------------------|
| General Fund | \$ 106,170 |
| Measure M Special Revenue Fund | 366,181 |
| Nonmajor Governmental Funds: | |
| Ione District 1 COIC Special Revenue Fund | 12,362 |
| Restricted Police Special Revenue Fund | 182,779 |
| Restricted Fire Special Revenue Fund | 1,713 |

Fund Balance Deficits: The General Fund, Safer Grant Fund, Fire Services Impact Fees Fund and the Governmental Impact Fees Fund have fund balance deficits of \$563,766, \$3,775, \$983,143 and \$541,081, respectively. The deficit in the General Fund will be eliminated by future tax and other revenues and/or reductions in future expenditures. The deficits in the impact fees funds will be eliminated by the collection of future impact fees.

New Pronouncements: In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. The requirements of this Statement are effective for periods beginning after June 15, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in the notes to government financial statements and clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences and significant subjective acceleration clauses. For notes to the financial statement there is a requirement that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the reporting periods beginning after June 15, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense rather than being recorded as part of the cost of capital assets in a business-type activity or enterprise fund and interest cost incurred by a fund using the current financial resources measurement focus before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The Statement indicates an issuer of a conduit debt obligation should not report a liability for the conduit debt obligation, but requires an issuer to report a liability associated with an additional commitment or a voluntary commitment to support the debt. Additional commitments by an issuer to support the debt include extending a moral obligation pledge, appropriation pledge or financial guarantee or pledging the issuer's own property, revenue or assets as security for the debt. Under a voluntary commitment, the issuer does not make an additional commitment, but on a voluntary basis decides to make a debt service payment or request an appropriation for a debt service payment in the event that the third party is, or will be, unable to do so. The Statement also provides criteria for issuers to determine whether they should record assets acquired or constructed with proceeds of arrangements identified as leases related to conduit debt obligations. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2021.

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement addresses issues related to public-private and public-public partnership arrangements (PPPs). PPPs are arrangements in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This statement requires that PPPs that meet the definition of a lease apply guidance in Statement No. 87, *Leases*, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a service concession arrangement. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement No. 87, as amended. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements that include an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This Statement is effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). This Statement 1) defines the term SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs to a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for fiscal years beginning after June 15, 2022.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This Statement requires for the purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

The City is currently analyzing the impact of the required implementation of these new statements.

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE B – CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. Cash represents cash on hand, demand deposits in the bank and amounts invested in the State of California Local Agency Investment Fund (LAIF). Cash and investments at June 30, 2019 are classified in the accompanying financial statements as follows:

| | Governmental Activities | Business-Type Activities | Fiduciary Funds | Total |
|---------------------------|----------------------------|-----------------------------|--------------------|---------------------|
| Cash and cash equivalents | \$ 5,190,253 | \$ 746,891 | \$ 350,037 | \$ 6,287,181 |
| Restricted cash | - | - | 498,696 | 498,696 |
| | <u>\$ 5,190,253</u> | <u>\$ 746,891</u> | <u>\$ 848,733</u> | <u>\$ 6,785,877</u> |

As of June 30, 2019, the City’s cash and investments consisted of the following:

| | |
|---|---------------------|
| Cash on hand | \$ 242 |
| Deposits in financial institutions | 5,127,212 |
| Investments | |
| California Local Agency Investment Fund | 782,931 |
| Certificate of deposit | 257,038 |
| Money market mutual funds | <u>618,454</u> |
| Total cash and investments | <u>\$ 6,785,877</u> |

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.

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE B – CASH AND INVESTMENTS (Continued)

| | Maximum Maturity | Minimum Rating | Maximum Percentage on Dollar of Portfolio | Maximum Investment in One Issuer |
|-------------------------------------|---------------------|-------------------|--|--|
| U.S. Treasury obligations | 5 years * | N/A | None | None |
| U.S. agency securities | 5 years * | N/A | None | None |
| Bankers acceptances | 270 days | AA | 40% | 30% |
| Commercial paper | 180 days | A1/P1 | 15% | 10% |
| Commercial paper | 31 days | A1/P1 | 40% | 10% |
| Time deposits | 3 years * | NA | None | None |
| Negotiable certificates of deposit | 3 years * | AA | 30% | None |
| Repurchase Agreements | 1 year | N/A | None | None |
| Medium term notes | 5 years | AA | 30% | None |
| Money market mutual funds | 5 years | AA | 15% | 10% |
| Mutual funds | 5 years | AAA | 15% | 10% |
| Local Agency Investment Fund (LAIF) | 5 years | N/A | None | None |

* Maximum term unless expressly authorized by City Council and within prescribed time frames for the approval.

The City complied with the provisions of California Government Code pertaining to the types of investments held, institutions in which deposits were made and security requirements. The City will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment in LAIF has an average maturity of 173 days.

| Investment Type | Total | 12 Months or Less | 13 to 24 Months | 25 to 60 Months |
|--------------------------|---------------------|----------------------|--------------------|--------------------|
| LAIF | \$ 782,931 | \$ 782,931 | \$ - | \$ - |
| Certificate of deposit | 257,038 | 155,461 | - | 101,577 |
| Money market mutual fund | 618,454 | 618,454 | - | - |
| Total Investments | <u>\$ 1,658,423</u> | <u>\$ 1,556,846</u> | <u>\$ -</u> | <u>\$ 101,577</u> |

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 deposits or will not be able to recover collateral securities that are in the possession of an outside 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, other than the following provision for deposits: The California Governmental Code requires that a financial institution secure 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 governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE B – CASH AND INVESTMENTS (Continued)

California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2019, the carrying amount of the City’s deposits was \$5,127,212 and the balance in financial institutions was \$5,640,512. Of the balance in financial institutions, \$500,000 was covered by federal depository insurance and \$5,140,512 was covered by the pledging financial institution with assets held in a common pool for the City and other governmental agencies.

Investment in LAIF: LAIF was stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$105,814,483,092 managed by the State Treasurer. Of that amount, 1.77% was 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. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization as follows:

| Investment Type | Total | Minimum Rating | Rating as of | |
|---------------------------|---------------------|-------------------|-------------------|-----------------------|
| | | | AAA | Year End Not Rated |
| LAIF | \$ 782,931 | N/A | \$ - | \$ 782,931 |
| Certificate of deposit | 257,038 | N/A | - | 257,038 |
| Money market mutual funds | 618,454 | AA | 618,454 | - |
| Total Investments | <u>\$ 1,658,423</u> | | <u>\$ 618,454</u> | <u>\$ 1,039,969</u> |

Fair Value Measurements: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The City’s investment in LAIF, non-negotiable certificates of deposit and money market mutual funds are not subject to fair value measurements or are measured at the net asset value of the underlying investments.

NOTE C – INTERFUND TRANSACTIONS

Current Interfund Balances

| Due From Other Funds | Due to Other Funds | Amount |
|-------------------------------|------------------------------|------------------|
| General Fund | Non-Major Governmental Funds | \$ 53,886 |
| Total due to/from other funds | | <u>\$ 53,886</u> |

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE C – INTERFUND TRANSACTIONS (Continued)

This balance resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur. All interfund receivables are expected to be paid back within the next fiscal year.

Long-Term Interfund Advances

At June 30, 2019, the funds below had made advances which were not expected to be repaid within the next year. The funds with the advance to other funds report nonspendable fund balance to indicate the amounts are not available for appropriation.

| <u>Advances to Other Funds</u> | <u>Advances From Other Funds</u> | <u>Amount</u> |
|--------------------------------|----------------------------------|---------------------|
| General Fund | Non-Major Governmental Funds | \$ 662,453 (a) |
| Measure M Fund | General Fund | 346,414 (b) |
| Sewer Enterprise Fund | General Fund | 309,955 (c) |
| Non-Major Governmental Funds | General Fund | 915,798 (d) |
| | Non-Major Governmental Funds | <u>864,804 (e)</u> |
| | | <u>\$ 3,099,424</u> |

- (a) The General Fund advanced \$375,000 to the General Plan Impact Fees Fund and \$287,453 to the Fire Impact Fees Fund to fund construction and expansion of capital facilities. A resolution adopted on June 2, 2015 indicated reimbursement from the General Plan Impact Fees Fund and Fire Impact Fees Fund is expected to be made from future development impact fees.
- (b) The Measure M Fund advanced \$346,414 to the General Fund to cover the structural deficit in the General Fund. A resolution adopted on December 6, 2011 indicates that total amount of advanced monies owed to the Measure M Fund will be repaid on a semi-annual basis over the next ten years at an interest rate of 1% per annum. As of June 30, 2019, the City has reimbursed the Measure M Fund \$14,209.
- (c) On June 12, 2014 the Sewer Enterprise Fund advanced \$244,800 to the General Fund to be reimbursed by the General Fund at such time as the Howard Property Trust redeems sewer connection fees credits and/or annexation per the agreement between the City and Howard Property Trust and \$65,155 of Amador Regional Sanitation Agency Funds were transferred by the Sewer Fund to the General Fund to be repaid as funds become available per a resolution adopted June 2, 2015.
- (d) Various non-major governmental funds advanced \$915,798 to the General Fund as follows:
 - (1) \$535,797 was advanced to the General Fund to cover the City’s structural deficit in the General Fund from the Local Transportation Commission Fund. A resolution adopted on December 6, 2011 indicates the total amount of advanced monies owed to the City’s Local Transportation Commission Fund will be repaid on a semi-annual basis over the next ten years at an interest rate of 1% per annum. As of June 30, 2019 the City’s General Fund has reimbursed the Local Transportation Commission Fund \$22,251.
 - (2) A resolution adopted June 2, 2015 indicated \$200,001 was advanced to the General Fund from the Gas Tax Fund to cover the structural City’s deficit in the General Fund. As of June 30, 2019, the City’s General Fund has reimbursed the Gas Tax Fund \$8,229.

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE C – INTERFUND TRANSACTIONS (Continued)

- (3) On October 2, 2018, \$180,000 was advanced from the Local Traffic Mitigation Fund to the General Fund to cover a legal settlement. Currently no repayment schedule has been established to reimburse the Traffic Mitigation Fund.
- (e) Various non-major governmental fund advanced \$864,804 to non-major governmental funds as follows:
- (1) A resolution adopted June 2, 2015 indicated the Impact Police Fund advanced \$180,000 to the Impact Fees-General Plan and \$616,804 to the Impact Fees Fire Funds to fund fire station construction.
- (2) A resolution adopted June 2, 2015 indicated the Gas Tax Fund advanced \$43,000 to Impact Fees – General Plan Fund to fund a structural deficit in the Impact Fees – General Plan Fund.
- (3) A resolution adopted June 2, 2015 indicated the Impact Fees – General Administration Fund advanced \$25,000 to Impact Fees Fire Fund to fund fire station construction.

Interfund Transfers

| <u>Fund Receiving Transfer</u> | <u>Fund Making Transfer</u> | <u>Amount</u> |
|---|------------------------------|---------------------|
| Non-Major Governmental Funds | General Fund | \$ 5,191 (a) |
| HOME Program Grant Special Revenue Fund | Non-Major Governmental Funds | 1,353,098 (b) |
| Sewer Enterprise Fund | Sewer Enterprise Fund | 3,098,713 (c) |
| Non-Major Governmental Funds | Non-Major Governmental Funds | <u>340,537 (a)</u> |
| | | <u>\$ 4,797,539</u> |

- (a) The \$5,191 transfer from the General Fund to Non-Major Governmental Funds and the transfers within the Non-Major Governmental Funds was to move resources from the fund receiving the resources to the fund expending the resources.
- (b) The transfer from Non-Major Governmental Funds to the HOME Program Grant Special Revenue Fund was to combine a number of HOME program grant funds for reporting purposes.
- (c) The transfers within the Sewer Fund were to combine the funds into one fund for reporting purposes.

NOTE D – LOANS RECEIVABLE

At June 30, 2019, the City had the following loans receivable outstanding:

| | |
|-------------------------------------|---------------------|
| CDBG First Time Home Buyer | \$ 397,416 |
| HOME Program | 1,162,688 |
| CDBG Housing Rehabilitation Program | 32,815 |
| Other | <u>21,046</u> |
| Loans, net | <u>\$ 1,613,965</u> |

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE D – LOANS RECEIVABLE (Continued)

CDBG First Time Home Buyer

The City administers a First Time Homebuyer Loan Program that provides low interest rate second mortgage loans to eligible home buyers to assist in the purchase of a home. Loans carry interest at 3% or are interest free. Funding for this program is provided through the Community Development Block Grant Program.

HOME Program

The City provides loans to qualified first time buyers through the federally funded HOME Program. Under this program, principal and interest payments are deferred until the loan is refinanced or title to the property changes. These loans carry a 2% or 3% interest rate with a maturity of 30 years.

CDBG Housing Rehabilitation Program

The City administers a Housing Rehabilitation Loan Program using the federal Housing and Community Development Act funds. Under this program, residents with incomes below a certain level are eligible to receive low interest loans secured by deeds of trust for rehabilitation of their homes. These loans carry interest rates of 2% or 3% and are generally due upon transfer of the home or refinancing.

NOTE E – CAPITAL ASSETS

Governmental capital assets activity for the year ended June 30, 2019 was as follows:

| | Balance at June 30, 2018 | Additions | Retirements | Transfers | Balance at June 30, 2019 |
|--|-----------------------------|--------------|-------------|-----------|-----------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 29,696,609 | \$ - | \$ - | \$ - | \$ 29,696,609 |
| Construction in progress | - | 9,148 | - | - | 9,148 |
| Total capital assets, not being depreciated | 29,696,609 | 9,148 | - | - | 29,705,757 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 3,395,120 | - | - | - | 3,395,120 |
| Site improvements | 1,084,997 | 89,801 | - | - | 1,174,798 |
| Vehicles and equipment | 2,629,443 | 20,370 | - | - | 2,649,813 |
| Infrastructure | 2,959,806 | - | - | - | 2,959,806 |
| Total capital assets, being depreciated | 10,069,366 | 110,171 | - | - | 10,179,537 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (1,448,127) | (73,089) | - | - | (1,521,216) |
| Site improvements | (637,109) | (49,322) | - | - | (686,431) |
| Vehicles and equipment | (1,954,892) | (202,085) | - | - | (2,156,977) |
| Infrastructure | (1,245,174) | (133,706) | - | - | (1,378,880) |
| Total accumulated depreciation | (5,285,302) | (458,202) | - | - | (5,743,504) |
| Capital assets being depreciated, net | 4,784,064 | (348,031) | - | - | 4,436,033 |
| GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET | \$ 34,480,673 | \$ (338,883) | \$ - | \$ - | \$ 34,141,790 |

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE E – CAPITAL ASSETS (Continued)

Depreciation expense for governmental capital assets was charged to functions as follows:

| | |
|--|-------------------|
| General governmental | \$ 49,980 |
| Public safety | 209,090 |
| Public works | 19,888 |
| Streets | 73,696 |
| Community development | 15,684 |
| Parks | 89,864 |
| | <u>89,864</u> |
| Total governmental activities depreciation expense | <u>\$ 458,202</u> |

Business-type capital assets activities for the year ended June 30, 2019 was as follows:

| | Balance at June 30, 2018 | Additions | Retirements | Transfers | Balance at June 30, 2019 |
|---|-----------------------------|---------------------|---------------------|------------------|-----------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 3,873,444 | \$ - | \$ - | \$ - | \$ 3,873,444 |
| Construction in progress | 2,486,437 | 19,577 | (140,545) | (492,944) | 1,872,525 |
| Total capital assets, not being depreciated | <u>6,359,881</u> | <u>19,577</u> | <u>(140,545)</u> | <u>(492,944)</u> | <u>5,745,969</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 1,460,112 | - | - | - | 1,460,112 |
| Site improvements | 446,396 | - | - | - | 446,396 |
| Vehicles and equipment | 660,007 | - | - | - | 660,007 |
| Infrastructure | 8,995,864 | 1,392,259 | - | 492,944 | 10,881,067 |
| Total capital assets, being depreciated | <u>11,562,379</u> | <u>1,392,259</u> | <u>-</u> | <u>492,944</u> | <u>13,447,582</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (872,313) | (35,756) | - | - | (908,069) |
| Site improvements | (389,196) | (4,400) | - | - | (393,596) |
| Vehicles and equipment | (527,037) | (24,388) | - | - | (551,425) |
| Infrastructure | (2,814,221) | (263,237) | - | - | (3,077,458) |
| Total accumulated depreciation | <u>(4,602,767)</u> | <u>(327,781)</u> | <u>-</u> | <u>-</u> | <u>(4,930,548)</u> |
| Capital assets being depreciated, net | <u>6,959,612</u> | <u>1,064,478</u> | <u>-</u> | <u>492,944</u> | <u>8,517,034</u> |
| BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET | <u>\$ 13,319,493</u> | <u>\$ 1,084,055</u> | <u>\$ (140,545)</u> | <u>\$ -</u> | <u>\$ 14,263,003</u> |

Depreciation expense for business-type capital assets was charged to the Sewer functions.

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE F – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2019 was as follows:

| | Balance | | | Balance | |
|--|---------------------|-------------------|---------------------|---------------------|---------------------|
| | June 30, 2018 | Additions | Payments | June 30, 2019 | Due Within One Year |
| Governmental Activities: | | | | | |
| Note payable | \$ 55,000 | \$ - | \$ (34,924) | \$ 20,076 | \$ 12,576 |
| Capital lease | 351,309 | - | (28,734) | 322,575 | 30,070 |
| Train Depot loan | 9,000 | - | (9,000) | - | - |
| Compensated absences | 141,411 | 41,633 | (66,964) | 116,080 | 71,734 |
| Pension liability | 2,603,582 | 234,116 | (342,995) | 2,494,703 | - |
| OPEB obligation | 1,811,636 | 370,425 | - | 2,182,061 | - |
| Governmental activities long-term liabilities | <u>\$ 4,971,938</u> | <u>\$ 646,174</u> | <u>\$ (482,617)</u> | <u>\$ 5,135,495</u> | <u>\$ 114,380</u> |
| Business-Type Activities: | | | | | |
| I - Bank Installment loan | \$ 2,934,533 | \$ - | \$ (83,494) | \$ 2,851,039 | \$ 85,431 |
| Compensated absences | 4,094 | 8,976 | (4,770) | 8,300 | 8,300 |
| Pension liability | 238,672 | 8,252 | (12,089) | 234,835 | - |
| OPEB obligation | 245,137 | - | (89,693) | 155,444 | - |
| Business-type activities long-term liabilities | <u>\$ 3,422,436</u> | <u>\$ 17,228</u> | <u>\$ (190,046)</u> | <u>\$ 3,249,618</u> | <u>\$ 93,731</u> |

Long-term debt of the City’s governmental activities consists of the following as of June 30, 2019:

Note Payable: On June 6, 2018 the City received a loan from American River Bank in the amount of \$55,000 to purchase a commercial lawn mower for City parks. Payments of \$1,048 are due quarterly with interest at 5.06% from September 25, 2018 to June 25, 2023. On January 1, 2019, the City made an additional principal payment of \$25,000 resulting in a final payment due on March 25, 2021.

Capital Lease: On August 28, 2008 the City entered into a capital lease in the principal amount of \$560,000 to partially finance the construction of a new firehouse. The lease is payable in monthly instalments of \$3,494 through August 28, 2028 at 3.9%. The City shall has the option to purchase all of the equipment by paying to the lessor all rent payments then due (including accrued interest, if any) plus the termination value as stipulated in the lease agreement.

Train Depot Loan: On June 29, 2012 the City received \$45,000 from Jackson Rancheria for relocation of the train depot to City owned property. The loan was due in yearly installments of \$9,000 per year through the year ended June 30, 2019.

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE F – LONG-TERM LIABILITIES (Continued)

Payments due on the loan payable are as follows:

| Fiscal Year Ended June 30 | Principal | Interest | Total |
|---------------------------|------------------|---------------|------------------|
| 2020 | \$ 12,576 | \$ 783 | \$ 13,359 |
| 2021 | 7,500 | 190 | 7,690 |
| Totals | <u>\$ 20,076</u> | <u>\$ 973</u> | <u>\$ 21,049</u> |

Payments on the capital lease are due as follows:

| Fiscal Year Ended June 30 | |
|---|-------------------|
| 2020 | \$ 41,932 |
| 2021 | 41,932 |
| 2022 | 41,932 |
| 2023 | 41,932 |
| 2024 | 41,932 |
| 2025-2029 | <u>172,452</u> |
| Total minimum lease payments | 382,112 |
| Less: Amount representing interest | <u>(59,537)</u> |
| Present value of minimum lease payments | <u>\$ 322,575</u> |

Long-term debt of the City's business-type activities consists of the following as of June 30, 2019:

Installment Sale Agreement: On September 1, 2013, the City entered into an installment sale agreement with the California Infrastructure and Economic Development Bank to borrow \$3,250,000 for use on the City's Wastewater Compliance Project. The agreement is secured by a pledge of the net sewer enterprise system revenues. The agreement requires the net sewer enterprise system revenues to equal 110% of the Installment Sale Agreement debt service payments and at least 100% of all debt service payments, including subordinate debt. Principal payments ranging from \$76,175 to \$148,138 are due yearly on August 1 and interest payments ranging from \$1,533 to \$34,315 are due on February 1 and August 1 through August 1, 2043 at 2.07%. The following is the amortization schedule for this loan:

| Fiscal Year Ended June 30 | Principal | Interest | Total |
|---------------------------|---------------------|-------------------|---------------------|
| 2020 | \$ 85,431 | \$ 58,132 | \$ 143,563 |
| 2021 | 87,413 | 56,343 | 143,756 |
| 2022 | 89,441 | 54,513 | 143,954 |
| 2023 | 91,516 | 52,640 | 144,156 |
| 2024 | 93,639 | 50,724 | 144,363 |
| 2025-2029 | 501,806 | 223,281 | 725,087 |
| 2030-2034 | 562,779 | 168,246 | 731,025 |
| 2035-2039 | 631,162 | 106,525 | 737,687 |
| 2040-2044 | 707,852 | 37,303 | 745,155 |
| Totals | <u>\$ 2,851,039</u> | <u>\$ 807,707</u> | <u>\$ 3,658,746</u> |

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE F – LONG-TERM LIABILITIES (Continued)

Pledged Revenue: The City has pledged net sewer enterprise system revenue to repay the \$3,250,000 Installment Sale Agreement through August 1, 2043. Annual debt service principal and interest payments are expected to require less than 90% of net sewer enterprise system revenues. Total remaining principal and interest payments are disclosed in the table above. Total cash basis principal and interest payments made during the year ended June 30, 2019 were \$143,374 and net sewer enterprise system revenues were \$333,332.

NOTE G – CONDUIT DEBT

During the year ended June 30, 1990, the City of Ione created two Community Facilities Districts (CFDs) that issued conduit debt. The City Council and management are responsible for the administration of the Community Facilities Districts formed under the provisions of Mello-Roos, but the City is not obligated to repay the special assessment debt issued by the CFDs. On August 16, 2006, the CFD No. 2005-1 and 2005-2IA No. 1 and 2005-2IA No. 2 of the City of Ione 2006 Special Tax Refunding Bonds were issued to refund 1989-1 and 1989-2 Bonds. The 2006 Bonds are payable solely from special tax revenues collected by the CFDs. The City has no direct or implied obligation to repay the conduit debt.

The amount of the special assessment debt with no City commitment outstanding at June 30, 2019 was as follows:

| | |
|---|----------------------------|
| 2018 Special Tax Refunding Bonds (Community Facilities District 2005-2, Improvement Area No. 1) | \$ 2,625,674 |
| 2006 Special Tax Refunding Bonds (Community Facilities District 2005-2, Improvement Area No.3) | <u>4,385,000</u> |
| Total | <u><u>\$ 7,010,674</u></u> |

NOTE H – PENSION PLAN

A. General Information about the Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City’s Cost-Sharing Multiple Employer Defined Benefit Pension Plan (the Plan or PERFC) administered by the California Public Employees’ Retirement System (CalPERS). PERFC consists of a miscellaneous risk pool and a safety risk pool, which are comprised of the following rate plans:

- Miscellaneous Rate Plan
- Miscellaneous Second Tier Rate Plan
- PEPRA Miscellaneous Rate Plan
- Safety Rate Plan
- Safety Second Tier Rate Plan
- PEPRA Safety Police Rate Plan

Although one Plan exists, CalPERS provides the information separately for the Miscellaneous and Safety Risk Pools and the information is presented separately below where available. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE H – PENSION PLAN (Continued)

that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the 1959 Survivor Benefit level 4, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

| | Miscellaneous Rate Plan | Miscellaneous Second Tier Rate Plan | PEPRA Miscellaneous Rate Plan |
|---|-----------------------------|---|-------------------------------------|
| | Prior to August 13, 2011 | August 13, 2011 to December 31, 2012 | On or after January 1, 2013 |
| Hire date | | | |
| Benefit formula (at full retirement) | 2.5% @ 55 | 2.0% @ 55 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 50 - 63 | 52 - 67 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.7% | 1.426% to 2.418% | 1.0% to 2.5% |
| Required employee contribution rates | 8.00% | 7.00% | 6.25% |
| Required employer contribution rates | 10.022% | 7.634% | 6.842% |

| | Safety Rate Plan | Safety Second Tier Rate Plan | PEPRA Safety Rate Plan |
|---|-----------------------------|---|--------------------------------|
| | Prior to August 13, 2011 | August 13, 2011 to December 31, 2012 | On or after January 1, 2013 |
| Benefit formula (at full retirement) | 3.0% @ 50 | 3.0% @ 55 | 2.7% @ 57 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 50 - 55 | 50 - 57 |
| Monthly benefits, as a % of eligible compensation | 3.00% | 2.40% to 3.00% | 2.00% to 2.70% |
| Required employee contribution rates | 9.00% | 9.00% | 11.50% |
| Required employer contribution rates | 19.416% | 17.614% | 12.141% |

All rate plans except the PEPRA rate plans are closed to new members that are not already CalPERS participants. All miscellaneous rate plans are combined and reported below as the Miscellaneous Risk Pool and all safety rate plans are combined and reported below as the Safety Risk Pool.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the risk pools are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE H – PENSION PLAN (Continued)

rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2019, the contributions recognized as part of pension expense for each risk pool were as follows:

| | <u>Miscellaneous Risk Pool</u> | <u>Safety Risk Pool</u> | <u>Total</u> |
|--------------------------|------------------------------------|-----------------------------|--------------|
| Contributions - employer | \$ 103,199 | \$ 202,055 | \$ 305,254 |

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources

As of June 30, 2019, the City reported a net pension liability for its proportionate share of the net pension liability of each risk pool as follows:

| | |
|--|---|
| | <u>Proportionate Share of Net Pension Liability</u> |
| Miscellaneous Risk Pool | \$ 1,153,455 |
| Safety Risk Pool | <u>1,576,083</u> |
| Total Net Pension Liability | <u>\$ 2,729,538</u> |
| <u>Financial Statement Classification:</u> | |
| Governmental Activities | \$ 2,494,703 |
| Business-type Activities | <u>234,835</u> |
| Total Net Pension Liability | <u>\$ 2,729,538</u> |

The City's net pension liability for each risk pool is measured as the proportionate share of the net pension liability. The net pension liability of each risk pool is measured as of June 30, 2018, and the total pension liability for each risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the risk pool relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each risk pool as of June 30, 2019 and 2018 from the measurement date as of the previous year-end were as follows:

| | <u>Miscellaneous Risk Pool</u> | <u>Safety Risk Pool</u> | <u>Total</u> |
|------------------------------|------------------------------------|-----------------------------|--------------|
| Proportion - June 30, 2017 | 0.029780% | 0.027900% | 0.028650% |
| Proportion - June 30, 2018 | 0.030610% | 0.026864% | 0.028330% |
| Change - Increase (Decrease) | 0.000830% | -0.001036% | -0.000320% |

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE H- PENSION PLAN (Continued)

For the year ended June 30, 2019, the City recognized pension expense of \$364,485 for both risk pools combined. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to each risk pool and combined from the following sources:

| | <u>Total</u> | |
|---|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Pension contributions subsequent to measurement date | \$ 305,254 | \$ - |
| Differences between actual and expected experience | 78,121 | (15,189) |
| Changes in assumptions | 286,138 | (53,091) |
| Differences between the employer's contributions and the employer's proportionate share of contributions | 168,448 | (6,172) |
| Change in employer's proportion | 23,788 | (146,679) |
| Net differences between projected and actual earnings on plan investments | <u>16,373</u> | <u>-</u> |
| Total | <u>\$ 878,122</u> | <u>\$ (221,131)</u> |
| <u>Financial Statement Classification:</u> | | |
| Governmental Activities | \$ 831,082 | \$ (199,664) |
| Business-type Activities | <u>47,040</u> | <u>(21,467)</u> |
| Total | <u>\$ 878,122</u> | <u>\$ (221,131)</u> |

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date above will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the risk pools will be recognized as pension expense as follows:

| Year Ended | |
|----------------|-------------------|
| <u>June 30</u> | <u>Total</u> |
| 2020 | \$ 299,649 |
| 2021 | 164,720 |
| 2022 | (91,339) |
| 2023 | <u>(21,293)</u> |
| | <u>\$ 351,737</u> |

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE H – PENSION PLAN (Continued)

Actuarial Assumptions: The total pension liabilities in the June 30, 2018 actuarial valuations for each risk pool was determined using the following actuarial assumptions:

| | |
|---------------------------|---|
| Valuation Date | June 30, 2017 |
| Measurement Date | June 30, 2018 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Amortization Method | Level Percent of Payroll |
| Asset Valuation Method | Market Value |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Payroll Growth | 3.00% |
| Projected Salary Increase | 3.2% to 12.2% Miscellaneous and 3.4% to 20% Safety (1) |
| Investment Rate of Return | 7.15% |
| Mortality | Derived using CalPERS membership data for all funds (2) |

(1) Varying by service, including inflation

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016.

For more details on this table, please refer to the December 2017 experience study report.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study Report can be found on CalPERS' website under Forms and Publications.

Change of Assumptions: The demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions in December 2017. There were no changes in the discount rate.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% in the June 30, 2018 accounting valuation. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be able to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of plan investments was applied to all periods of projected payments to determine the total pension liability.

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

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE H – PENSION PLAN (Continued)

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above adjusted to account for administrative expenses.

The table below reflects the long-term expected real rate of return by asset class for each rate plans as of the measurement date. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10(a) | Real Return Years 11(b) |
|---------------------|--------------------------|-----------------------------|-------------------------|
| Global equity | 50.0% | 4.80% | 5.98% |
| Global fixed income | 28.0% | 1.00% | 2.62% |
| Inflation sensitive | 0.0% | 0.77% | 1.81% |
| Private equity | 8.0% | 6.30% | 7.23% |
| Real estate | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.00% | -0.92% |
| Total | <u>100.0%</u> | | |

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the City’s proportionate share of the net pension liability for each risk pool, calculated using the discount rate for each risk pool, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | Miscellaneous Risk Pool | Safety Risk Pool | Total |
|-----------------------|-------------------------|------------------|--------------|
| 1% Decrease | | | 6.15% |
| Net Pension Liability | \$ 1,637,165 | \$ 2,285,372 | \$ 3,922,537 |
| Current Discount Rate | | | 7.15% |
| Net Pension Liability | \$ 1,153,455 | \$ 1,576,083 | \$ 2,729,538 |
| 1% Increase | | | 8.15% |
| Net Pension Liability | \$ 754,160 | \$ 994,947 | \$ 1,749,107 |

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE H – PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position: Detailed information about each risk pool’s fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

There were no significant payables to the Plan at June 30, 2019.

D. 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 City does make contributions to certain management employee deferred compensation accounts as authorized under individual employment contracts. 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 I – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan: The City offers a single employer defined benefit OPEB plan (Plan) to eligible employees and their dependents under a City Council Resolution. Health insurance benefits are provided by CalPERS under the Public Employees’ Medical and Hospital Care Act (PEMHCA). Employees may retire directly from CalPERS at age 50 with five years of service or for employees hired after January 1, 2013 at age 52 with five years of service and receive a benefit up to a maximum of \$850 per month towards paying retiree medical insurance premiums. The cap will increase \$50 per year until 2020 when it reaches a maximum \$1,000 per month. The cap is assumed to not increase thereafter. The City also pays the CalPERS administrative fee of .23% of the premium. The City does not offer vision, dental or life insurance benefits to retirees. No publicly available financial statements are available for the Plan.

Plan Description: City of Ione’s Post-Retirement Healthcare Plan is a multiple employer defined benefit healthcare plan administered by CalPERS. CalPERS provides medical insurance benefits only to eligible retirees and their eligible dependents. The City approved post-retirement health insurance benefits for all of its employees based on employees under the Public Employees’ Medical and Hospital Care Act (PEMHCA). Employees are entitled to receive medical only lifetime benefits with required service of five years. The minimum age for receiving benefits is 50 and the City cap is currently \$850. The plan also provides coverage for eligible dependents. For employees who are eligible to participate in the plan the City will contribute the health benefit cost for the retiree and eligible spouse up to 45% of \$850 increasing \$50 annually until it reaches \$1,000. A retiree with less than the required years of service with the City will receive no benefit, unless they have previous employment qualifying them for CalPERS retirement,

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE I – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

in which case they are eligible to receive the CalPERS minimum at the time of retirement. For employees hired after July 1, 2019, the City increased the reimbursement cap and limited the City-provided reimbursement to the CalPERS statutory minimum, which will be reflected in the June 30, 2020 financial statements.

Funding Policy: As of June 30, 2019 the City Council has not adopted a funding policy. The City is on the pay as you go basis for paying the OPEB benefits. No benefits are held in a trust that meets the criterial in GASB 75, paragraph 4.

Employees Covered By Benefit Terms: At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

| | |
|--|------------------|
| Inactive plan members and beneficiaries currently receiving benefit payments | 6 |
| Active plan members | <u>16</u> |
| Total | <u><u>22</u></u> |

Contributions: The City Council has the authority to establish and amend contribution requirements of the City and employees under its municipal code and employment agreements. The total City contributions, on the pay as you go basis, for the year ended June 30, 2019 was \$35,088 plus an implied subsidy payment of \$15,193 for a total contribution of \$50,281.

Net OPEB Liability: The City’s OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation at July 1, 2017. At June 30, 2019 the City reported a net OPEB liability of \$2,337,505.

Actuarial Assumptions: The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions:

| | |
|----------------------------------|------------------------------|
| Valuation date | July 1, 2017 |
| Measurement date | June 30, 2018 |
| Actuarial cost method | Entry-age normal cost method |
| Actuarial assumptions: | |
| Discount rate | 3.62% |
| Healthcare trend rates | 5.00% |
| Salary increases | 3.00% |
| Inflation | 3.00% |
| Age adjustment factor | 4.00% |
| Percent of retirees with spouses | 66.6% |
| Investment rate of return | N/A |

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE I – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Pre-retirement mortality was determined using RP-2014 Employee Mortality, without projection. Post-retirement mortality was determined using RP-2014 Healthy Annuitant Mortality, without projection. Actuarial assumptions used in the valuation were based on a review of plan experience during the period September 1, 2016 to June 30, 2017.

Change in Assumptions: The discount rate in the July 1, 2017 valuation was changed from 3.13% to 3.62%.

Discount Rate: The discount rate used to measure the total OPEB liability was 3.62%, which was the Fidelity GO AA 20 Years Municipal Index rate. The projection of cash flows used to determine the discount rate assumed the City’s contributions will continue based upon the current OPEB funding policy. Based on those assumptions, there will be no fiduciary net position available to make future benefit payments.

Changes in the Net OPEB Liability: The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position (i.e. fair value of Plan assets), and the net OPEB liability during the measurement period.

| | Increase (Decrease) | | |
|--------------------------------|-------------------------|--------------------------------|-------------------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability/(Asset) |
| Balance at June 30, 2018 | \$ 2,056,773 | \$ - | \$ 2,056,773 |
| Changes in the year: | | | |
| Service cost | 403,832 | - | 403,832 |
| Interest on the OPEB liability | 76,138 | - | 76,138 |
| Change in assumptions | (142,637) | - | (142,637) |
| Contributions | - | 56,601 | (56,601) |
| Benefit payments | (56,601) | (56,601) | - |
| Net changes | <u>280,732</u> | <u>-</u> | <u>280,732</u> |
| Balance at June 30, 2019 | <u>\$ 2,337,505</u> | <u>\$ -</u> | <u>\$ 2,337,505</u> |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the City’s share of the net OPEB liability if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | 1% Decrease 2.62% | Discount Rate 3.62% | 1% Increase 4.62% |
|--------------------|----------------------|------------------------|----------------------|
| Net OPEB liability | \$ 2,643,418 | \$ 2,337,505 | \$ 2,083,309 |

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE I – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Trend Rates: The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate:

| | <u>1% Decrease</u> | <u>Current Healthcare Trend Rate</u> | <u>1% Increase</u> |
|--------------------|--------------------|--|--------------------|
| Net OPEB liability | \$ 2,034,876 | \$ 2,337,505 | \$ 2,708,085 |

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB: For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$442,777. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or methods. At June 30, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Changes in assumptions | \$ - | \$ (122,547) |
| City contributions subsequent to measurement date | 50,281 | - |
| Total | <u>\$ 50,281</u> | <u>\$ (122,547)</u> |

The deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense over the 7.1-year remaining service life of participants as follows:

| <u>Year Ended June 30</u> | |
|---------------------------|---------------------|
| 2019 | \$ (20,090) |
| 2020 | (20,090) |
| 2021 | (20,090) |
| 2022 | (20,090) |
| Thereafter | <u>(42,187)</u> |
| | <u>\$ (122,547)</u> |

Payable to the OPEB Plan: There were no payables to the OPEB Plan at June 30, 2019.

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE J – INSURANCE

The City is a member of the Northern California Cities Self Insurance Fund (NCCSIF) along with twenty other northern California cities. The NCCSIF is a joint powers authority (JPA) organized in accordance with Article I, Chapter 5, Division 7, Title I of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers' compensation benefits for their employees and to provide excess liability insurance. The NCCSIF provides claims processing administrative services, risk management services and actuarial studies. A member from each city governs the NCCSIF. The City Council members do not have significant oversight responsibility, since they evenly share all factors of responsibility with the other cities. The City does not retain the risk of loss. However, ultimate liability for payment of claims and insurance premiums resides with member cities. The NCCSIF is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If the JPA becomes insolvent, the City is responsible only to the extent of any deficiency in its equity balance.

The NCCSIF establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not reported. Because actual claims costs depend on various factors, the claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision of inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Settlements have not exceeded the insurance coverage for the past three fiscal years. There have not been any significant reductions in insurance coverage over the prior year. The audited financial statements of the JPA are available at the NCCSIF's office.

The City's insurance coverage and the respective coverage providers are as follows:

| Amount | Coverage Provider | Payment Source |
|---|---|------------------|
| <i>LIABILITY CLAIMS:</i> | | |
| \$0 - 50,000 | Self-insured | Banking layer |
| 50,001 - 500,000 | Northern California Cities Self-Insurance Fund | Shared risk pool |
| 500,001 - \$40,000,000 | California Joint Powers Risk Management Authority | Shared risk pool |
| <i>PROPERTY CLAIMS (INCLUDING VEHICLE):</i> | | |
| \$0 - 5,000 | Self-insured | Banking layer |
| 5,001 - \$1,000,000,000 | Commercial insurance | Shared risk pool |
| <i>FLOOD</i> | | |
| \$0 - 100,000-250,000 | Self-insured | Banking layer |
| 250,000 - \$10,000,000 | Commercial insurance | Shared risk pool |
| <i>WORKERS' COMPENSATION:</i> | | |
| \$0 - 100,000 | Self-insured | Banking layer |
| 100,001 - 500,000 | Northern California Cities Self-Insurance Fund | Shared risk pool |
| 500,001 - \$5,000,000 | California Joint Powers Risk Management Authority | Shared risk pool |

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE K – COMMITMENTS AND CONTINGENCIES

Grant Contingency: The City participates in various federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Legal Contingencies: The City is party to various claims, legal actions and complaints that arise in the normal operation of business. Management and the City's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the City.

Golf Course Lease Receivable: On July 30th, 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 with a minimum annual rent of \$43,000. Under this agreement the City received \$43,000 of lease revenue during the year ended June 30, 2019. 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.

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.

Sewer Plant Cease-and-Desist Order: On April 8, 2011, the Central Valley Regional Water Quality Control Board (the Board) issued a Cease-and-Desist Order (the "Order") requiring the City to take certain actions to address violations of waste discharge requirements related to operations of the City's wastewater treatment facilities. The Order requires the City to take actions to correct violations in accordance with a specified timeframe. If the City fails to meet the requirements of the Order, the Board has the authority to impose fines and penalties. No fines or penalties have been assessed under the Order through year-end and the City believes it has addressed all violations and is waiting for the Board to accept the City's corrective actions.

Contract Commitment: On July 1, 2013, the City entered into an agreement with the PERC Water Corporation for the operation and maintenance of the Wastewater Treatment Facility, the Tertiary Treatment Facility and the Sewer Collection System owned by the City. The agreement is effective for four years and may be extended for three additional two-year periods. The monthly cost for the year ended June 30, 2019 was \$31,388 and is adjusted annually for inflation. The agreement was extended through June 30, 2023 on May 18, 2021 for a total cost of approximately \$422,000 per year.

Development Agreements: The City collects impact fees under development agreements to reimburse the City for estimated financial impacts of the development on the City's police, fire, parks, streets, administration and sewer infrastructure. These fees are restricted for the related activities as reported in capital projects funds and the Sewer Fund. The fees are contractually determined, and it is not certain that the fees will be sufficient to make the necessary improvements to the related infrastructure.

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE L – RELATED PARTY TRANSACTIONS

A member of the Board of Directors is in management of a local golf course. The City provides tertiary water to the golf course for a contractual rate of \$70,000 per year. The City Council approved a credit of these charges of \$21,467 in November 2021 due to delivering less water in fiscal 2020 and 2021 than in previous fiscal years. The City also leases land to the golf course as described in Note K.

The schedule of findings and responses, finding 18-6, describes payments made to a SAFER Grant Volunteer Coordinator that is a relative of a City department head. The Volunteer Coordinator was paid for services provided related to the SAFER grant without an approved employment agreement. The City Manager is in the process of developing an employment agreement for approval by the City Council.

NOTE M – CORRECTION OF ERRORS

The City discovered that it reported development impact fees received as unearned revenue that it should have recognized upon receipt and did not offset the principal portion of noncurrent loans receivable with deferred inflows of resources for unavailable revenues. Due to the correction of these errors, deferred inflows of resources for unavailable revenues increased and net position decreased by \$1,162,688 in the HOME Program Grant Special Revenue Fund; unearned development fees decreased by \$760,737, deferred inflows of resources for unavailable revenue increased by \$451,277 and fund balance increased by \$309,460 in Non-major Governmental Funds; and unearned development fees decreased and net position increased by \$481,068 in the Sewer Enterprise Fund.

NOTE N – SUBSEQUENT EVENTS

The City was awarded the following grants subsequent to June 30, 2019:

- In November 2019, the City received \$42,000 for the Fire Department from Rancho Arroyo Seco and received \$60,000 from the County of Amador for the tennis courts at Howard Park.
- The City was allocated \$2,049,648 of American Rescue Plan Act funding from the federal government that will be received in two equal installments during the years ended June 30, 2022 and 2023. Eligible uses include responding to the COVID-19 public health emergency or its negative financial impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries; responding to workers performing essential work by providing premium pay to eligible workers; for the provision of government services to the extent of the reduction in revenue; and to make investments in water, sewer, or broadband infrastructure. The City Council approved a spending plan as identified by the Ad Hoc committee during the year ended June 30, 2022.
- On July 20, 2021, the City approved a project to maintain and rehabilitate a portion of West Marlette Street using Senate Bill 1 (SB-1) Road Repair and Accountability Act of 2017 funding of \$156,182 awarded to the City.
- On September 7, 2021, the City approved \$38,200 of awards to local businesses from a \$63,000 Community Development Block Grant program – Coronavirus, Aid Relief, Economic Security Act (CDBG-V1) award received by the City.

CITY OF IONE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE N – SUBSEQUENT EVENTS (Continued)

Significant contracts approved subsequent to June 30, 2019 include the following:

- On December 4, 2019, the City approved a solar energy power purchase agreement with IW Solar, LLC, to install, finance, own or control and operate a solar energy generation facility within the City to provide power to the wastewater plant. The initial term is 25 years with three additional 5-year automatic extensions unless terminated by the City. Under the agreement the City would purchase 100% of the energy output from the solar generation facility for the term of the agreement for a fixed rate of \$0.1275/kWh. The City has the option to purchase the solar generation facility from IW Solar, LLC at the 10th, 15th and last year of the initial or extension term anniversary date of operation. The purchase price is the greater of the fair value of the solar generation facility based on an independent appraisal or a buyout price equal to 120% of the remaining debt used to finance the solar generation facility. If the City defaults under the agreement, the City is required to pay IW Solar, LLC the greater of the termination value specified in the contract plus removal costs or the difference between the contract amount expected to be paid by the City under the agreement over the initial term and the actual revenues received from the of the system's output. The termination value begins at \$1.5 million and declines to \$816,962 in year 25.
- On September 2, 2019, a contract was awarded for the completion of the North Arroyo Seco Street Sewer Replacement project in the amount of \$162,129.
- On May 4, 2021, a contract for the Interim City Manager was approved with compensation of \$10,000 per month through October 30, 2021. The contract contained a mutual option to extend the agreement for up to two additional six-month periods.
- On October 20, 2021, a contract was approved to repair and install a urethane roof on E.B. Hall for \$97,000.
- On December 7, 2021, a contract was approved for engineering design services for the Wastewater and Tertiary Treatment Plants Interconnection Piping Project for \$113,293.
- On January 18, 2022, an information technology services agreement was approved for an annual amount of \$35,016.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF IONE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND

For the Year Ended June 30, 2019

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) (See Note A) | Variance with Final Budget Positive/ (Negative) |
|--|------------------|------------------|--|--|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 953,000 | \$ 953,000 | \$ 1,043,540 | \$ 90,540 |
| Licenses, fees and permits | 188,980 | 188,980 | 256,517 | 67,537 |
| Use of money and property | 89,750 | 89,750 | 134,470 | 44,720 |
| Intergovernmental revenues | 859,220 | 859,220 | 937,524 | 78,304 |
| Fines, forfeitures and penalties | 13,500 | 13,500 | 550 | (12,950) |
| Charges for services | 175,560 | 175,560 | 167,974 | (7,586) |
| Other | 4,000 | 4,000 | 22,966 | 18,966 |
| Total Revenues | <u>2,284,010</u> | <u>2,284,010</u> | <u>2,563,541</u> | <u>279,531</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 886,122 | 886,122 | 602,194 | 283,928 |
| Public ways and facilities/ transportation | 365,089 | 365,089 | 448,530 | (83,441) |
| Public safety | 939,744 | 939,744 | 882,996 | 56,748 |
| Parks and recreation | - | - | 298,935 | (298,935) |
| Capital outlay | 11,500 | 11,500 | 20,370 | (8,870) |
| Debt Service: | | | | |
| Principal | 18,790 | 18,790 | 43,924 | (25,134) |
| Interest | 3,210 | 3,210 | 28,485 | (25,275) |
| Total Expenditures | <u>2,224,455</u> | <u>2,224,455</u> | <u>2,325,434</u> | <u>(100,979)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | | | | |
| | <u>59,555</u> | <u>59,555</u> | <u>238,107</u> | <u>(178,552)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from insurance | 900 | 900 | 822 | (78) |
| Transfers out | | | (5,191) | 5,191 |
| Total Other Financing Sources (Uses) | <u>900</u> | <u>900</u> | <u>(4,369)</u> | <u>5,113</u> |
| Net Change in Fund Balance | | | | |
| | <u>\$ 60,455</u> | <u>\$ 60,455</u> | <u>233,738</u> | <u>\$ (173,439)</u> |
| Fund Balance, Beginning of Year | | | | |
| | | | <u>(797,514)</u> | |
| Fund Balance, End of Year | | | | |
| | | | <u>\$ (563,776)</u> | |

CITY OF IONE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL (BUDGETARY BASIS) - HOME PROGRAM
 GRANT SPECIAL REVENUE FUND

For the Year Ended June 30, 2019

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) (See Note A) | Variance with Final Budget Positive/ (Negative) |
|--|------------------|-------------|--|--|
| | Original | Final | | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ - | \$ - | \$ 1,353,098 | \$ 1,353,098 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>1,353,098</u> | <u>1,353,098</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>1,353,098</u> | <u>\$ 1,353,098</u> |
| Fund Balances, Beginning of Year - as previously reported | | | 170,376 | |
| Restatement | | | <u>(1,162,688)</u> | |
| Fund Balances, Beginning of Year - as restated | | | <u>(992,312)</u> | |
| Fund Balance, End of Year | | | <u>\$ 360,786</u> | |

CITY OF IONE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL (BUDGETARY BASIS) - MEASURE M
 SPECIAL REVENUE FUND

For the Year Ended June 30, 2019

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) (See Note A) | Variance with Final Budget Positive/ (Negative) |
|--|------------------|------------------|--|--|
| | Original | Final | | |
| REVENUES | | | | |
| Impact fees | \$ 409,000 | \$ 409,000 | \$ 393,159 | \$ (15,841) |
| Use of money and property | 3,541 | 3,541 | 8,268 | 4,727 |
| Charges for services | - | - | 110,029 | 110,029 |
| Other | - | - | 1,000 | 1,000 |
| Total Revenues | <u>412,541</u> | <u>412,541</u> | <u>512,456</u> | <u>99,915</u> |
| EXPENDITURES | | | | |
| Public safety | <u>366,181</u> | <u>366,181</u> | <u>524,580</u> | <u>(158,399)</u> |
| Total Expenditures | <u>366,181</u> | <u>366,181</u> | <u>524,580</u> | <u>(158,399)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>46,360</u> | <u>46,360</u> | <u>(12,124)</u> | <u>58,484</u> |
| Net Change in Fund Balance | <u>\$ 46,360</u> | <u>\$ 46,360</u> | <u>(12,124)</u> | <u>\$ 58,484</u> |
| Fund Balance, Beginning of Year | | | <u>773,912</u> | |
| Fund Balance, End of Year | | | <u>\$ 761,788</u> | |

CITY OF IONE

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (UNAUDITED)
Last 10 Years**

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------|--------------|---------------|
| Proportion of the net pension liability | 0.028330% | 0.028650% | 0.030331% | 0.032175% | 0.032825% |
| Proportionate share of the net pension liability | \$ 2,729,538 | \$ 2,842,254 | \$ 2,604,553 | \$ 2,271,408 | \$ 2,017,127 |
| Covered payroll - measurement period | \$ 1,069,246 | \$ 1,017,722 | \$ 1,007,465 | \$ 1,007,814 | \$ 790,982 |
| Proportionate share of the net pension liability as a percentage of covered payroll | 255.28% | 279.28% | 258.53% | 225.38% | 255.02% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.70% | 66.53% | 67.14% | 70.86% | Not available |

Notes to Schedule:

Changes in assumptions: The discount rate was changed from 7.50% in 2015 to 7.65% in 2016 and to 7.15% in 2018 valuations.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN (UNAUDITED)
Last 10 Years**

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution - (actuarially determined) | \$ 305,254 | \$ 355,084 | \$ 324,467 | \$ 308,706 | \$ 209,467 |
| Contributions in relation to the actuarially determined contributions | (305,254) | (355,084) | (324,467) | (308,706) | (209,467) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll - fiscal year | \$ 1,025,773 | \$ 1,069,246 | \$ 1,017,722 | \$ 1,007,465 | \$ 1,007,814 |
| Contributions as a percentage of covered payroll | 29.76% | 33.21% | 31.88% | 30.64% | 20.78% |
| Contribution valuation date: | June 30, 2016 | June 30, 2015 | June 30, 2014 | June 30, 2013 | June 30, 2012 |
| Reporting valuation date | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 | June 30, 2013 |
| Reporting measurement date | June 30, 2018 | June 30, 2016 | June 30, 2016 | June 30, 2015 | June 30, 2014 |

Methods and assumptions used to determine contribution rates:

| | | | | | |
|---|---|-------|-------|-------|-------|
| Actuarial method | Entry age normal | | | | |
| Amortization method | Level percentage of payroll, closed | | | | |
| Remaining amortization period | Varies by rate plan, but not more than 30 years | | | | |
| Asset valuation method | Market value | | | | |
| Inflation | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Salary increases | Varies by entry age and service | | | | |
| Investment rate of return and discount rate | 7.38% | 7.50% | 7.50% | 7.50% | 7.50% |
| Retirement age | 50 to 67 years. Probabilities of retirement based on most recent CalPERS Experience Study | | | | |
| Mortality | Most recent CalPERS Experience Study | | | | |

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. Future years will be reported prospectively as they become available.

CITY OF IONE

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS (UNADITED)

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Total OPEB liability | | |
| Service cost | \$ 403,832 | \$ 404,341 |
| Interest on the OPEB liability | 76,138 | 50,970 |
| Changes in assumptions | (142,637) | - |
| Benefit payments | (56,601) | (53,530) |
| Net change in total OPEB liability | 280,732 | 401,781 |
| Total OPEB liability - beginning | 2,056,773 | 1,654,992 |
| Total OPEB liability - ending (a) | <u>\$ 2,337,505</u> | <u>\$ 2,056,773</u> |
| Plan fiduciary net position | | |
| Contributions - employer | \$ 56,601 | \$ 53,530 |
| Benefit payments | (56,601) | (53,530) |
| Plan fiduciary net position - beginning | - | - |
| Plan fiduciary net position - ending (b) | <u>\$ -</u> | <u>\$ -</u> |
| Net OPEB liability - ending (a)-(b) | <u>\$ 2,337,505</u> | <u>\$ 2,056,773</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>0.00%</u> | <u>0.00%</u> |
| Notes to schedule: | | |
| Valuation date | July 1, 2017 | July 1, 2016 |
| Measurement period - fiscal year ended | June 30, 2018 | June 30, 2017 |
| Benefit changes: | None | None |
| Assumptions/changes in assumptions: | | |
| Discount rate | 3.62% | 3.13% |
| Healthcare trend rates | 5.00% | 5% - 6% |
| Salary increases | 3.00% | 3.00% |
| Inflation | 3.00% | 3.00% |
| Age adjustment factor | 4.00% | 4.00% |
| Percent of retirees with spouses | 66.6% | 50.0% |
| Investment rate of return | N/A | N/A |

Note: Contributions are not based on a measure of payroll. Consequently, covered-employee payroll and contributions as a percentage of covered-employee payroll is not reported.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Future years will be reported prospectively as they become available.

COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS

CITY OF IONE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2019

| | Special Revenue Funds | | | | |
|---|-----------------------|----------------------------|------------------------|------------------------|--------------------------|
| | | Transportation | | | |
| | Gas Tax Fund | Development Act Fund | Safer Grant Fund | State Grant Fund | Rehab Housing Fund |
| ASSETS | | | | | |
| Cash and investments | \$ 336,549 | \$ 68,328 | \$ - | \$ 10,078 | \$ 48,697 |
| Receivables: | | | | | |
| Accounts receivable | 6,133 | 1,504 | - | - | - |
| Due from other governments | 69,173 | 34,376 | - | - | - |
| Interest receivable - loans receivable | - | - | - | - | 15,983 |
| Loans receivable | - | - | - | - | 32,815 |
| Deposits with others | 2,331 | - | - | - | - |
| Advances to other funds | 243,001 | 535,797 | - | - | - |
| Total Assets | \$ 657,187 | \$ 640,005 | \$ - | \$ 10,078 | \$ 97,495 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable and other liabilities | \$ 2,616 | \$ - | \$ 3,775 | \$ - | \$ - |
| Accrued payroll and benefits | 6,130 | - | - | - | - |
| Due to other funds | - | - | - | - | - |
| Due to other governments | - | - | - | - | - |
| Advance from other funds | - | - | - | - | - |
| Total Liabilities | 8,746 | - | 3,775 | - | - |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - other receivables | 1,533 | 35,880 | - | - | - |
| Unavailable revenue - loans interest receivable | - | - | - | - | 15,983 |
| Unavailable revenue - loans principal receivable | - | - | - | - | 32,815 |
| Total Deferred Inflows of Resources | 1,533 | 35,880 | - | - | 48,798 |
| FUND BALANCES | | | | | |
| Restricted for public safety | - | - | - | - | - |
| Restricted for community development | - | - | - | 10,078 | 48,697 |
| Restricted for streets and roads | 646,908 | 604,125 | - | - | - |
| Restricted for capital projects | - | - | - | - | - |
| Unassigned | - | - | (3,775) | - | - |
| Total Fund Balances | 646,908 | 604,125 | (3,775) | 10,078 | 48,697 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 657,187 | \$ 640,005 | \$ - | \$ 10,078 | \$ 97,495 |

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

Special Revenue Funds

| Low Income Housing Fund | 01-Home 518 Fund | CDBG Program Grant Fund | 06-Home CDBG Fund | 05-STBG Fund | 2008 Housing Grant Fund | 2010-Home 4711 Fund | Self Help Housing Fund |
|-------------------------------|------------------------|----------------------------------|-------------------------|-----------------|----------------------------------|---------------------------|------------------------------|
| \$ 84,675 | \$ - | \$ 36,669 | \$ - | \$ - | \$ - | \$ - | \$ 157,191 |
| - | - | - | - | - | - | - | - |
| - | - | 71,222 | - | - | - | - | - |
| - | - | 397,416 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 84,675</u> | <u>\$ -</u> | <u>\$ 505,307</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 157,191</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 71,222 | - | - | - | - | - |
| - | - | 397,416 | - | - | - | - | - |
| - | - | <u>468,638</u> | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 84,675 | - | 36,669 | - | - | - | - | 157,191 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>84,675</u> | <u>-</u> | <u>36,669</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>157,191</u> |
| <u>\$ 84,675</u> | <u>\$ -</u> | <u>\$ 505,307</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 157,191</u> |

CITY OF IONE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2019

| | Conservation Fire Break Assessment Fund | Ione District 1 COIC Fund | Railroad Depot Fund | Public Safety Maintenance District | COPS SLESF AB3229 Fund |
|---|--|------------------------------------|---------------------------|--|---------------------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 46,506 | \$ 58,823 | \$ 945 | \$ 649,846 | \$ 49,847 |
| Receivables: | | | | | |
| Accounts receivable | - | 271 | - | 1,671 | - |
| Due from other governments | - | - | - | - | 55,948 |
| Interest receivable - loans receivable | - | - | - | - | - |
| Loans receivable | - | - | - | - | - |
| Deposits with others | - | - | - | - | - |
| Advances to other funds | - | - | - | - | - |
| Total Assets | \$ 46,506 | \$ 59,094 | \$ 945 | \$ 651,517 | \$ 105,795 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable and other liabilities | \$ - | \$ 1,934 | \$ 92 | \$ - | \$ - |
| Accrued payroll and benefits | - | - | - | - | - |
| Due to other funds | - | - | - | - | - |
| Due to other governments | - | - | - | 1,966 | - |
| Advance from other funds | - | - | - | - | - |
| Total Liabilities | - | 1,934 | 92 | 1,966 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - other receivables | - | - | - | - | 55,948 |
| Unavailable revenue - loans interest receivable | - | - | - | - | - |
| Unavailable revenue - loans principal receivable | - | - | - | - | - |
| Total Deferred Inflows of Resources | - | - | - | - | 55,948 |
| FUND BALANCES | | | | | |
| Restricted for public safety | - | - | - | 649,551 | 49,847 |
| Restricted for community development | - | - | 853 | - | - |
| Restricted for streets and roads | 46,506 | 57,160 | - | - | - |
| Restricted for capital projects | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total Fund Balances | 46,506 | 57,160 | 853 | 649,551 | 49,847 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 46,506 | \$ 59,094 | \$ 945 | \$ 651,517 | \$ 105,795 |

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

| Special Revenue Funds | | | | Total | Capital Project Funds | | |
|---------------------------------------|------------------------------|----------------------------|--|---|--------------------------------------|---|---------------------------------|
| Prop 172 Sales Tax Fire Fund | Restricted Police Fund | Restricted Fire Fund | Affordable Housing Developer Fee Fund | Nonmajor Special Revenue Funds | Fire Services Impact Fees Fund | Police Services Impact Fees Fund | Parks and Recreation Fund |
| \$ 2,748 | \$ 346,107 | \$ 200,140 | \$ 53,125 | \$ 2,150,274 | \$ - | \$ 125,847 | \$ 572,560 |
| - | - | - | - | 9,579 | - | - | - |
| - | - | - | - | 159,497 | - | - | - |
| - | - | - | - | 87,205 | - | - | - |
| - | - | - | - | 430,231 | - | - | 21,046 |
| - | - | - | - | 2,331 | - | - | - |
| - | - | - | - | 778,798 | - | 796,804 | - |
| <u>\$ 2,748</u> | <u>\$ 346,107</u> | <u>\$ 200,140</u> | <u>\$ 53,125</u> | <u>\$ 3,617,915</u> | <u>\$ -</u> | <u>\$ 922,651</u> | <u>\$ 593,606</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 8,417 | \$ - | \$ - | \$ - |
| - | - | - | - | 6,130 | - | - | - |
| - | - | - | - | - | 53,886 | - | - |
| - | - | - | - | 1,966 | - | - | - |
| - | - | - | - | - | 929,257 | - | - |
| - | - | - | - | 16,513 | 983,143 | - | - |
| - | - | - | - | 93,361 | - | - | - |
| - | - | - | - | 87,205 | - | - | - |
| - | - | - | - | 430,231 | - | - | 21,046 |
| - | - | - | - | 610,797 | - | - | 21,046 |
| 2,748 | 346,107 | 200,140 | - | 1,248,393 | - | - | - |
| - | - | - | 53,125 | 391,288 | - | - | - |
| - | - | - | - | 1,354,699 | - | - | - |
| - | - | - | - | - | - | 922,651 | 572,560 |
| - | - | - | - | (3,775) | (983,143) | - | - |
| <u>2,748</u> | <u>346,107</u> | <u>200,140</u> | <u>53,125</u> | <u>2,990,605</u> | <u>(983,143)</u> | <u>922,651</u> | <u>572,560</u> |
| <u>\$ 2,748</u> | <u>\$ 346,107</u> | <u>\$ 200,140</u> | <u>\$ 53,125</u> | <u>\$ 3,617,915</u> | <u>\$ -</u> | <u>\$ 922,651</u> | <u>\$ 593,606</u> |

CITY OF IONE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2019

| | Capital Project Funds | | | Total | Total |
|---|-------------------------------------|-------------------|-------------------------------------|--|-----------------------------------|
| | Governmental Impact Fees Fund | Drainage Fund | Local Traffic Mitigation Fund | Nonmajor Capital Projects Funds | Nonmajor Governmental Funds |
| ASSETS | | | | | |
| Cash and investments | \$ 31,919 | \$ 125,578 | \$ 1,120,061 | \$ 1,975,965 | \$ 4,126,239 |
| Receivables: | | | | | |
| Accounts receivable | - | - | - | - | 9,579 |
| Due from other governments | - | - | - | - | 159,497 |
| Interest receivable - loans receivable | - | - | - | - | 87,205 |
| Loans receivable | - | - | - | 21,046 | 451,277 |
| Deposits with others | - | - | - | - | 2,331 |
| Advances to other funds | 25,000 | - | 180,000 | 1,001,804 | 1,780,602 |
| Total Assets | \$ 56,919 | \$ 125,578 | \$ 1,300,061 | \$ 2,998,815 | \$ 6,616,730 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable and other liabilities | \$ - | \$ - | \$ - | \$ - | \$ 8,417 |
| Accrued payroll and benefits | - | - | - | - | 6,130 |
| Due to other funds | - | - | - | 53,886 | 53,886 |
| Due to other governments | - | - | - | - | 1,966 |
| Advance from other funds | 598,000 | - | - | 1,527,257 | 1,527,257 |
| Total Liabilities | 598,000 | - | - | 1,581,143 | 1,597,656 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - other receivables | - | - | - | - | 93,361 |
| Unavailable revenue - loans interest receivable | - | - | - | - | 87,205 |
| Unavailable revenue - loans principal receivable | - | - | - | 21,046 | 451,277 |
| Total Deferred Inflows of Resources | - | - | - | 21,046 | 631,843 |
| FUND BALANCES | | | | | |
| Restricted for public safety | - | - | - | - | 1,248,393 |
| Restricted for community development | - | - | - | - | 391,288 |
| Restricted for streets and roads | - | - | - | - | 1,354,699 |
| Restricted for capital projects | - | 125,578 | 1,300,061 | 2,920,850 | 2,920,850 |
| Unassigned | (541,081) | - | - | (1,524,224) | (1,527,999) |
| Total Fund Balances | (541,081) | 125,578 | 1,300,061 | 1,396,626 | 4,387,231 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 56,919 | \$ 125,578 | \$ 1,300,061 | \$ 2,998,815 | \$ 6,616,730 |

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

CITY OF IONE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

| | Special Revenue Funds | | | | |
|--|-----------------------|--|------------------------|------------------------|--------------------------|
| | Gas Tax Fund | Transportation Development Act Fund | Safer Grant Fund | State Grant Fund | Rehab Housing Fund |
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Impact fees | - | - | - | - | - |
| Use of money and property | (4,218) | 12,789 | - | - | - |
| Intergovernmental revenues | 417,587 | 17,966 | 80,886 | - | - |
| Fines, forfeitures and penalties | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Other | 13,488 | - | - | - | - |
| Total Revenues | <u>426,857</u> | <u>30,755</u> | <u>80,886</u> | <u>-</u> | <u>-</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Public ways and facilities/ transportation | 256,533 | - | - | - | - |
| Public safety | - | - | 75,048 | - | - |
| Parks and recreation | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Total Expenditures | <u>256,533</u> | <u>-</u> | <u>75,048</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>170,324</u> | <u>30,755</u> | <u>5,838</u> | <u>-</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | 170,324 | 30,755 | 5,838 | - | - |
| Fund Balances, Beginning of Year - as previously reported | 476,584 | 573,370 | (9,613) | 10,078 | 81,512 |
| Restatement | - | - | - | - | (32,815) |
| Fund Balances, Beginning of Year - as restated | <u>476,584</u> | <u>573,370</u> | <u>(9,613)</u> | <u>10,078</u> | <u>48,697</u> |
| Fund Balances, End of Year | <u>\$ 646,908</u> | <u>\$ 604,125</u> | <u>\$ (3,775)</u> | <u>\$ 10,078</u> | <u>\$ 48,697</u> |

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

CITY OF IONE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

| | Conservation Fire Break Assessment Fund | Ione District 1 COIC Fund | Railroad Depot Fund | Public Safety Maintenance District | COPS SLESF AB3229 Fund |
|--|--|------------------------------------|---------------------------|--|---------------------------------|
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Impact fees | - | - | - | - | - |
| Use of money and property | - | - | - | - | - |
| Intergovernmental revenues | - | - | - | - | 148,747 |
| Fines, forfeitures and penalties | - | - | - | - | - |
| Charges for services | - | 57,934 | - | - | - |
| Other | - | - | 37,196 | - | - |
| Total Revenues | - | 57,934 | 37,196 | - | 148,747 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Public ways and facilities/ transportation | - | 72,712 | - | - | - |
| Public safety | - | - | - | 19,518 | 140,003 |
| Parks and recreation | - | - | 195 | - | - |
| Capital outlay | - | - | 9,148 | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Total Expenditures | - | 72,712 | 9,343 | 19,518 | 140,003 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (14,778) | 27,853 | (19,518) | 8,744 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | (15,373) | - |
| Total Other Financing Sources (Uses) | - | - | - | (15,373) | - |
| Net Change in Fund Balances | - | (14,778) | 27,853 | (34,891) | 8,744 |
| Fund Balances, Beginning of Year previously reported | 46,506 | 71,938 | (27,000) | 684,442 | 41,103 |
| Restatement | - | - | - | - | - |
| Fund Balances, Beginning of Year - as restated | 46,506 | 71,938 | (27,000) | 684,442 | 41,103 |
| Fund Balances, End of Year | \$ 46,506 | \$ 57,160 | \$ 853 | \$ 649,551 | \$ 49,847 |

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

| Special Revenue Funds | | | | Total | Capital Projects Funds | | |
|---------------------------------------|------------------------------|----------------------------|--|---|--------------------------------------|---|---------------------------------|
| Prop 172 Sales Tax Fire Fund | Restricted Police Fund | Restricted Fire Fund | Affordable Housing Developer Fee Fund | Nonmajor Special Revenue Funds | Fire Services Impact Fees Fund | Police Services Impact Fees Fund | Parks and Recreation Fund |
| \$ - | \$ 5,363 | \$ - | \$ - | \$ 5,363 | \$ - | \$ - | \$ - |
| - | 149,136 | 74,456 | - | 223,592 | 50,289 | 50,211 | 251,469 |
| - | - | 48,588 | - | 57,159 | - | - | - |
| - | - | - | - | 665,186 | - | - | - |
| - | 15,001 | - | - | 15,001 | - | - | - |
| - | 335,275 | 13,964 | - | 407,173 | - | - | - |
| - | 24,111 | 7,000 | - | 81,795 | - | - | - |
| - | 528,886 | 144,008 | - | 1,455,269 | 50,289 | 50,211 | 251,469 |
| - | - | - | - | 329,245 | - | - | - |
| - | 145,498 | 1,713 | - | 381,780 | - | - | - |
| - | - | - | - | 195 | - | - | - |
| - | - | - | - | 9,148 | - | - | 89,801 |
| - | - | - | - | - | 28,734 | - | - |
| - | - | - | - | - | 13,198 | - | - |
| - | 145,498 | 1,713 | - | 720,368 | 41,932 | - | 89,801 |
| - | 383,388 | 142,295 | - | 734,901 | 8,357 | 50,211 | 161,668 |
| - | - | 57,845 | - | 345,728 | - | - | - |
| - | (37,281) | - | - | (1,693,635) | - | - | - |
| - | (37,281) | 57,845 | - | (1,347,907) | - | - | - |
| - | 346,107 | 200,140 | - | (613,006) | 8,357 | 50,211 | 161,668 |
| 2,748 | - | - | 53,125 | 4,033,842 | (1,293,564) | 579,454 | 358,541 |
| - | - | - | - | (430,231) | 302,064 | 292,986 | 52,351 |
| 2,748 | - | - | 53,125 | 3,603,611 | (991,500) | 872,440 | 410,892 |
| \$ 2,748 | \$ 346,107 | \$ 200,140 | \$ 53,125 | \$ 2,990,605 | \$ (983,143) | \$ 922,651 | \$ 572,560 |

CITY OF IONE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

| | Capital Projects Funds | | | Total Nonmajor Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|-------------------------------------|-------------------|-------------------------------------|---|--|
| | Governmental Impact Fees Fund | Drainage Fund | Local Traffic Mitigation Fund | | |
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 5,363 |
| Impact fees | 42,289 | - | 127,072 | 521,330 | 744,922 |
| Use of money and property | - | - | - | - | 57,159 |
| Intergovernmental revenues | - | - | - | - | 665,186 |
| Fines, forfeitures and penalties | - | - | - | - | 15,001 |
| Charges for services | - | - | - | - | 407,173 |
| Other | - | - | - | - | 81,795 |
| Total Revenues | <u>42,289</u> | <u>-</u> | <u>127,072</u> | <u>521,330</u> | <u>1,976,599</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Public ways and facilities/ transportation | - | - | - | - | 329,245 |
| Public safety | - | - | - | - | 381,780 |
| Parks and recreation | - | - | - | - | 195 |
| Capital outlay | - | - | - | 89,801 | 98,949 |
| Debt service: | | | | | |
| Principal | - | - | - | 28,734 | 28,734 |
| Interest | - | - | - | 13,198 | 13,198 |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>131,733</u> | <u>852,101</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>42,289</u> | <u>-</u> | <u>127,072</u> | <u>389,597</u> | <u>1,124,498</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | - | 345,728 |
| Transfers out | - | - | - | - | (1,693,635) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,347,907)</u> |
| Net Change in Fund Balances | 42,289 | - | 127,072 | 389,597 | (223,409) |
| Fund Balances, Beginning of Year previously reported | (606,972) | 125,578 | 1,104,301 | 267,338 | 4,301,180 |
| Restatement | 23,602 | - | 68,688 | 739,691 | 309,460 |
| Fund Balances, Beginning of Year - as restated | <u>(583,370)</u> | <u>125,578</u> | <u>1,172,989</u> | <u>1,007,029</u> | <u>4,610,640</u> |
| Fund Balances, End of Year | <u>\$ (541,081)</u> | <u>\$ 125,578</u> | <u>\$ 1,300,061</u> | <u>\$ 1,396,626</u> | <u>\$ 4,387,231</u> |

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

CITY OF IONE

COMBINING SCHEDULE OF FIDUCIARY NET POSITION
AGENCY FUNDS

June 30, 2019

| | Community Facilities Districts | Regional Traffic Mitigation | Asset Seizure Police | Total |
|--|--------------------------------------|-----------------------------------|----------------------------|-------------------|
| ASSETS | | | | |
| Cash and investments | \$ 79,260 | \$ 262,354 | \$ 8,423 | \$ 350,037 |
| Accounts receivable | 1,038 | - | - | 1,038 |
| Cash and investments with fiscal agent | 498,696 | - | - | 498,696 |
| | <u>578,994</u> | <u>262,354</u> | <u>8,423</u> | <u>849,771</u> |
| Total Assets | <u>\$ 578,994</u> | <u>\$ 262,354</u> | <u>\$ 8,423</u> | <u>\$ 849,771</u> |
| LIABILITIES | | | | |
| Refundable deposits | \$ - | \$ - | \$ 46 | \$ 46 |
| Due to others | 578,994 | 262,354 | 8,377 | 849,725 |
| | <u>578,994</u> | <u>262,354</u> | <u>8,423</u> | <u>849,771</u> |
| Total Liabilities | <u>\$ 578,994</u> | <u>\$ 262,354</u> | <u>\$ 8,423</u> | <u>\$ 849,771</u> |

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

OTHER REPORTS

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

To the Honorable Mayor and
Members of the City Council
City of Ione, California

We have audited, 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, 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, California (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 15, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified deficiencies in internal control, described in the accompanying schedule of findings and responses as findings 2019-001 and 2019-002 that we consider to be material weaknesses.

To the Honorable Mayor and
Members of the City Council
City of Ione, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters reported as Finding 2019-003 that is required to be reported under *Government Auditing Standards*.

The City of Ione's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

February 15, 2022

CITY OF IONE, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2019

INTERNAL CONTROL OVER FINANCIAL REPORTING

MATERIAL WEAKNESSES

Finding 2019-001

Condition: Restatements and a significant number of audit adjustments and closing entries were required to report the City's financial statements in accordance with generally accepted accounting principles (GAAP).

Criteria: Internal controls over financial reporting should exist to ensure the financial statements are complete and accurate.

Cause: The City implemented a new accounting system and experienced turnover in the Finance Director position prior to the start of the audit, which slowed the closing process. The City's chart of accounts also does not use fund numbers that help identify the fund type, includes stale terminology that makes it difficult to classify entries and is missing certain accounts necessary to report financial transactions.

Effect: 50 audit adjustments and closing entries were required to complete the financial statements, which slowed the completion of the audit and resulted in the audit taking more time to complete than expected.

Recommendation: We recommend the City post all of the audit adjustments provided during the audit, reconcile fund balance and net position in each fund to the 2019 financial statements, create a closing checklist that includes reconciliations necessary to identify adjustments identified during the audit and use the adjustments and suggested changes to the chart of accounts provided to make the chart of accounts complete and account names consistent with the financial statements.

Management's Response: The City now has an Accountant with recruitments underway for Management Analyst and Finance Manager. These positions along with better documentation of the finance system and procedures will ensure that audit adjustments and supporting reconciliations are completed prior to the audit.

Finding 2019-002:

Condition: We noted a number of internal control exceptions in our detail testing of financial transactions, including the following:

- Cash Receipts Tests of Controls – Several cash receipts selected for testing were charged rates for services from a rate schedule that could not be located by City staff and supporting documentation for one transaction selected for testing could not be located by City staff. No support existed for the number of fixtures billed to commercial sewer fund accounts.
- Cash Disbursements Tests of Controls – Three of 25 cash disbursements selected for testing were missing checks or other supporting documentation. Also, no evidence could be found of management review of check registers on the sample of check runs tested.
- Payroll Disbursements Tests of Controls – No Personnel Action Forms could be found on eight of 25 payroll disbursements selected for testing and five additional Personnel Action Forms selected for testing were missing information. We noted different versions of the Personnel Action Forms were being used by different departments. We noted eight of 25 payroll disbursements tested had unsigned timesheets. In addition, no evidence could be found of management review of the

CITY OF IONE, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2019

payroll register/reconciliation of the payroll register to the general ledger on the sample of payroll runs tested.

- The 2018 audit findings indicated the City was over withholding health insurance and in lieu payments from employees and a payable for this amount appeared on the balance sheet at June 20, 2019.

Criteria: Internal controls over financial transactions should be in place and documented to ensure evidence exists that the control was implemented and operating effectively, and evidence exists that duties are separated to limit the possibility of errors and fraud occurring and not being detected by the City's internal controls.

Cause: The City did not maintain adequate evidence of the completion of internal controls or did not maintain consistent documentation that was easy for new staff to locate to support the controls performed over these transactions.

Effect: Errors and fraud could occur and not be detected by the City's internal controls.

Recommendation: We recommend the City review the transactions above and maintain consistent evidence of the performance of the internal controls. The City should review employee files to ensure an approved and complete Personnel Action Form exists for each employee documenting the approved pay rate, step, etc. Payroll tax and withholding payable accounts should be reconciled to the subsequent payment each pay period and any differences investigated and cleared. Documentation of transactions should be maintained in a consistent manner that is well labeled and easy to find by City staff. A transition to high quality, well labeled electronic copies of financial records on the City's server should be the City's goal to organize documentation, which is easier to find in future years.

Management's Response: The City has taken measures to ensure documents including approvals are easily retrievable: a Personnel Action Form is completed, approved, and filed when employee payroll changes are made; review and approval processes have been implemented throughout the City which document transaction authorizations; paper and electronic files are being reorganized to ensure retention of required document.

COMPLIANCE AND OTHER MATTERS

Finding 2019-003:

Condition: A number of issues were noted related to the SAFER grant by the predecessor auditor as noted in Finding 2018-06, including the lack of an approved employment agreement for the volunteer coordinator, a relative of the volunteer coordinator was approving timesheets of the volunteer coordinator, claims were submitted prior to the volunteer coordinator being paid, which may not be allowable under the grant agreement, grant receivables were not accrued by the Finance Department, the volunteer coordinator was reimbursed for fringe benefits directly from grant funds rather than by the City, and it was unclear whether the volunteer coordinator worked over 1,000 hours and was eligible for the City's pension plan with CalPERS and contributions were required to be made to CalPERS for the volunteer coordinator.

Criteria: Internal controls over grants should exist to ensure the expenditures incurred and claimed under the grant agreement are approved, complete and accurate.

CITY OF IONE, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2019

Cause: Certain controls were not in place over grant activity to ensure expenditures were approved, complete and accurate.

Effect: Grant expenditures could be disallowed by the grantor.

Recommendation: We understand the City will bring an employment agreement for the volunteer coordinator to the City Council for approval in a future Council meeting and management will address the issues brought up by the predecessor auditor. We recommend each finding be addressed in that meeting.

Management's Response: The referenced Grant Procedure Policy has not yet been established; however, will be in the near future and incorporated in the Financial Policy and Procedure Manual. The City Council approved creation of a Grant Coordinator as part of the grant; however, the position was omitted from the Salary Range Schedule and is in the process of being incorporated noting that it dates back to the time of grant approval.

PRIOR YEAR FINDINGS

Finding 18-1:

Condition: At June 30, 2018, we noted the general fund had a deficit fund balance of \$797,514, the Fire Service Impact Fee Fund had a \$1,298,772 deficit fund balance, the Government Impact Fees fund had a deficit fund balance of \$606,972, the Rail Road Depot fund had a deficit fund balance of \$27,000 and the Safer Grant fund had a deficit fund balance of \$9,913.

We noted improvement in the Sewer Capital Fund with an increase of net position of \$654,513 and ending accumulated deficit of \$2,975,875. The Sewer Tertiary Fund had an increase in net position during the 2017/19 fiscal year of \$1,822 and an ending accumulated deficit of \$467,306. We have noted these conditions in prior audits.

Recommendation: We recommend the City continue to evaluate the tertiary plant operations and prepare a plan of how the tertiary fund will pay back the \$487,187 borrowed from other funds. During the 2017/18 fiscal year the fund generated \$1,822 which will not be sufficient to repay the amount borrowed from other funds. While the City expects current financial resources will be sufficient to cover current liabilities, we recommend close attention to resolving the accumulated deficit in the general fund and all funds with deficit fund balances/accumulated deficits.

Current Status: The General Fund and three other City funds continue to report deficit fund balances as reported in the Fund Balance Deficit paragraph of Note A of the financial statements. A financial plan to address these deficits should be prepared by management and approved by the City Council. The Sewer Fund was separated into a number of sub-funds that were combined for reporting purposes during the year ended June 30, 2019 because there did not appear to be any requirement for any of the sub-funds to be reported separately, such as paying separate debt agreements. The deficits for the Sewer Fund reported in the June 30, 2019 financial statements are no longer reported separately as a result. The City should address any structural deficits in its Sewer Rate Plan in the future to ensure the Sewer Fund has adequate resources to perform required services. Although it is important to ensure these deficits are addressed, we do not believe this item meets the definition of a finding under audit standards and was not included in the 2019 schedule of findings.

CITY OF IONE, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2019

Finding 18-2:

Condition: We noted the City had a lack of segregation of duties, as one person is capable of handling all aspects of processing certain transactions from beginning to end. A lack of segregation of duties increases the risk of potential error or irregularities occurring without being detected; however, due to a limited number of personnel in the finance department as a result of downsizing an adequate segregation of duties is not possible without incurring additional costs. We have noted this finding in prior audits.

Recommendation: We recommend the City segregate duties to the greatest extent possible given the limited number of personnel in the Finance Department.

Current Status: The City hired an administrative staff that allows duties to be separated. However, we noted lack of adequate documentation of internal controls being performed to prove separation of duties occurred during the year ended June 30, 2019. See Finding 2019-002 for a continuation of this finding and recommendations.

Finding 18-3:

Condition: During our testing of sewer commercial accounts, we noted the City is charging based on the number of fixtures, however the City did not have files for commercial properties documenting the number of fixtures so that we could recalculate the charges. We noted this condition in prior audits.

Recommendation: We recommend the City perform a site inspection of all commercial properties and document the number of fixtures that are being charged. The City should then compare that data to the actual charges and make adjustments where needed to verify that the current charges are valid. The City should also verify that there is an approved rate schedule for all sewer fees being charged.

Current Status: We noted differences between Sewer Fund billings and the rate per the rate schedule during our testing of cash receipts in 2019 that appeared to be related to a number of fixtures being billed to commercial customers. See Finding 2019-002 for a continuation of this finding and recommendations.

Finding 18-4:

Condition: During our testing of the prior year deposit liability account, we noted Ryland (now Axios) pulled building permits, however, the City did not adjust their deposit liability balance to reduce the liability for the 2016/17 FY activity.

Recommendation: We recommend the City adjust the deposits liability balance each time Axios uses one of the prepaid building permits. We recommend the City allocate the remaining prepaid developer fees to each fund based on the funds prepaid developer deposit (liability) balance.

Current Status: The deposit accounts referenced were development impact fees paid prior to the permit being approved that should have been recognized when the related development agreement was approved under generally accepted accounting principles rather than deferring the amounts as deposits and recognizing them when permits were pulled. See the restatement discussed in Note L of the financial statements to correct this error.

CITY OF IONE, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2019

Finding 18-5:

Condition: During our prior year testing of health insurance and in lieu payments, we noted there were some employees with insurance deduction over withheld/under withheld from their paychecks. We also noted on the health in lieu payouts some of the employees were also overpaid/underpaid. We also noted this condition in the prior audit.

Recommendation: We recommend the City periodically review these deductions or payments to ensure accuracy and that all requirements are met. We recommend agreeing the health in lieu payouts and the health insurance deductions to agree with the City policy amounts.

Current Status: We noted no resolution of this issue. See Finding 2019-002 for a continuation of this finding and recommendations.

Finding 18-6:

Condition: During our testing of the SAFER federal grant we noted the following conditions:

- A related party to the SAFER grant volunteer coordinator is authorizing the timesheets as supervisor.
- The volunteer coordinator is submitting the invoices to the granting agency for reimbursement and no receivable is recorded in the general ledger by the finance department.
- The invoice submitted to the grant agency to reimburse the period of April 2018 through September 2018 was submitted in January 2019 prior to the City paying for the services rendered for that period. We did not see language in the grant agreement that advances were allowed under the program.
- While it appears the City Manager and the Mayor appointed the volunteer coordinator to run the SAFER grant program, the City did not adopt a job description for the position that would have included a rate of pay, if this was a full-time or part-time position and benefits package.
- We noted the volunteer coordinator was submitting reimbursement requests for fringe benefits. The payments were being made directly to the volunteer coordinator. The grant agreement allowed for the cost of fringe benefits for things such as social security, Medicare, health insurance and worker's compensation to be included as a reimbursable expense to the City. There was no mention in the grant agreement that the grant would pay the volunteer coordinator for fringe benefits in lieu of the volunteer coordinator receiving these benefits.
- We noted the volunteer coordinator might have worked over 1,000 hours during the 2017/18 fiscal year for this program and was not enrolled in the City's retirement program with CalPERS. Under the terms of the contract between the City and CalPERS retirement program, if an employee works over 1,000 hours in a fiscal year then they should be enrolled as a member of CalPERS. Because the grant coordinator was recording salary and not actual hours worked on several timesheets it is not certain that the 1,000 hours was exceeded.

Recommendation: We recommend that a fire district employee, other than a related party to the volunteer coordinator, with knowledge of the volunteer coordinators working hours authorize the timesheets. We recommend the City review if a job description, salary schedule and benefits package should be approved by the City Council. We recommend that invoices submitted to the granting agency for reimbursement be reviewed by the Finance Department, sent to the granting agency by the Finance Department and

CITY OF IONE, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2019

recorded as a receivable in the general ledger. We recommend the City request reimbursement from the granting agency for fringe benefits actually paid as opposed to paying the volunteer coordinator in lieu of paying fringe benefits and requesting reimbursement for those in lieu payments. We recommend the City reconcile the actual hours worked by the volunteer coordinator and if it is determined that the 1,000 hours was exceeded contact CalPERS to determine if the volunteer coordinator should have been enrolled in the CalPERS retirement plan and take action to enroll the employee in the retirement plan.

Current Status: We noted management was working on the resolution of this finding but it was not resolved during the audit. See current year finding 2019-003, which is a continuation of this finding.