

CITY OF IONE
FINANCIAL STATEMENTS
JUNE 30, 2016

CITY OF IONE
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LARRY BAIN, CPA

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Ione
Ione, California

We have audited the accompanying statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Ione, California, as of and for the year ended June 30, 2016, 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 of financial statements that are free from material misstatements, 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 of Ione, California, as of June 30, 2016, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

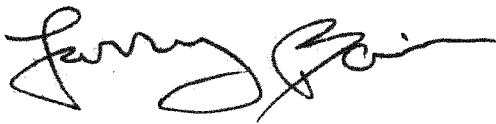
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 43-44 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 basis 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 of Ione, California's basic financial statements. The combining and individual non-major 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 non-major 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 non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink, appearing to read 'Larry Bain', with a stylized flourish at the end.

Larry Bain, CPA,
An Accounting Corporation
April 28, 2017

City of Ione
Required Supplementary Information
Management's Discussion and Analysis
June 30, 2016

This section of the City of Ione's annual financial report presents an analysis of the City's financial performance during the fiscal year ended June 30, 2016. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2015-16

- The City's net position was \$46,474,791 at June 30, 2016. Net position increased \$439,014 or .95%. Of the total net position, \$5,307,185 is unrestricted and may be used to meet ongoing obligations to citizens and creditors.
- Total cash and investments decreased \$245,633 or 6.4% to \$3,590,557. Of total cash, \$2,476,741 is restricted for specific activities.
- As of June 30, 2016, the City's governmental funds reported combined fund balance of \$3,930,250. In comparison, Fiscal Year 2014-15 had a combined fund balance of \$3,082,807. Six governmental funds are classified as major. They are: General Fund, Measure M, Public Safety Maintenance District, Governmental Impact Fees, Local Traffic Mitigation, and the Fire Services Impact Fees.
- The General Fund fund balance increased \$605,731 or 48.47% to \$(644,000) as of June 30, 2016. Of the fund balance \$674,991 is non-spendable because it is tied up in long-term advance receivables and the remainder in the amount of \$(1,318,991) is reported as unassigned.
- The General Fund cash balance increased \$599,907 or 105.% from \$(574,538) to \$25,369.
- Projects funded by the gas tax fund include storm drains, street repairs and street improvements.
- There were \$129,493 general fund capital asset additions, \$65,717 capital asset additions in the Gas Tax fund, and \$1,923,360 sewer related capital asset additions for FY 2015-2016.
- The City's proprietary funds (sewer) net position increased \$150,358 or 1.4% to \$10,849,455. Unrestricted cash increased \$138,490 or 21.03% to \$797,128, and restricted cash used for sewer capital construction decreased \$1,573,873 or 99.87% to \$2,056. The City is working toward full compliance with its regulatory permits and is near completion.
- The City's long-term liabilities include compensated absences, net pension liability, OPEB obligation, Train Depot loan in the amount of \$27,000, SCORE Insurance liability in the amount of \$26,722, long term capital lease for the new fire station, the Amador County sales tax loan, and the PARS supplemental retirement annuity which was paid off during the fiscal year. The original principal amount for the fire station capital lease loan was \$560,000, with a balance of \$405,528 as of 6/30/16. The original principal amount for the sales tax loan is \$149,293 with a balance of \$15,590 as of 6/30/16. The City's proprietary funds (sewer) long-term liabilities consist of the long-term loan for sewer capital construction in the amount of \$3,095,883.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

City of Ione
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2016

REQUIRED FINANCIAL STATEMENTS

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

The *Statement of Net Position* 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 and roads, parks and recreation. The business-type activities are sewer.

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

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

City of Ione
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2016

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

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

The City of Ione maintains two fiduciary or agency funds. They are: community facilities districts 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. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's budgetary comparative information for its major governmental funds.

City of Ione
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

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

	June 30, 2016			June 30, 2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other Assets	\$5,075,330	\$1,129,786	\$6,205,116	\$4,430,043	\$2,689,367	\$7,119,410
Capital Assets	34,703,184	13,280,912	47,984,096	34,893,008	11,602,426	46,495,434
Total Assets	39,778,514	14,410,698	54,189,212	39,323,051	14,291,793	53,614,844
Deferred Outflows of Resources						
Deferred Outflows - Pensions	347,837	20,508	368,345	206,688	18,971	225,659
Total Deferred Outflows of Resources	347,837	20,508	368,345	206,688	18,971	225,659
Liabilities						
Current /non current	4,236,700	3,555,465	7,792,165	3,904,789	3,585,209	7,489,998
Total Liabilities	4,236,700	3,555,465	7,792,165	3,904,789	3,585,209	7,489,998
Deferred inflows of Resources						
Deferred Inflows - Pensions	264,315	26,286	290,601	288,269	26,458	314,727
Total Deferred Inflows of Resources	264,315	26,286	290,601	288,269	26,458	314,727
Net Position						
Net investment in capital assets	34,297,656	10,185,029	44,482,685	34,461,830	10,004,530	44,466,360
Restricted for capital replacement	-	(3,317,135)	(3,317,135)	-	(1,483,534)	(1,483,534)
Unrestricted	1,327,680	3,981,561	5,309,241	874,851	2,178,101	3,052,952
Total Net Position	\$35,625,336	\$10,849,455	\$46,474,791	\$35,336,681	\$10,699,097	\$46,035,778

The City's near-term financing situation, as measured by the current ratio (current assets divided by current liabilities), decreased. The ratio increased year-over-year from 1.692 to 1.694 (excluding restricted cash). Values greater than 1.00 are considered good.

The City's overall financial position, as measured by net position is \$46,474,791. The major component of net position is invested in capital assets. Unrestricted net position are \$5,309,241 and represent the amount available for future operations. Unrestricted net position increased and business-type activities accounted for the majority of the increase.

City of Ione
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2016

Statement of Activities

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

	Fiscal Year Ending June 30, 2016			Fiscal Year Ending June 30, 2015		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business- type Activities	Totals
Governmental Activities:						
Charges for services	\$1,146,461	\$1,318,812	\$2,465,273	\$1,031,940	\$1,300,270	\$2,332,210
Capital grants and contributions	160,046	56,325	\$216,371	119,584	16,059	135,643
Operating grants	473,319	-	\$473,319	890,217	-	890,217
General Revenue:						
Property tax and assessments	416,730	-	\$416,730	571,349	-	571,349
Sales and use tax	222,331	-	\$222,331	203,177	-	203,177
Other taxes	1,103,597	-	\$1,103,597	985,776	-	985,776
Gain on sale of capital assets	5,701	-	\$5,701	20,872	-	20,872
Investment income	70,705	12,497	\$83,202	1,540	14,309	15,849
Transfers	-	-	-	(14,560)	14,560	-
Total Revenue	3,598,890	1,387,634	4,986,524	3,809,895	1,345,198	5,155,093
Expenses:						
General government	709,408	-	709,408	755,947	-	755,947
Public safety	1,634,102	-	1,634,102	1,534,401	-	1,534,401
Community development	-	-	-	3,320	-	3,320
Public works	202,862	-	202,862	244,118	-	244,118
Streets and roads	236,923	-	236,923	472,858	-	472,858
Parks and recreation	302,547	-	302,547	359,894	-	359,894
Interest on debt	20,151	37,343	57,494	17,262	-	17,262
Business-type activities:						
Wastewater	-	1,213,415	1,213,415	-	1,256,029	1,256,029
Total Expenses	3,105,993	1,250,758	4,356,751	3,387,800	1,256,029	4,643,829
Change in net position	492,897	136,876	629,773	422,095	89,169	511,264
Net Position:						
Net position - beginning	35,336,681	10,699,097	46,035,778	37,062,130	10,997,641	48,059,771
Prior period adjustment	(204,242)	13,482	(190,760)	(2,147,544)	(387,713)	(2,535,257)
Net position - ending	\$35,625,336	\$10,849,455	\$46,474,791	\$35,336,681	\$10,699,097	\$46,035,778

The statement of activities, identify the various revenue and expense items which affect the change in net position. Total revenues decreased \$168,569 or about 3.3% to \$4,986,524 while total expenses decreased \$287,078 or about 6.2% to \$4,356,751. The net position increased \$439,013 or .96% to \$46,474,791. The decrease to revenues for governmental activities was due to the decrease to operating grants, property taxes and assessments, and gain on sale of capital assets, offset by increase in charges for services, capital grants and contributions, sales and use taxes, investment income, transient occupancy tax, franchise tax, motor vehicle in lieu tax, other taxes, and investment income. Expenses for governmental activities is under revenues by \$492,897. Decrease in general government, community development, public works, streets and roads, and parks and recreation, offset by increase in public safety and interest on debt contributed to the decrease in expenses and the change in net position. Fewer street repairs and maintenance along with planning, engineering and capital outlay purchases were the primary driver of decreased cost. For more information please see the financial statements and the notes to the financial statements.

City of Ione
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2016

FUNDS FINANCIAL ANALYSIS

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

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

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

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

The combined funds near-term financing situation, as measured by the current ratio (current assets divided by current liabilities), decreased. The ratio decreased over the two year period from 1.25 to 1.15. Values greater than 1.00 are considered good. Unrestricted net position represents the amount available for future operations. Unrestricted net position increased \$1,803,460.

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

Budgetary Highlights

General fund revenues for the 2015-16 fiscal year were budgeted at \$1,702,700. The actual revenues were \$2,410,353 which is a favourable variance of \$707,653 or 41.5%. The majority of the variance was due to an increase of \$31,862 for property tax, \$58,212 for sales tax, \$4,269 for sales tax-public safety, \$9,870 for real property transfer tax, \$2,729 for franchise fee, \$42,873 for building permits and inspections, \$256,791 for motor vehicle in lieu of (state), \$37,823 for grants/reimbursements, \$21,149 for parking citations and other fines, \$3,851 for miscellaneous – all others, charges for current services in the amount of \$150,103 is due mainly to planning fees for \$30,548, engineering fees for \$45,162, legal reimbursements for \$4,590, fire department services for \$64,219, interest and investment income for \$10,561, rent for \$60,660, and \$16,950 for other miscellaneous. Revenue categories that were over budget were encroachment permits \$50. General fund expenditures were budgeted at \$1,721,749. The actual amount expended was \$1,867,463 or \$51,471 over budget. The increased amount of budgeted expenditures was due to the city clerk, city treasurer, planning, building inspection, engineering, police, and capital outlay. Conversely, city council, city manager, finance, legal, administrative, fire, and parks and recreation are under budget. For more information please see pages 43 and 44 of the audit report.

City of Ione
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2016

CAPITAL ASSETS

The City completed the required GASB 34 study on the historical cost of capital assets in fiscal year ending June 30, 2008. The City has prepared a listing of historical cost for general and enterprise fund infrastructure and fixed assets and a depreciation schedule for infrastructure and fixed assets in accordance with governmental accounting standards board statement (GASB) 34. Following is a summary of capital assets and accumulated depreciation:

	Governmental Activities		Business-type Activities		Total Government	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
Land	\$29,696,609	\$29,696,609	\$3,873,444	\$3,873,444	\$33,570,053	\$33,570,053
CIP	212,527	112,326	1,852,948	3,038,398	\$2,065,475	\$3,150,724
Structures	3,329,120	3,329,120	1,460,112	1,460,112	\$4,789,232	\$4,789,232
Site improvements	929,993	929,993	446,396	446,396	\$1,376,389	\$1,376,389
Vehicles and equipment	2,415,409	2,320,400	652,880	637,835	\$3,068,289	\$2,958,235
Infrastructure	2,594,098	2,594,098	8,974,800	5,881,035	\$11,568,898	\$8,475,133
Accumulated depreciation	(4,474,572)	(4,089,538)	(3,979,668)	(3,734,794)	(\$8,454,240)	(\$7,824,332)
Total Capital Assets, Net	\$34,703,184	\$34,893,008	\$13,280,912	\$11,602,426	\$47,984,096	\$46,495,434

As of June 30, 2016 the City's investment in capital assets totaled \$47,984,096 net of accumulated depreciation.

The investment in capital assets includes police and fire vehicles and equipment, land, site improvements, buildings, sewer assets, and construction in progress.

LONG –TERM DEBT

On August 28, 2008 the City entered into a capital lease with the principal amount of \$560,000 to partially finance the construction of the new Fire Station No. 2. The capital lease commenced on September 28, 2008 with the final payment due August 28, 2028. On July 9, 2013 the City refinanced the principal balance of \$477,924 where the monthly lease payment of \$3,494 with the final payment due August 1, 2028. The current lease carries a nominal annual interest rate of 3.90% . The current principal balance is \$405,528.

In September 2011 it was discovered that the State Board of Equalization misallocated the City's sales tax owing to the County for the 4th quarter of 2008 and the 1st quarter of 2009. A repayment agreement was reached between the City and the County to offset the loss of revenues in the amount of \$149,293. The County will loan the City \$11,220.32 for eight quarters beginning December 1, 2011, and pays the County \$7,683.68 per quarter with an interest rate at 2%. The current principal balance is \$15,590.

City of Ione
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2016

LONG – TERM DEBT (Continued)

In November 2011 the City established a supplementary retirement plan through Public Agency Retirement System (PARS) who administers the single-employer defined benefit plan for the City. Benefits were available to full-time employees with the City at November 1, 2011 and had completed five years of service with the City. The City's annual required contribution is \$53,042 per year for five years starting with Fiscal Year 2011-12. The balance of the City's annual required contribution was paid in full during Fiscal Year 2015-16.

On June 29, 2012 the City received a \$45,000 donation from the Jackson Rancheria for relocating the train depot to City owned property with the intent of the City to repay the Jackson Rancheria. The debt will be repaid in the amount of \$9,000 annually beginning September 10, 2014 with no interest to be incurred. The balance at 6/30/16 is \$27,000.

In June 2014 the City reached an agreement with Small Cities Organized Risk Effort (S.C.O.R.E) for the insurance liability assessment due in the amount of \$38,176 from the City's participation in the SCORE JPA. The City is to repay the assessment annually beginning in July 2014 with a growing percentage over each year as follows: FY 14-15 – 10%, FY 15-16 - \$20%, FY 16-17 – 30%, FY 17-18 – 40%. The balance at 6/30/16 is \$26,722.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council adopted the City's Fiscal Year 2015-16 General Fund Final Budget, Sewer and Gas Tax Budget, and remaining Special Revenue Budgets on June 16, 2015. During the past nine fiscal years, the City has been making improvements as well as planning improvements to its sewer plant to meet projected growth as well as comply with SWRCB requirements. Planning for the sewer plant expansion is an ongoing project. The City is working toward full compliance with its regulatory permits and was near completion in Fiscal Year 2015-2016.

The nation and state and local communities are beginning to slightly recover from a housing slowdown, high unemployment, and credit market problems experienced over the last several years.

ADDITIONAL FINANCIAL INFORMATION

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

CITY OF IONE
STATEMENT OF NET POSITION
JUNE 30, 2016
(With comparative total as of June 30, 2015)

	Governmental Activities	Business-type Activities	Totals	
			2016	2015
Assets				
Cash and investments	\$ 316,688	\$ 797,128	\$ 1,113,816	\$ 669,656
Accounts receivables	438,234	74,670	512,904	793,817
Taxes receivable	-	-	-	192,696
Interest receivable	1,023	-	1,023	568
Prepaid items	-	-	-	1
Deposits with others	64,895	12,132	77,027	48,023
Restricted cash and investments	2,474,685	2,056	2,476,741	3,166,534
Total current assets	3,295,525	885,986	4,181,511	4,871,295
Non Current Assets				
Internal balances	(243,800)	243,800	-	-
Interest receivable	329,759	-	329,759	324,413
Loans receivable (net of allowance for uncollectibles)	1,693,846	-	1,693,846	1,923,702
Capital assets				
Land	29,696,609	3,873,444	33,570,053	33,570,053
Construction in progress	212,527	1,852,948	2,065,475	3,150,724
Structures	3,329,120	1,460,112	4,789,232	4,789,232
Site improvements	929,993	446,396	1,376,389	1,376,389
Vehicles and equipment	2,415,409	652,880	3,068,289	2,958,235
Infrastructure	2,594,098	8,974,800	11,568,898	8,475,133
Accumulated depreciation	(4,474,572)	(3,979,668)	(8,454,240)	(7,824,332)
Total capital assets, net	34,703,184	13,280,912	47,984,096	46,495,434
Total Assets	39,778,514	14,410,698	54,189,212	53,614,844
Deferred Outflows of Resources				
Deferred Outflows-Pensions	347,837	20,508	368,345	225,659
Total Deferred Outflows of Resources	\$ 347,837	\$ 20,508	\$ 368,345	\$ 225,659
Liabilities				
Current liabilities:				
Accounts payable	\$ 179,889	\$ 133,604	\$ 313,493	\$ 202,305
Accrued payroll	25,508	2,572	28,080	88,247
Deposits from others	440,290	4,650	444,940	444,667
Accrued interest payable	-	32,042	32,042	28,595
Due within one year	103,268	84,331	187,599	243,342
Noncurrent liabilities:				
Due in more than one year	3,487,745	3,298,266	6,786,011	6,482,842
Total Liabilities	4,236,700	3,555,465	7,792,165	7,489,998
Deferred Inflows of Resources				
Deferred Inflows-Pensions	264,315	26,286	290,601	314,727
Total Deferred Inflows of Resources	264,315	26,286	290,601	314,727
Net Position				
Net investment in capital assets	34,297,656	10,185,029	44,482,685	44,466,360
Restricted for capital replacement	-	(3,317,135)	(3,317,135)	(1,483,534)
Unrestricted	1,327,680	3,981,561	5,309,241	3,052,952
Total Net Position	\$ 35,625,336	\$ 10,849,455	\$ 46,474,791	\$ 46,035,778

The notes to the financial statements are an integral part of this statement

CITY OF IONE

**STATEMENT OF ACTIVITIES
JUNE 30, 2016
(With comparative total as of June 30, 2015)**

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Capital Grants and Contributions	Operating Grants	Governmental Activities	Business-type Activities	Totals	
							2016	2015
Governmental Activities:								
General government	\$ 709,408	\$ 117,849	\$ 19,156	\$ 5,000	\$ (567,403)	\$ -	\$ (567,403)	\$ (634,437)
Public safety	1,634,102	620,995	15,624	392,473	(605,010)		(605,010)	(40,367)
Community development	-			-	-		-	46,009
Public works	202,862	415,449			212,587		212,587	103,084
Streets and roads	236,923		85,858	75,846	(75,219)		(75,219)	(448,238)
Parks and recreation	302,547	(7,832)	39,408		(270,971)		(270,971)	(354,847)
Interest on debt	20,151				(20,151)		(20,151)	(17,262)
Total Governmental Activities	3,105,993	1,146,461	160,046	473,319	(1,326,167)		(1,326,167)	(1,346,058)
Business-type Activities:								
Wastewater	1,213,415	1,318,812	56,325			161,722	161,722	116,448
Interest on debt	37,343					(37,343)		
Total Business-type Activities	1,250,758	1,318,812	56,325			124,379	161,722	116,448
Total Government	\$ 4,356,751	\$ 2,465,273	\$ 216,371	\$ 473,319	(1,326,167)	124,379	(1,164,445)	(1,229,610)
General Revenues:								
Taxes:								
Property taxes					416,730		416,730	571,349
Sales and use tax					222,331		222,331	203,177
Transient occupancy tax					4,200		4,200	-
Franchise tax					95,729		95,729	92,922
Motor vehicle in lieu tax					979,991		979,991	879,793
Other taxes					23,677		23,677	13,061
Sale of assets					5,701		5,701	20,872
Transfers					-	-	-	1
Investment income					70,705	12,497	83,202	15,847
Total general revenues					1,819,064	12,497	1,831,561	1,797,022
Change in net position					492,897	136,876	629,773	511,264
Net position - beginning					35,336,681	10,699,097	46,035,778	48,059,771
Prior Period Adjustment					(204,242)	13,482	(190,760)	(2,535,257)
Net Position - ending					\$ 35,625,336	\$ 10,849,455	\$ 46,474,791	\$ 46,035,778

The notes to the financial statements are an integral part of this statement

CITY OF IONE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016
(With comparative total as of June 30, 2015)

	General	Measure M	Public Safety Maintenance District	Governmental Impact Fees	Local Traffic Mitigation	Fire Services Impact Fees	Other Nonmajor Funds	Total Governmental 2016	2015
<u>Assets</u>									
Cash and investments	25,369	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 291,319	\$ 316,688	\$ 11,018
Due from other funds	67,737				138,027		4,260	210,024	730,887
Receivables									
Accounts (net of allowance)	255,132	61,833	37,417		-		83,852	438,234	592,461
Taxes	-							-	192,696
Interest	1,023							1,023	568
Deposits with others	61,592						3,303	64,895	39,379
Prepaid items							-	-	1
Restricted cash and investments		187,001	564,770	22,432	836,415		864,067	2,474,685	1,590,605
Total Current Assets	410,853	248,834	602,187	22,432	974,442	-	1,246,801	3,505,549	3,157,615
Advances to other funds	674,991	357,017		25,000	-		1,598,149	2,655,157	2,654,157
Interest receivable							329,759	329,759	324,413
Loans receivable (net of allowance for uncollectible)							1,693,846	1,693,846	1,923,702
Total Long-Term Assets	674,991	357,017		25,000			3,621,754	4,678,762	4,902,272
Total Assets	\$ 1,085,844	\$ 605,851	\$ 602,187	\$ 47,432	\$ 974,442	\$ -	\$ 4,868,555	\$ 8,184,311	\$ 8,059,887
<u>Liabilities and Fund Balances</u>									
<u>Liabilities</u>									
Accounts payable	\$ 170,816	\$ -	\$ 1,968	\$ -	\$ -	\$ -	\$ 7,105	\$ 179,889	\$ 108,015
Accrued payroll	24,212						1,296	25,508	61,521
Deposits from others	80,938					359,352		440,290	440,261
Due to other funds				100,623		67,737	41,664	210,024	730,887
Total Current Liabilities	275,966		1,968	100,623		427,089	50,065	855,711	1,340,684
Long-term Liabilities									
Advances from other funds	1,371,700			598,000		929,257		2,898,957	2,898,957
Total Liabilities	1,647,666		1,968	698,623		1,356,346	50,065	3,754,668	4,239,641
Deferred Inflows of Resources									
Unavailable revenue	82,178		18,708				398,507	499,393	737,439
Total Deferred Inflows of Resources	82,178		18,708				398,507	499,393	737,439
<u>Fund Balances</u>									
Restricted for loans receivable							1,672,800	1,672,800	1,902,656
Non-spendable for advances	674,991	357,017		25,000			1,598,149	2,655,157	2,654,157
Assigned for public safety		248,834	581,511				(24,893)	805,452	628,027
Assigned for community development							585,908	585,908	321,802
Assigned for streets and roads							334,384	334,384	396,720
Assigned for capital projects				(676,191)	974,442	(1,356,346)	253,635	(804,460)	(908,371)
Unassigned, reported in General fund	(1,318,991)							(1,318,991)	(1,912,184)
Total Fund Balances	(644,000)	605,851	581,511	(651,191)	974,442	(1,356,346)	4,419,983	3,930,250	3,082,807
Total Liabilities, Deferred inflows of Resources and Fund Balances	\$ 1,085,844	\$ 605,851	\$ 602,187	\$ 47,432	\$ 974,442	\$ -	\$ 4,868,555	\$ 8,184,311	\$ 8,059,887

The notes to the financial statements are an integral part of this statement

CITY OF IONE

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016
(With comparative total as of June 30, 2015)

	<u>2016</u>	<u>2015</u>
Fund Balances of Governmental Funds	\$ 3,930,250	\$ 3,082,807
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.	34,703,184	34,893,008
Certain amounts have been recorded as pension liability, deferred outflows and deferred inflows of resources that are not due and payable and not reported in the funds.	(2,010,105)	-1929133
Some liabilities, including long-term debt, compensated absences, OPEB net pension liability and deferred inflows are not due and payable in the current period and therefore are not reported in the funds.	<u>(997,993)</u>	<u>(710,001)</u>
Net position of governmental activities	\$ <u>35,625,336</u>	\$ <u>35,336,681</u>

The notes to the financial statements are an integral part of this statement

CITY OF IONE

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(With comparative total as of June 30, 2015)**

	General	Measure M	Public Safety Maintenance District	Governmental Impact Fees	Local Traffic Mitigation	Fire Services Impact Fees	Other Nonmajor Funds	Total Governmental	
								2016	2015
Revenues									
Taxes	\$ 880,413	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 880,413	\$ 739,710
Special assessment/impact fees		373,062	160,233	19,156	70,702	15,624	92,971	731,748	830,716
Licenses and permits	177,639							177,639	133,314
Use of money and property	122,221	874		60			47,117	170,272	40,712
Intergovernmental	1,025,378	75,846	265,490				242,806	1,609,520	1,974,338
Fines, forfeitures and penalties	21,149							21,149	13,024
Charges for current services	166,103							166,103	170,519
Other	17,450		5,000				-	22,450	80,814
Total Revenues	2,410,353	449,782	430,723	19,216	70,702	15,624	382,894	3,779,294	3,983,147
Expenditures									
Current:									
General government	631,097						12,409	643,506	691,035
Public ways and facilities/ transportation	172,675						223,698	396,373	631,562
Public safety	687,606	369,212	305,581			-	100,000	1,462,399	1,454,913
Community development	246,592						-	246,592	286,947
Capital Outlay	129,493						65,717	195,210	416,935
Debt service									
Principal						25,650	9,000	34,650	33,670
Interest				1,538		18,613		20,151	17,262
Total Expenditures	1,867,463	369,212	305,581	1,538		44,263	410,824	2,998,881	3,532,324
Excess (Deficit) of Revenues over Expenditures	542,890	80,570	125,142	17,678	70,702	(28,639)	(27,930)	780,413	450,823
Other Financing Sources (Uses)									
Sale of Assets	5,701							5,701	20,872
Operating transfers in								-	166,621
Operating transfers out								-	(181,181)
Total Other Financing Sources (Uses)	5,701							5,701	6,312
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	548,591	80,570	125,142	17,678	70,702	(28,639)	(27,930)	786,114	457,135
Fund Balances, July 1	(1,249,731)	525,281	456,369	(668,869)	903,740	(1,327,707)	4,443,724	3,082,807	2,632,322
Prior period adjustments	57,140						4,189	61,329	(6,650)
Fund Balances, June 30	\$ (644,000)	\$ 605,851	\$ 581,511	\$ (651,191)	\$ 974,442	\$ (1,356,346)	\$ 4,419,983	\$ 3,930,250	\$ 3,082,807

The notes to the financial statements are an integral part of this statement

CITY OF IONE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(With comparative total as of June 30, 2015)**

	<u>2016</u>	<u>2015</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 786,114	\$ 457,135
<p>Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities. The costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. The net activity is reconciled as follows:</p>		
Cost of assets capitalized	195,210	416,935
Capital contributions	-	95,000
Depreciation expense	(385,034)	(356,860)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(186,105)	(274,565)
Proceeds of capital leases are other financing sources in the governmental funds, but the proceeds increase long-term liabilities in the Statement of Net Position		
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	39,232	35,961
Changes in the Pension and OPEB liabilities reported in the statement of activities do not require the use of current financial resources and therefore are not reported in governmental funds.	66,138	40,082
Changes in compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.	<u>(22,658)</u>	<u>8,407</u>
Change in net position of governmental activities	<u>\$ 492,897</u>	<u>\$ 422,095</u>

The notes to the financial statements are an integral part of this statement

CITY OF IONE

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(With comparative total as of June 30, 2015)**

	Sewer O & M	Sewer Capital	Sewer Tertiary Plant	Totals	
				2016	2015
Current assets:					
Cash and investments	\$ 797,148	\$ (7,886)	\$ 7,866	\$ 797,128	\$ 658,638
Receivables					
Accounts	57,677		16,993	74,670	201,356
Deposits with others	12,132			12,132	8,644
Due from other funds	3,972,842			3,972,842	2,240,072
Restricted cash and investments	2,056			2,056	1,575,929
Total current assets	4,841,855	(7,886)	24,859	4,858,828	4,684,639
Non Current Assets					
Advances to other funds		244,800		244,800	244,800
Capital assets					
Land	3,873,444			3,873,444	3,873,444
Construction in progress	1,852,948			1,852,948	3,038,398
Structures	1,460,112			1,460,112	1,460,112
Site improvements	446,396			446,396	446,396
Vehicles and equipment	652,880			652,880	637,835
Infrastructure	8,974,800			8,974,800	5,881,035
Accumulated depreciation	(3,979,668)			(3,979,668)	(3,734,794)
Total capital assets	13,280,912			13,280,912	11,602,426
Total Assets	18,122,767	236,914	24,859	18,384,540	16,531,865
Deferred Outflows of Resources					
Deferred Outflows-Pensions	20,508			20,508	18,971
Total Deferred Outflows of Resources	\$ 20,508	\$ -	\$ -	\$ 20,508	\$ 18,971
Liabilities					
Current liabilities:					
Accounts payable	\$ 27,101	\$ 91,519	\$ 14,984	\$ 133,604	\$ 94,290
Accrued payroll	2,572			2,572	26,726
Due to other funds		3,462,530	510,312	3,972,842	2,240,072
Interest payable	32,042			32,042	28,595
Note payable	79,750			79,750	77,942
Score liability	4,581			4,581	3,054
Customer deposits	4,650			4,650	4,406
Total current liabilities	150,696	3,554,049	525,296	4,230,041	2,475,085
Noncurrent liabilities:					
Advances from other funds	1,000			1,000	-
OPEB-retiree health	90,377			90,377	69,117
Termination benefit-PARS	-			-	-
Note payable	3,016,133			3,016,133	3,095,883
S.C.O.R.E. liability	6,108			6,108	13,743
Net pension liability	177,781			177,781	169,575
Compensated absences	7,867			7,867	4,932
Total noncurrent liabilities	3,299,266			3,299,266	3,353,250
Total Liabilities	3,449,962	3,554,049	525,296	7,529,307	5,825,281
Deferred Inflows of Resources					
Deferred Inflows-Pensions	26,286			26,286	26,458
Total Deferred Inflows of Resources	26,286			26,286	26,458
Net position:					
Net investment in capital assets.	10,185,029			10,185,029	10,004,530
Restricted for capital replacement		(3,317,135)		(3,317,135)	(1,483,534)
Unrestricted	4,481,998		(500,437)	3,981,561	2,178,101
Total Net Position (Accumulated Deficit)	\$ 14,667,027	\$ (3,317,135)	\$ (500,437)	\$ 10,849,455	\$ 10,699,097

The notes to the financial statements are an integral part of this statement

CITY OF IONE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(With comparative total as of June 30, 2015)**

	Sewer O & M	Sewer Capital	Sewer Tertiary Plant	Totals	
				2016	2015
Operating Revenues					
Charges for services	\$ 1,067,816	\$ -	\$ 248,035	\$ 1,315,851	\$ 1,259,954
Connection fees		56,325		56,325	16,059
Other	2,961			2,961	40,316
Total Operating Revenues	1,070,777	56,325	248,035	1,375,137	1,316,329
Operating Expenses					
Salaries and benefits	203,161	36,257	4,653	244,071	206,181
Services and supplies	474,067	9,442	240,961	724,470	768,412
Depreciation expense	244,874			244,874	225,288
Total Operating Expenses	922,102	45,699	245,614	1,213,415	1,199,881
Operating Income	148,675	10,626	2,421	161,722	116,448
Non-Operating Revenues (Expenses)					
Interest expense	(37,343)			(37,343)	(56,148)
Interest income	12,497			12,497	14,309
Total Non-Operating Revenues (Expenses)	(24,846)			(24,846)	(41,839)
Income (Loss) Before Transfers	123,829	10,626	2,421	136,876	74,609
Operating Transfers					
Operating transfers in	1,860,684	-	-	1,860,684	302,799
Operating transfers out	-	(1,844,227)	(16,457)	(1,860,684)	(288,239)
Net Operating Transfers	1,860,684	(1,844,227)	(16,457)	-	14,560
Net Income (Loss)	1,984,513	(1,833,601)	(14,036)	136,876	89,169
Net Position (Accumulated Deficit), July 1	12,655,875	(1,483,534)	(473,244)	10,699,097	10,997,641
Prior Period Adjustments	26,639		(13,157)	13,482	(387,713)
Net Position (Accumulated Deficit), June 30	\$ 14,667,027	\$ (3,317,135)	\$ (500,437)	\$ 10,849,455	\$ 10,699,097

The notes to the financial statements are an integral part of this statement

CITY OF IONE

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

JUNE 30, 2016

(With comparative total as of June 30, 2015)

	Sewer O & M	Sewer Capital	Nonmajor Sewer Tertiary Plant	Totals	
				2016	2015
Cash Flows from Operating Activities					
Cash received from customers	\$ 1,112,418	\$ 56,325	\$ 320,167	\$ 1,488,910	\$ 1,219,017
Cash payments to suppliers	(474,024)	53,508	(261,196)	(681,712)	(1,153,579)
Cash payments to employees	(184,551)	(36,257)	(4,653)	(225,461)	(198,182)
Net Cash Provided By (Used For) Operating Activities	453,843	73,576	54,318	581,737	(132,744)
Cash Flows from Capital and Related Financing Activities					
Purchase of fixed assets	(1,923,360)			(1,923,360)	(348,974)
Principal payments on long-term debt	(73,361)			(73,361)	(76,175)
Interest paid on debt	(33,896)			(33,896)	(56,148)
Interfund lending	(1,731,770)	1,762,765	(29,995)	1,000	(25,000)
Net transfers from other funds	1,860,684		(16,457)	1,844,227	277,799
Net transfer to other funds		(1,844,227)		(1,844,227)	(263,239)
Net Cash Provided by (Used For) Capital and Related Financing Activities	(1,901,703)	(81,462)	(46,452)	(2,029,617)	(491,737)
Cash Flows from Investing Activities:					
Interest income	12,497			12,497	14,309
Net Cash Provided By Investing Activities	12,497			12,497	14,309
Net Increase (Decrease) in Cash and Cash Equivalents	(1,435,363)	(7,886)	7,866	(1,435,383)	(610,172)
Cash and Cash Equivalents, July 1	2,234,567			2,234,567	2,844,739
Cash and Cash Equivalents, June 30	<u>\$ 799,204</u>	<u>(7,886)</u>	<u>7,866</u>	<u>\$ 799,184</u>	<u>\$ 2,234,567</u>
Reconciliation of Cash and Cash Equivalents:					
Cash and investments	\$ 797,148	\$ (7,886)	\$ 7,866	\$ 797,128	\$ 658,638
Restricted cash and investments	2,056	-		2,056	1,575,929
Total Cash and Cash Equivalents, June 30	<u>\$ 799,204</u>	<u>\$ (7,886)</u>	<u>\$ 7,866</u>	<u>\$ 799,184</u>	<u>\$ 2,234,567</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities					
Operating income (loss)	\$ 148,675	\$ 10,626	\$ 2,421	\$ 161,722	116,448
Adjustments to operating income:					
Depreciation expense	244,874			244,874	225,288
(Increase) decrease in accounts receivable	41,397		72,132	113,529	(97,159)
(Increase) decrease in workers compensation deposit	11,079			11,079	4,139
Increase (decrease) in accounts payable	(3,401)	62,950	(20,235)	39,314	(387,779)
Increase in accrued payroll	(21,724)			(21,724)	14,727
Increase (decrease) in customer deposits	244			244	(153)
Increase (decrease) in S.C.O.R.E. liability	(7,635)			(7,635)	(1,527)
Increase in OPEB	38,186			38,186	16,465
GASB 68-pension adjustments	(2,923)			(2,923)	(10,117)
Change in compensated absences	5,071			5,071	(13,076)
Net Cash Provided By (Used For) Operating Activities	<u>\$ 453,843</u>	<u>\$ 73,576</u>	<u>\$ 54,318</u>	<u>\$ 581,737</u>	<u>\$ (132,744)</u>

The notes to the financial statements are an integral part of this statement

CITY OF IONE

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES-AGENCY FUNDS
JUNE 30, 2016
(With comparative total as of June 30, 2015)**

	Agency Funds			Totals	
	<u>Community Facilities Districts</u>	<u>Asset Seizure Police</u>	<u>Regional Traffic Mitigation</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>					
Cash and investments	\$ 7,340	\$ 8,814	\$ 15,517	\$ 31,671	\$ 25,418
Cash with fiscal agent	1,687,110			1,687,110	1,849,658
Due from others (Net of \$504,000 allowance for doubtful accounts)				-	504,000
Due from other government				-	1,966
Total Assets	<u>\$ 1,694,450</u>	<u>\$ 8,814</u>	<u>\$ 15,517</u>	<u>\$ 1,718,781</u>	<u>\$ 2,381,042</u>
<u>Liabilities</u>					
Due to others	<u>\$ 1,694,450</u>	<u>\$ 8,814</u>	<u>\$ 15,517</u>	<u>\$ 1,718,781</u>	<u>\$ 2,381,042</u>
Total Liabilities	<u>\$ 1,694,450</u>	<u>\$ 8,814</u>	<u>\$ 15,517</u>	<u>\$ 1,718,781</u>	<u>\$ 2,381,042</u>

The notes to the financial statements are an integral part of this statement

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies

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

The following is a summary of the more significant policies:

A. Reporting Entity

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

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

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

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

B. Basis of Accounting

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

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

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting (Continued)

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

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

C. Basis of Presentation

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

The City reports the following major governmental funds:

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

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Measure M – 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.

Public Safety Maintenance District – This fund accounts for revenues and expenditures for police and firefighter related activities funded by special assessments, grants, donations and contributions from the Department of Corrections.

Governmental Impact Fee – This fee is collected for the future City administration facility and for the general plan services fee.

Local Traffic Mitigation Fee – This fee is imposed on residential, commercial and industrial building permits and is for construction, improvement and maintenance of public roads within the City of Ione.

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

The City reports the following major enterprise funds.

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

The City also reports the following Fiduciary Fund type:

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

D. Use of Estimates

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

E. Cash Equivalents

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

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

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

F. Fixed Assets

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

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

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

G. Balance Sheet Classifications

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

H. Property Tax

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

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

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

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

I. Fund Equity

The unassigned fund balances for governmental fund represents the amount available for budgeting future operations. Unrestricted net position represents the net position available for future operations.

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

Restricted net position represents the net position legally identified for specific purposes.

J. Compensated Absences

City employees are granted vacation in varying amounts based on classification and length of service. Upon termination or retirement, the City is to pay 100% of the vacation time accrued. If hired before November 1, 2008 employees can be paid sick leave in excess of 24 days accruals or can have unlimited sick leave accrued and be paid 50% unused sick leave at time of separation up to 120 days, or as provided by the PERS sick leave credit option in the City's MOU's.

Governmental Funds – Governmental Funds record expenditures for compensated absences as they are taken by employees. A year-end accrual for compensated absences has not been made in the Governmental Funds as of June 30, 2016, because the City does not believe any of the available year-end resources will be required to fund the year-end compensated absences liability.

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

K. Intergovernmental Revenues

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

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

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: Cash and Investments

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

Cash and investments	\$ 1,113,816
Restricted cash and investments	<u>2,476,741</u>
Cash and investments, statement of net assets	3,590,557
Cash and investments, statement of fiduciary assets	<u>1,718,781</u>
Total cash and investments	<u><u>\$ 5,309,338</u></u>
Checking and saving accounts	\$ 2,457,889
Certificates of deposit	410,455
Imprest cash	100
Local agency investment fund	751,728
Money market accounts	<u>1,689,166</u>
Total cash and investments	<u><u>\$ 5,309,338</u></u>

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local agency bonds	5 years	None	None
U.S. treasury obligations	5 years	None	None
State of California obligations	5 years	None	None
U.S. agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	40%	10%
Negotiable CDs	5 years	30%	None
Repurchase agreements	1 years	None	None
Reverse repurchase agreements	92 days	20%	None
Medium term notes	5 years	30%	None
Mutual/money market funds	5 years *	20%	10%
Collateralized bank deposits	5 years	None	None
Mortgage pass-through securities	5 years	20%	15%
Time deposits	5 Years	None	None
Local Agency Investment Fund (LAIF)	5 years *	None	None

* The five year maximum maturity can be extended by the Board of Directors. Also, the maximum maturity can be extended if the funds are reserved for bond, COP or note payments to coincide with the required repayments.

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: Cash and Investments (Continued)

B. Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Totals</u>	<u>12 Months or Less</u>	<u>Remaining 13-48 Months</u>
State Investment Pool*	\$ 751,728	\$ 751,728	\$ -
Held by Trustee			
Money Market I-Bank*	2,056	\$ 2,056	-
Money Market*	1,687,110	1,687,110	-
Totals	<u>\$ 2,440,894</u>	<u>\$ 2,440,894</u>	<u>\$ -</u>

*Not subject to categorization

C. Concentrations of Credit Risk

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

D. Custodial Credit Risk

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

At June 30, 2016, the City's deposits balance including certificates of deposits was \$2,963,211 and the carrying amount was \$2,868,344. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance, \$972,008 was covered by the Federal Depository Insurance.

E. Investment in State Investment Pool

LAIF is included in the State's Pooled Money Investment Account. The total amount invested by all public agencies in the State's Pooled Money Investment Account approximates \$75.37 billion. Of the \$75.37 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 2.81% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute.

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: Cash and Investments (Continued)

E. Investment in State Investment Pool (Continued)

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

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 29,696,609	\$ -	\$ -	\$ 29,696,609
Construction in progress	112,326	100,201		212,527
Capital assets, being depreciated:				
Buildings and improvements	3,329,120			3,329,120
Site improvements	929,993			929,993
Vehicles and equipment	2,320,400	95,009		2,415,409
Infrastructure	2,594,098			2,594,098
Total capital assets, being depreciated	9,173,611	95,009	-	9,268,620
Less accumulated depreciation for:				
Buildings and improvements	(1,222,756)	(68,731)		(1,291,487)
Site Improvements	(513,201)	(43,299)		(556,500)
Vehicles and Equipment	(1,454,668)	(157,584)	-	(1,612,252)
Infrastructure	(898,913)	(115,420)		(1,014,333)
Total accumulated depreciation	(4,089,538)	(385,034)	-	(4,474,572)
Total capital assets, being depreciated, net	5,084,073	(290,025)	-	4,794,048
Governmental activities capital assets, net	<u>\$ 34,893,008</u>	<u>\$ (189,824)</u>	<u>\$ -</u>	<u>\$ 34,703,184</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 3,873,444	\$ -	\$ -	\$ 3,873,444
Construction in progress	3,038,398	16,457	(1,201,907)	1,852,948
Capital assets, being depreciated:				
Buildings and improvements	1,460,112			1,460,112
Site improvements	446,396			446,396
Vehicle and equipment	637,835	15,045		652,880
Infrastructure	5,881,035	3,093,765		8,974,800
Total capital assets, being depreciated	8,425,378	3,108,810	-	11,534,188
Less accumulated depreciation for:				
Buildings and improvements	(765,044)	(35,756)		(800,800)
Site improvements	(375,997)	(4,399)		(380,396)
Vehicle and equipment	(489,263)	(20,738)		(510,001)
Infrastructure	(2,104,491)	(183,980)		(2,288,471)
Total accumulated depreciation	(3,734,795)	(244,873)	-	(3,979,668)
Total capital assets, being depreciated, net	4,690,583	2,863,937	-	7,554,520
Business- type activities capital assets, net	<u>\$ 11,602,425</u>	<u>\$ 2,880,394</u>	<u>\$ (1,201,907)</u>	<u>\$ 13,280,912</u>

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 3: Capital Assets (Continued)

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

Governmental Activities

General government	\$ 59,466
Public safety	187,721
Public works	10,699
Streets and roads	59,595
Parks	67,553
Total	<u>\$ 385,034</u>

Note 4: Long-term Liabilities

A summary of the changes in the City's governmental activities long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2016:

	Balance July 1, 2015	Additions/ Adjustments	Retirements	Balance June 30, 2016	Due Within One Year
Compensated absences-Note 1K	\$ 102,668	\$ 112,935	\$ (90,277)	\$ 125,326	\$ 45,139
Net pension liability	1,847,552	246,075		2,093,627	-
Net OPEB Obligation Note 7	767,608	140,301		907,909	-
Termination Benefits-Pars Note 8	50,505		(50,505)	-	-
Amador County loan	38,866		(23,276)	15,590	15,590
Train Depot loan	36,000		(9,000)	27,000	9,000
S.C.O.R.E. insurance liability	20,615		(4,582)	16,033	6,872
Capital lease	431,178		(25,650)	405,528	26,668
Total	<u>\$ 3,294,992</u>	<u>\$ 499,311</u>	<u>\$ (203,290)</u>	<u>\$ 3,591,013</u>	<u>\$ 103,268</u>

Governmental Activities:

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 \$3,979 and commenced on September 28, 2008. The term of the capital lease is 20 years, and the final payment is due August 1, 2028. The lease carries a nominal annual interest rate of 5.901%. On July 9, 2013 the lease was refunded resulting in a lower interest rate of 3.90% and monthly payments of \$3,494.32. All other terms of the original loan remain in full force and effect. The City shall have 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.

Fiscal Year Ended

<u>June 30,</u>	
2017	\$ 41,932
2018	41,932
2019	41,932
2020	41,932
2021	41,932
2022-2026	209,660
2027-2029	90,853
Total minimum lease payments	<u>510,172</u>
Less: Amount representing interest	<u>(104,644)</u>
Present value of minimum lease payments	<u>\$ 405,528</u>

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 4: Long-term Liabilities (Continued)

Amador County Loan

In September 2011 it was discovered that the California State Board of Equalization (BOE) mistakenly allocated to the City of Ione sales tax owing to Amador County for the 4th quarter of 2008 and the 1st quarter of 2009. During the 2011/12 fiscal year the City and the County reached a repayment agreement whereby beginning December 1, 2011 the BOE will pay the County \$19,084 sales tax payments, otherwise payable to the City, for a total of 8 quarters. To offset the loss of revenues the County will loan the City \$11,220.32 for eight quarters beginning December 1, 2011 and then beginning December 1, 2013 through September 1, 2016 the City will pay the County \$7,683.68 per quarter. The loan carries an interest rate of 2%. The following is the amortization schedule for this loan:

Fiscal Year Ended				
June 30,	Principal	Interest	Total	
2017	\$ 15,591	\$ 117	\$ 15,708	
Totals	<u>\$ 15,591</u>	<u>\$ 117</u>	<u>\$ 15,708</u>	

Train Depot Loan

On June 29, 2012 the City received \$45,000 from the Jackson Rancheria for relocating the train depot to City owned property. The City agreed to a five year pay-back period at \$9,000 per year with the first payment made during the 2014/15 fiscal year.

Business-Type Activities:

A summary of changes in the City's business-type activities long-term liabilities for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Compensated absences	\$ 4,933	\$ 10,169	\$ (7,235)	\$ 7,867	\$ -
Net pension liability	169,575	8,206		177,781	-
S.C.O.R.E. insurance liability	13,743		(3,054)	10,689	4,581
Net OPEB Obligation Note 7	69,117	21,260		90,377	-
I-Bank Installment Loan	3,173,825		(77,942)	3,095,883	79,750
Total	<u>\$ 3,431,193</u>	<u>\$ 39,635</u>	<u>\$ (88,231)</u>	<u>\$ 3,382,597</u>	<u>\$ 84,331</u>

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 4: Long-term Liabilities (Continued)

Installment Sale Agreement

Effective 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 interest rate is 2.07% and principal payments will commence on August 1, 2014 with final payment date of August 1, 2043. The following is the amortization schedule for this loan:

Fiscal Year Ended				
June 30,	Principal	Interest	Total	
2017	\$ 79,750	\$ 63,259	\$ 143,009	
2018	81,600	61,589	143,189	
2019	83,494	59,880	143,374	
2020	85,431	58,132	143,563	
2021	87,413	56,343	143,756	
2022-2026	468,441	253,398	721,839	
2027-2031	525,360	202,023	727,383	
2032-2036	589,196	144,405	733,601	
2037-2041	660,788	79,783	740,571	
2042-2044	434,410	13,626	448,036	
Totals	<u>\$ 3,095,883</u>	<u>\$ 992,438</u>	<u>\$ 4,088,321</u>	

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 between ages 45 and 57, dependent upon the individual plan criteria, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, 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 Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

	Miscellaneous 1st Tier Plan	Miscellaneous 2nd Tier Plan	PEPRA Miscellaneous Plan
	Prior to	On or after	On or after
Hire date	January 1, 2013	April 10, 2011	January 1, 2013
Benefit formula	2.5% @ 55, 2% @ 55	2% @ 60	2% @ 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+	50+	52-62
Monthly benefits, as a % of eligible compensation	2.2% to 2.7%	1.092%-2.418%	1% to 2%
Required employee contribution rates	8%	7%	6.25%
Required employer rates (net of UAL contribution)	9.067%	6.709%	6.25%

	Safety Police 1st Tier Plan	Safety Police 2nd Tier Plan	PEPRA Safety Police Plan
	Prior to	On or after	On or after
Hire date	January 1, 2013	October 9, 2011	January 1, 2013
Benefit formula	3% @ 50	2% @ 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	45+	50+	52+
Monthly benefits, as a % of eligible compensation	2.5% to 3%	2.4%-3%	2% to 2.7%
Required employee contribution rates	9.00%	9.00%	11.50%
Required employer rates (net of UAL contribution)	17.56%	15.88%	11.15%

	Safety Fire 1st Tier Plan	PEPRA Safety Fire Plan
	On or after	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2% @ 55	2% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	45+	50-57
Monthly benefits, as a % of eligible compensation	1.426%-2%	1.426%-2%
Required employee contribution rates	7.00%	11.68%
Required employer rates (net of UAL contribution)	11.53%	11.15%

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 Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined 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, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	\$	308,706
Contributions-employee (paid by employer)	\$	-

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

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

As of June 30, 2016, the City reported net pension liabilities for its proportionate share of the Plan as follows:

	Proportionate share of Net pension liability
Miscellaneous Plan	\$ 864,120
Safety Plan	\$ 1,407,288

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the net pension liability was based on a 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 pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability as of June 30, 2014 and June 30, 2015 (measurement date) was:

	Miscellaneous Plans	Safety Plans
Proportion - June 30, 2014	0.03101%	0.03334%
Proportion - June 30, 2015	0.03150%	0.03415%
Change - Increase (Decrease)	0.00048%	0.00081%

For the year ended June 30, 2016, the City recognized pension expense of (\$120,339). At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,938	\$ (17,858)
Changes of assumptions		(138,313)
Net difference between projected and actual earnings on pension plan investments	-	(69,790)
Changes in proportion and differences between City contributions and proportionate share of contributions	37,030	(47,972)
City contributions subsequent to the measurement date	308,707	-
Total	<u>\$ 351,675</u>	<u>\$ (273,933)</u>

\$308,707 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

Measurement Period	
Ended June 30:	
2017	\$ (111,277)
2018	(108,833)
2019	(97,951)
2020	87,096
2021	-
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.50%

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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 for each fund. 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 and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. 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.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%

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

(2) 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 Plan, calculated using the discount rate for each Plan, 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:

	<u>Discount Rate -1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate +1%</u>
	<u>PERS 6.65%</u>	<u>PERS 7.65%</u>	<u>PERS 8.65%</u>
Miscellaneous Plans	\$ 1,449,189	\$ 864,120	\$ 381,077
Safety Plans	\$ 2,256,365	\$ 1,407,288	\$ 711,060

Note 6: Post-Retirement Health Benefits

The City Council passed a resolution to establish health benefit vesting requirements for future retirees under public employees' medical and hospital care act, whereas an employee who is with the City of Ione for 5 years or longer and who has met other vesting requirements as defined by Government Code 20079, shall receive up to a maximum 100% of the health benefit for the employee premium plus up to 100% of the additional premium required for enrolment of family members in selected plans. The total City expense for postretirement health benefits in the 2015/2016 fiscal year was \$37,354. As of June 30, 2016, four retired employees were receiving postretirement health benefits.

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6: Post-Retirement Health Benefits (Continued)

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 \$1,100. 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 \$1,100 increasing 5% annually until it reaches 100%. 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, in which case they are eligible to receive the CalPERS minimum at the time of retirement.

The CalPERS minimum is set by law. The retiree is on the same medical plan as the City's active employees, however monthly rates for coverage of covered active and retired employees are computed separately.

Funding Policy. The contribution requirement of plan members is established by the City Council. As of June 30, 2016 the City Council had not established a funding policy. The 2015-2016 fiscal year actuarial determined contribution was calculated based on amortized funding over a 30 year period for the UAAL and 24 year period for the residual UAAL using entry age normal cost. For the fiscal year ending June 30, 2016 the City contributed \$0 towards the unfunded actuarial accrued liability (UAAL). The City did not choose a trustee for the plan as of June 30, 2016. The City made contributions for fiscal year end June 30, 2016 to health insurance providers of \$37,354.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Healthcare Plan:

Annual required contribution	\$ 188,123
Interest on beginning OPEB obligation	* 39,744
ARC adjustment	(28,952)
Less: Unreimbursed retiree premium payments made to plan provider	(37,354)
Increase (decrease) in net OPEB obligation	161,561
Net OPEB obligation - beginning of year	836,725
Net OPEB obligation - end of year	<u>\$ 998,286</u>

* Interest accrued because the City did not make the required contribution by fiscal year end.

The actuarial assumption was that funding would be made at the beginning of the fiscal year and earn interest at the rate of 4.00% per fiscal year, which will be used to pay future benefits.

Three year disclosure of the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is presented as follows.

Fiscal Year End	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB (Obligation) Asset
June 30, 2014	\$ 149,429	18%	\$ (699,614)
June 30, 2015	\$ 165,563	17%	\$ (836,725)
June 30, 2016	\$ 198,915	14%	\$ (998,286)

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6: Post-Retirement Health Benefits (Continued):

Funded Status and Funding Progress. As of September 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$1,295,733. As of June 30, 2016, the City's cumulative annual required contribution was not funded and is shown as a liability in the City's balance sheet along with the unfunded normal cost. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress will be presented in the future when multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits is available.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the September 1, 2013, actuarial valuation, the entry age normal cost asset valuation method is used. The actuarial assumptions include an investment/discount rate of 4.00% based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq. The valuation assumes that 100% of all eligible retirees will actually participate in the retiree medical benefit. The annual healthcare premiums will increase an average of 4% per year.

Note 7: Special Assessment Districts

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

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

The amount of the special assessment debt with no governmental commitment at June 30, 2016, is:

Community Facilities District 2005-1	\$ 270,000
Community Facilities District 2005-2IA1	3,385,000
Community Facilities District 2005-2IA2	145,000
Community Facilities District 2005-2IA3	6,505,000
Total	<u>\$ 10,305,000</u>

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 8: Supplementary Retirement Plan

(A) Plan Description

The City has established a supplementary retirement plan through Public Agency Retirement System (PARS). PARS administers the single-employer, defined benefit plan on behalf of the City. Benefits under the plan are available only to employees who were full-time with the City on November 1, 2011, were at least 50 years of age and had completed five years of service with the City on January 30, 2012, had terminated employment with the City by no later than that date, and retired under the City's regular CalPERS miscellaneous plan no later than January 31, 2012. An application for benefits was required from eligible employees. The plan pays members 7% of final pay each year throughout their retirement. Copies of audited financial reports may be obtained from PARS, 4350 Von Karman Avenue, Newport Beach, California 92660.

(B) Funding Policy

To fund the supplemental retirement plan, the City's annual required contribution was \$53,042 per year for five years beginning in 2011-2012, which is the fixed price of the annuity purchased from Pacific Life Insurance Company to pay the benefits. The contribution amounts and benefit provisions are established through an agreement between the City and PARS, and may be amended only by mutual agreement. There was no employee contribution. As of June 30, 2016 there was no additional annual pension cost due from the City and \$0 net pension liability as a result of this supplementary retirement plan.

(C) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation (asset) for its PARS retirement plan for fiscal year 2015-2016 is presented below.

	June 30, 2016
Annual required contribution	\$ 53,042
Contributions made	(53,042)
Increase (decrease) in pension obligation (asset)	(53,042)
Net pension obligation (asset), beginning of year	53,042
Net pension obligation (asset), end of year	<u>\$ -</u>

For fiscal year 2015-2016, the City's annual pension cost was \$53,042 and was equal to the contribution actually made. The required contribution was based on the amount agreed upon between the City and PARS at the time the plan was put into place.

Three-Year Trend Information for PARS Supplemental Retirement Benefits

	Annual Pension Cost (APC)	Dollar Amount of APC Contributed	Percentage of APC Contributed
Year ended June 30, 2014	\$ 53,042	\$ 53,042	100%
Year ended June 30, 2015	\$ 53,042	\$ 53,042	100%
Year ended June 30, 2016	\$ 53,042	\$ 53,042	100%

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 9: Risk Management

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

Note 10: Lease Income

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. The rent is due before the 20th day following each December 31st. Under this agreement the City received, \$43,000 in the 2013-2014 fiscal year, \$43,000 in the 2014-2015 fiscal year and accrued an estimated receivable at June 30, 2016 of \$43,000 for the 2015-16 fiscal year revenue. The agreement also states that lessee will pay the City the greater of \$50,000 or 1% of the sales price, if the lessee assigns its leasehold interest to a third party.

Note 11: Interfund Transactions

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

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

As of June 30, 2016 \$244,800 is classified as an advance from Enterprise Fund to General Fund. On 6/17/14 the City Council formally deemed the \$244,800 as a credit against any future wastewater connections or annexation fees that would otherwise be due and payable from the Howard Properties Trust Fund. The City will use the General Fund to credit the Wastewater Fund at such time as Howard Properties Trust redeems its sewer connection fee credits and/or annexation fee credits.

Interfund transactions for the fiscal year ended June 30, 2016 are summarized as follows:

Fund Type	Advances To Other Funds	Advances From Other Funds	Due To Other Funds	Due From Other Funds	Operating Transfers In	Operating Transfers Out
General	\$ 674,991	\$ 1,371,700	\$ -	\$ 67,737	\$ -	\$ -
Enterprise	244,800	1000	3,972,842	3,972,842	1,860,684	1,860,684
Special Revenue	1,158,362	-	41,664	4,260	-	-
Capital Projects	821,804	1,527,257	168,360	138,027	-	-
Total	<u>\$ 2,899,957</u>	<u>\$ 2,899,957</u>	<u>\$ 4,182,866</u>	<u>\$ 4,182,866</u>	<u>\$ 1,860,684</u>	<u>\$ 1,860,684</u>

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 12: Stewardship, Compliance and Accountability

A. Excess of Expenditures Over Appropriations

The final amended general fund budget had the following accounts with excess expenditures over appropriations.

	Amended Budget	Actual Expenditures	(Unfavorable) Variance
General Fund			
General Government			
City Clerk	\$ 101,558	\$ 103,195	\$ (1,637)
Public Ways and Facilities/Transportation			
Planning	25,538	78,335	(52,797)
Building inspection	64,501	84,191	(19,690)
Engineering	9,000	10,149	(1,149)
Public Safety			
Police	563,393	642,969	(79,576)
Measure M Fund			
Public Safety	285,091	369,212	(84,121)

B. Deficit Fund Balances

Three major governmental funds have deficit fund balances at June 30, 2016. The general fund had a deficit fund balance of \$644,000 the fire impact fee fund has a deficit fund balance of \$1,356,346, the governmental impact fee fund had a deficit fund balance of \$651,191. The Sewer Capital enterprise fund had a deficit net position of \$3,317,135 and the Sewer Tertiary Plant fund had a deficit net position of \$500,437. The non-major cops fund had a deficit fund balance of \$27,641 and the non-major railroad fund had a deficit fund balance of \$9,000. The deficit balances are expected to be eliminated upon receipt of funding from impact fees, granting authorities or through matching funds/subsidies from the General fund of the City and through recognition of deferred revenue.

C. Restatement of Net Position and Fund Balance

Adjustments resulting from errors or a change to comply with provisions of previously issued or retroactively applied accounting standards are treated as prior period adjustments. Accordingly the City reports these changes as a restatement to beginning net position in the government-wide statement of activities and proprietary fund statement of revenue, expenses and changes in net position and as a restatement to beginning fund balance in the statement of revenues expenditures and changes in fund balance.

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 12: Stewardship, Compliance and Accountability (Continued)

Impact of the restatements reported in the government-wide statement of net position is presented below:

	Governmental Activities	Business-Type Activities
Net Position Reported as of June 30, 2015	\$ 35,336,681	\$ 10,699,097
Adjustments for:		
Adjust prior year accounts receivables		(13,157)
Increase prior year deposits	45,752	14,567
Correct prior year OPEB liability		16,926
Correct prior year deferred revenue	(13,088)	
Adjust GASB 68 net pension liability	(236,906)	(9,420)
Adjust prior year compensated absence liability		2,136
Adjust prior year accrued tax liability		2,430
Total adjustment	(204,242)	13,482
Net Position, July 1, 2015 as restated	\$ 35,132,439	\$ 10,712,579

The impact of restatements on governmental fund, fund balance as previously stated is as follows:

	General Fund	Other Governmental Funds
Fund Balance, June 30, 2015	\$ (1,249,731)	\$ 4,443,724
Adjustments for:		
Correct prior year insurance deposit	41,563	4,189
Correct prior year deferred revenue	15,577	
Total adjustment	57,140	4,189
Fund Balance, July 1, 2015 as restated	\$ (1,192,591)	\$ 4,447,913

Note 13: Deferred Compensation Plan

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

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

Note 14: Revenue Limitations Imposed by California Proposition 218

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

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 15: Gann Limit

Proceeds subject to the limit for 2015-16	\$ 2,908,055
Amount of limit for 2015-16	3,092,588
Amount (under)/over the limit	<u>\$ (184,533)</u>
Per Capita Percentage Change	3.82%
Population Change*	0.64%

* Net of exclusions for correctional institution

Note 16: Commitments and Contingencies

Grants

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

Contingent Liabilities

On 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 does not impose any fines or penalties. 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.

Lawsuits

Various claims have been filed against the City. In the opinion of the City's management and legal counsel, the likelihood of an unfavourable outcome and the dollar range of potential loss was not determinable.

Commitments:

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 was set at \$29,170 adjusted annually for inflation.

The City has entered into various professional service agreements including engineering, legal and construction contracts.

CITY OF IONE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Final Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
Property tax	\$ 570,000	\$ 570,000	\$ 601,862	\$ 31,862
Sales tax	195,000	195,000	253,212	58,212
Transient occupancy	3,000	3,000	4,200	1,200
Sales tax - public safety		-	4,269	4,269
Real property transfer	7,000	7,000	16,870	9,870
Total Taxes	<u>775,000</u>	<u>775,000</u>	<u>880,413</u>	<u>105,413</u>
Licenses and Permits				
Franchise fee	93,000	93,000	95,729	2,729
Business license	5,000	5,000	6,807	1,807
Building permits and inspections	30,000	30,000	72,873	42,873
Burn permits	-	-	280	280
Encroachment permit	2,000	2,000	1,950	(50)
Total Licenses and Permits	<u>130,000</u>	<u>130,000</u>	<u>177,639</u>	<u>47,639</u>
Intergovernmental				
Motor vehicle in lieu (state)	723,200	723,200	979,991	256,791
HOPTR	7,000	7,000	7,564	564
Grants/reimbursements		-	37,823	37,823
Total Intergovernmental	<u>730,200</u>	<u>730,200</u>	<u>1,025,378</u>	<u>295,178</u>
Fines, Forfeitures and Penalties				
Parking citations and other fines		-	21,149	21,149
Total Fines, Forfeitures and Penalties			<u>21,149</u>	<u>21,149</u>
Charges for Current Services				
Planning and building inspection fees	16,000	16,000	46,548	30,548
Engineering fees			45,162	45,162
Legal reimbursements		-	4,590	4,590
Developer reimbursements				
Parks and recreation		-		
Finance			3,252	3,252
Police department services		-	2,332	2,332
Fire department services		-	64,219	64,219
Total Charges for Current Services	<u>16,000</u>	<u>16,000</u>	<u>166,103</u>	<u>150,103</u>
Use of Money and Property				
Interest and investment income	7,000	7,000	17,561	10,561
Rent	44,000	44,000	104,660	60,660
Total Use of Money and Property	<u>51,000</u>	<u>51,000</u>	<u>122,221</u>	<u>71,221</u>
Other				
Insurance refunds and dividends	100	100	886	786
Miscellaneous - all others	400	400	16,564	16,164
Total Other	<u>500</u>	<u>500</u>	<u>17,450</u>	<u>16,950</u>
Total Revenues	<u>\$ 1,702,700</u>	<u>\$ 1,702,700</u>	<u>\$ 2,410,353</u>	<u>\$ 707,653</u>

CITY OF IONE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Final Original Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 1,702,700	\$ 1,702,700	\$ 2,410,353	\$ 707,653
Expenditures				
General Government				
City Council	21,362	21,362	19,399	1,963
City Manager	81,252	81,252	65,681	15,571
City Clerk	101,558	101,558	103,195	(1,637)
Finance	122,351	122,351	114,365	7,986
City Treasurer	2,733	2,733	2,762	(29)
Legal	100,000	100,000	94,125	5,875
Administrative services	270,978	270,978	231,570	39,408
Total General Government	700,234	700,234	631,097	69,137
Public Ways and Facilities/Transportation				
Planning	25,538	25,538	78,335	(52,797)
Building inspection	64,501	64,501	84,191	(19,690)
Engineering	9,000	9,000	10,149	(1,149)
Corporate yard-vehicle				
Total Public Ways and Facilities/Transportation	99,039	99,039	172,675	(73,636)
Public Safety				
Police	563,393	563,393	642,969	(79,576)
Fire	58,500	58,500	44,637	13,863
Total Public Safety	621,893	621,893	687,606	(65,713)
Community Development				
Parks and recreation	265,333	265,333	246,592	18,741
Total Community Development	265,333	265,333	246,592	18,741
Capital Outlay	35,250	35,250	129,493	(94,243)
Total Expenditures	1,721,749	1,721,749	1,867,463	(51,471)
Excess (Deficit) of Revenues Over Expenditures				
Before Other Financing Sources	(19,049)	(19,049)	542,890	561,939
Other Financing Sources				
Sale of assets			5,701	5,701
Total Other Financing Sources			5,701	5,701
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures	\$ (19,049)	\$ (19,049)	548,591	\$ 567,640
Fund Balance, July 1, 2015			(1,249,731)	
Prior Period Adjustment			57,140	
Fund Balance, June 30, 2016			\$ (644,000)	

The note to the required supplementary information is an integral part of this schedule

CITY OF IONE

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY
JUNE 30, 2016**

	City's proportion of the net pension liability (asset)	City's proportionate share of the net pension liability (asset)	City's covered employee payroll	City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
<u>CalPERS-Miscellaneous Plans</u>					
6/30/2015	0.03101%	\$766,508	\$292,700	261.88%	*
6/30/2016	0.03150%	\$864,120	\$424,499	203.56%	77.40%
<u>CalPERS-Safety Plans</u>					
6/30/2015	0.03334%	\$1,250,619	\$498,282	250.99%	*
6/30/2016	0.03415%	\$1,407,288	\$583,315	241.26%	66.85%

*information not available

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

CITY OF IONE

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY CONTRIBUTIONS JUNE 30, 2016

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	City's covered employee payroll	Contribution as a percentage of covered employee payroll
<u>CalPERS-Miscellaneous Plans</u>					
6/30/2015	\$51,163	(\$51,163)	\$0	\$292,700	17.48%
6/30/2016	\$81,342	(\$81,342)	\$0	\$424,499	19.16%
<u>CalPERS-Safety Plans</u>					
6/30/2015	\$158,304	(\$158,304)	\$0	\$498,282	31.77%
6/30/2016	\$227,364	(\$227,364)	\$0	\$583,315	38.98%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

CITY OF IONE

NOTES REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

Budgets and Budgetary Accounting

The City prepares and adopts a balanced operating budget. Public hearings were conducted on the proposed budget to review all appropriations and the sources of financing. Any shortfall in revenue requires an equal reduction in financing requirements.

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

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

CITY OF IONE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Total
<u>Assets</u>			
Current Assets			
Cash and investments	\$ 291,319	\$ -	\$ 291,319
Due from other funds	4,260	-	4,260
Receivables			
Accounts	83,852	-	83,852
Deposits with others	3,303		3,303
Prepaid expense	-		-
Total Current Assets	<u>382,734</u>	<u>-</u>	<u>382,734</u>
Long-Term Assets			
Advance to other funds	801,345	796,804	1,598,149
Interest receivable	329,759		329,759
Loans receivable (net of allowance for uncollectibles)	1,672,800	21,046	1,693,846
Restricted cash and investments	<u>629,121</u>	<u>234,946</u>	<u>864,067</u>
Total Long-Term Assets	<u>3,433,025</u>	<u>1,052,796</u>	<u>4,485,821</u>
Total Assets	<u>\$ 3,815,759</u>	<u>\$1,052,796</u>	<u>\$ 4,868,555</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 4,748	\$ 2,357	\$ 7,105
Accrued payroll	1,296		1,296
Due to other funds	<u>41,664</u>		<u>41,664</u>
Total Liabilities	<u>47,708</u>	<u>2,357</u>	<u>50,065</u>
Deferred Inflows of Resources			
Unavailable revenue	<u>398,507</u>		<u>398,507</u>
Fund Balances			
Restricted for loans receivable	1,672,800		1,672,800
Non-spendable for advances	801,345	796,804	1,598,149
Assigned for public safety	(24,893)		(24,893)
Assigned for community development	585,908		585,908
Assigned for streets and roads	334,384		334,384
Assigned for capital projects	<u></u>	<u>253,635</u>	<u>253,635</u>
Total Fund Balance	<u>3,369,544</u>	<u>1,050,439</u>	<u>4,419,983</u>
Total Liabilities and Fund Balances	<u>\$ 3,815,759</u>	<u>\$1,052,796</u>	<u>\$ 4,868,555</u>

CITY OF IONE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds	Capital Project Funds	Total
Revenues			
Use of money and property	\$ 45,102	\$ 2,015	\$ 47,117
Intergovernmental	242,806		242,806
Special assessment/impact fees	38,407	54,564	92,971
Other	-		-
	<hr/>	<hr/>	<hr/>
Total Revenues	326,315	56,579	382,894
	<hr/>	<hr/>	<hr/>
Expenditures			
Current:			
General government		12,409	12,409
Public ways and facilities/ transportation	223,698		223,698
Public safety	100,000		100,000
Community development			-
Principal expense	9,000		9,000
Capital outlay	65,717	-	65,717
	<hr/>	<hr/>	<hr/>
Total Expenditures	398,415	12,409	410,824
	<hr/>	<hr/>	<hr/>
Excess (Deficit) of Revenues Over Expenditures	(72,100)	44,170	(27,930)
Fund Balances, July 1, 2015	3,437,455	1,006,269	4,443,724
Prior period adjustment	4,189		4,189
	<hr/>	<hr/>	<hr/>
Fund Balances, June 30, 2016	<u>\$ 3,369,544</u>	<u>\$ 1,050,439</u>	<u>\$ 4,419,983</u>

CITY OF IONE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	TDA	Ione Dist 1 COIC	COPS SLESF AB3229	Gas Tax	Prop 172 Sales Tax Fire	Conservation Fire Break Assessment	Railroad Depot	Rehab Housing
<u>Assets</u>								
Cash and investments	\$ 13,865	\$ -	\$ -	\$ -	\$ 2,748	\$ -	\$ -	\$ -
Due from other funds				-				
Accounts receivable		209	30,087	53,556				
Deposits with others				3,303				
Prepaid expense				-				
Total Current Assets	13,865	209	30,087	56,859	2,748			
Advances to other funds	552,197			249,148				
Interest receivable								13,490
Loans receivable (net of allowance for uncollectibles)								36,515
Restricted cash and investments		67,457		194,956		46,506		44,997
Total Long-Term Assets	552,197	67,457		444,104		46,506		95,002
Total Assets	\$ 566,062	\$ 67,666	\$ 30,087	\$ 500,963	\$ 2,748	\$ 46,506	\$ -	\$ 95,002
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>								
<u>Liabilities</u>								
Accounts payable	\$ -	\$ 1,068	\$ -	\$ 3,680	\$ -	\$ -	\$ -	\$ -
Accrued payroll				1,296				
Due to other funds			28,404				9,000	
Total Liabilities		1,068	28,404	4,976			9,000	
<u>Deferred Inflows of Resources</u>								
Unavailable revenue			29,324	39,424				13,490
<u>Fund Balances</u>								
Restricted for loans receivable								36,515
Non-spendable for advances	552,197			249,148				
Assigned for public safety			27,641		2,748			
Assigned for community development							(9,000)	44,997
Assigned for streets and roads	13,865	66,598		207,415		46,506		
Total Fund Balance	566,062	66,598	27,641	456,563	2,748	46,506	(9,000)	81,512
Total Liabilities and Fund Balances	\$ 566,062	\$ 67,666	\$ 30,087	\$ 500,963	\$ 2,748	\$ 46,506	\$ -	\$ 95,002

CITY OF IONE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

Low Income Housing	97-Home Grant	01-Home- 518	03-STBG 1826 Grant	06-Home CDBG	05-STBG	2008 Housing Grant	2010-Home 4711	Self Help Housing	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 271,806	\$ 2,900	\$ - 4,260	\$ 291,319 4,260 83,852 3,303
						271,806	2,900	4,260	382,734
	44,795	12,399	23,800	112,671	30,572	76,720	15,312		801,345 329,759
	169,606	60,961	109,533	452,417	287,883	420,085	135,800		1,672,800
84,675	770	160	36,669	-	-	-	-	152,931	629,121
84,675	215,171	73,520	170,002	565,088	318,455	496,805	151,112	152,931	3,433,025
<u>\$ 84,675</u>	<u>\$ 215,171</u>	<u>\$ 73,520</u>	<u>\$ 170,002</u>	<u>\$ 565,088</u>	<u>\$ 318,455</u>	<u>\$ 768,611</u>	<u>\$ 154,012</u>	<u>\$ 157,191</u>	<u>\$ 3,815,759</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,748 1,296
				4,260			-		41,664
				4,260					47,708
	44,795	12,399	23,800	112,671	30,572	76,720	15,312		398,507
	169,606	60,961	109,533	452,417	287,883	420,085	135,800		1,672,800 801,345 (24,893)
84,675	770	160	36,669	(4,260)		271,806	2,900	157,191	585,908 334,384
84,675	170,376	61,121	146,202	448,157	287,883	691,891	138,700	157,191	3,369,544
<u>\$ 84,675</u>	<u>\$ 215,171</u>	<u>\$ 73,520</u>	<u>\$ 170,002</u>	<u>\$ 565,088</u>	<u>\$ 318,455</u>	<u>\$ 768,611</u>	<u>\$ 154,012</u>	<u>\$ 157,191</u>	<u>\$ 3,815,759</u>

CITY OF IONE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	TDA	Ione Dist 1 COIC	COPS SLESF AB3229	Gas Tax	Prop 172 Sales Tax Fire	Conservation Fire Break Assessment	Railroad Depot	Rehab Housing
Revenues								
Use of money and property	\$ 1,352	\$ -	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -
Special assessment/impact fees		38,407						
Intergovernmental			68,107	174,699	-			
Other								
Total Revenues	1,352	38,407	68,107	175,199				
Expenditures								
Current:								
Public ways and facilities/ transportation		33,789		189,909				
Public safety			100,000					
Community development								
Principal expense							9,000	
Capital outlay				65,717				
Total Expenditures		33,789	100,000	255,626			9,000	
Excess (Deficit) of Revenues/ Over Expenditures	1,352	4,618	(31,893)	(80,427)			(9,000)	
Fund Balances, July 1, 2015	564,710	61,980	4,252	532,801	2,748	46,506		81,512
Prior period adjustment				4,189				
Fund Balances, June 30, 2016	\$ 566,062	\$ 66,598	\$ (27,641)	\$ 456,563	\$ 2,748	\$ 46,506	\$ (9,000)	\$ 81,512

CITY OF IONE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

Low Income Housing	97-Home Grant	01-Home- 518	03-STBG 1826 Grant	06-Home CDBG	05-STBG	2008 Housing Grant	2010-Home 4711	Self Help Housing	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,250	\$ -	\$ -	\$ 45,102
									38,407
						-	-		242,806
									-
						43,250			326,315
									223,698
									100,000
									9,000
									65,717
									398,415
						43,250			(72,100)
84,675	170,376	61,121	146,202	448,157	287,883	648,641	138,700	157,191	3,437,455
									4,189
<u>\$ 84,675</u>	<u>\$ 170,376</u>	<u>\$ 61,121</u>	<u>\$ 146,202</u>	<u>\$ 448,157</u>	<u>\$ 287,883</u>	<u>\$ 691,891</u>	<u>\$ 138,700</u>	<u>\$ 157,191</u>	<u>\$ 3,369,544</u>

CITY OF IONE
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2016

	Parks & Rec Fund	Drainage Fund	Police Services Impact Fees	Totals
<u>Assets</u>				
Current Assets				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Due from other funds				-
Accounts receivable			-	-
Interest receivable	-			-
Total Current Assets	-	-	-	-
Long-Term Assets				
Loans receivables	21,046			21,046
Advance to other funds	-	-	796,804	796,804
Restricted cash and investments	91,914	125,578	17,454	234,946
Total Long-Term Assets	112,960	125,578	814,258	1,052,796
Total Assets	<u>\$ 112,960</u>	<u>\$ 125,578</u>	<u>\$ 814,258</u>	<u>\$ 1,052,796</u>
<u>Liabilities and Fund Balances</u>				
Current Liabilities				
Accounts payable	\$ 2,357	\$ -	\$ -	\$ 2,357
Total Liabilities	2,357			2,357
Fund Balances				
Non-spendable for advances			796,804	796,804
Assigned for capital projects	110,603	125,578	17,454	253,635
Total Fund Balances	110,603	125,578	814,258	1,050,439
Total Liabilities and Fund Balances	<u>\$ 112,960</u>	<u>\$ 125,578</u>	<u>\$ 814,258</u>	<u>\$ 1,052,796</u>

CITY OF IONE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016

	Parks & Rec Impact Fund	Drainage Fund	Police Services Impact Fees	Totals
Revenues				
Impact fees	\$ 39,408	\$ -	\$ 15,156	\$ 54,564
Use of money and property	50	53	1,912	2,015
Intergovernmental				-
Total Revenues	<u>39,458</u>	<u>53</u>	<u>17,068</u>	<u>56,579</u>
Expenditures				
Current:				
General government	12,409			12,409
Capital outlay				-
Total Expenditures	<u>12,409</u>			<u>12,409</u>
Excess (Deficit) of Revenues Over Expenditures	<u>27,049</u>	<u>53</u>	<u>17,068</u>	<u>44,170</u>
 Fund Balances, July 1, 2015	<u>83,554</u>	<u>125,525</u>	<u>797,190</u>	<u>1,006,269</u>
 Fund Balances, June 30, 2016	<u>\$ 110,603</u>	<u>\$ 125,578</u>	<u>\$ 814,258</u>	<u>\$ 1,050,439</u>

LARRY BAIN, CPA

An Accounting Corporation

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lpbain@sbcglobal.net

**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 City Council
City of Ione
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-type and business-type activities of City of Ione (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 28, 2017.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. The deficiencies in internal control that we consider to be material weaknesses following this report are identified as FS 16-1 through FS 16-5.

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. We consider the deficiencies FS 16-6 through FS 16-10 as described in the accompanying Schedule of Findings to be significant deficiencies.

Compliance and Other Matters

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

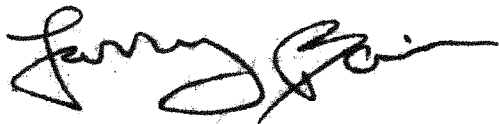
The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings. 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.

This communication is intended solely for the information and use of the Audit Committee and management, federal awarding agencies and pass-through entities, the State Controller's Office and the Amador County Auditor Controller's Office and is not intended to be an should not be used by anyone other than these specified parties.

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

***Larry Bain, CPA,
An Accounting Corporation***
April 28, 2017

**CITY OF IONE
SCHEDULE OF FINDINGS
JUNE 30, 2016**

Deemed to be Significant Deficiencies and Material Weaknesses

FS 16-1 (Prior Year Finding 15-1) The Tertiary plant continued to operate at a loss. During the 2014/15 fiscal year the plant had a net loss of \$27,863 and as of June 30, 2015 has borrowed \$540,307 from other funds to cover the cost of its operations.

During the 2014/15 fiscal year, we noted the general fund, fund balance increased \$749,184 as of result of greater revenues than expected and transferring in \$564,709 from the TDA fund. The offset to the operating transfer was the elimination of a \$558,046 advance from the TDA fund to the general fund that occurred in a prior year. While the City Council approved a resolution to consolidate the TDA fund with the general fund and to write off the advance, we were not presented with documentation to substantiate that the City had the legal authority to write off this advance to the general fund from restricted funds. After discussion with City management, the \$564,709 operating transfer was reversed and the City will research this activity during the 2015/16 fiscal year in order to determine if the TDA fund balance can be transferred to the general fund and if the advance can be eliminated.

Current Year Follow Up: In May 2016 the City entered into an agreement with Amador Regional Sanitation Authority (ARSA) and California Department of Corrections (CDCR) whereby CDCR has agreed to pay 54% of the agreed upon cost of operation and maintenance of \$274,284 per calendar year and ARSA has agreed to pay 46% of the agreed upon cost of operation and maintenance. ARSA's portion will be adjusted by a portion of permit costs and for a portion of the amount paid by Portlock. For the 2015/16 fiscal year the Tertiary fund net loss was \$16,457, however the City believes when the full effect of the May 2016 agreement is in place the City will have sufficient revenue to cover the cost of the Tertiary Plant operations. At June 30, 2016 the amount borrowed from other funds to cover past operating costs was \$510,312 which was a reduction of \$29,995 from the prior year. There were various adjustments to the receivables balances which were not made by the City. We proposed adjustments to agree with the underlying activity.

At June 30, 2016, the accumulated deficit in the general fund was (\$644,000) and improved by \$605,731 during the 2015/16 fiscal year. With improved economic conditions and continued cost cutting the City believes they will eliminate the accumulated deficit.

While the Governmental Impact Fee fund generated \$19,260 in revenue during the 2015/16 fiscal year the amount borrowed from other funds remained at \$698,623. The City believes that the increase in new development projects will generate revenue to begin paying off the short term and long-term inter-fund borrowings.

No additional activity was noted in writing off the advance from the LTC fund to the general fund during the 2015/16 fiscal year.

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 \$510,312 borrowed from other funds. We also recommend the City review and true up the receivables associated with the tertiary plant as part of year end closing.

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.

We also recommend reviewing the current fee structure for the general impact fee and determine why revenue is not being generated to cure the deficit fund balance and when revenues will be generated in this fund.

Management should also review if the City has the legal authority to write off the \$558,046 advance that the general fund had previously borrowed from local transportation commission funds.

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Deemed to be Significant Deficiencies and Material Weaknesses (Continued)

Management Response: The City is slowly trying to re-negotiate agreements related to the Tertiary Plant with ARSA and CDCR to cover current year costs.

City anticipates that future revenues collected from new construction will add to the governmental impact fee fund. The current fee structure will be reviewed to determine if additional revenue can be generated. However, some developer agreements prohibit us from collecting governmental impact fees.

Management will research the activity in the TDA Fund to determine if the fund balance can be transferred to the general fund.

FS 16-2 (Prior Year Finding 15-2): During the 2010/11 Fiscal Year Status \$69,155 in remaining ARSA fund cash was transferred to the general fund during the software conversion. We did not observe City Council approval to close the ARSA fund and transfer the remaining cash to the general fund.

Current Year Follow up: In the 2014/15 fiscal year the City established fund 8231 for ARSA activity, however we did not observe the \$69,155 recorded for inter-fund lending as of June 30, 2016 per City resolution 2015-25.

Recommendation: Add \$69,155 to inter-fund lending between ARSA and the General Fund per resolution 2015-25. The City could also seek legal advice on if it had the authority to transfer the ARSA funds into the general fund.

Management Response: The City has added the \$69,155 to inter-fund lending between ARSA and the general fund.

FS 16-3 (Prior Year FS 15-4): During the 2014/15 fiscal year, the level of detail was not sufficient to provide management with a guide for what that Council has set as the legal level of spending. The City also exceeded the expenditure budget in many of the departments and funds.

Current Year Follow Up: The 2015/16 budget was in much greater detail at the account level and a budget was established for required funds. We did observe the City exceeded the budgeted expenditures in several general fund departments.

Recommendation: We recommend monitoring the budget during the year and making amendments as needed to reflect actual and expected economic conditions and changes.

Management Response: The City Manager and new Finance Manager will review future budgets closely and make amendments as needed to reflect actual and expected economic conditions and changes.

FS 16-4: During our testing of accounts receivable we noted subsequent to year end the City received \$54,999.48 from California Department of Corrections for a tertiary plant operations and maintenance payment. When the funds were received in August 2016 the City miscoded \$23,042.26 of this receipt to general fund cash and reduced general fund accounts receivable. We also noted other subsequent receipts with the same condition.

We noted another instance where the city received an ARSA payment for tertiary plant operations and maintenance on 5/31/2016, but a portion of the receipt was errantly posted to the general fund. These errors occurred because there is a systemic problem where the general ledger posts invoiced receipts to the oldest invoices first without consideration for the actual invoice being paid. This creates a risk of misstatement due to misposting revenue to incorrect funds and crediting incorrect invoices.

We also noted items on the City's June 30, 2016 deferred revenue list that should have been recorded to revenue because the payments were received within 60 days after fiscal year end and met the measurable and available criteria for revenue recognition in the current period (2015/16 fiscal year).

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Deemed to be Significant Deficiencies and Material Weaknesses (Continued)

Furthermore, during our testing of unrecorded accounts receivable (completeness test) we noted a \$53,556.38 RSTP receipt and a \$29,085.71 Measure M receipt that should have been but were not recorded as receivables at June 30, 2016.

Recommendation: We recommend the City post invoiced receipts against the actual invoice being paid and not relying on the accounting system to allocate to the vendor invoice.

We also recommend better attention to detail when analysing and recording deferred revenue and accounts receivable.

Management Response: Finance staff will expend due diligence when reviewing accounts receivable receipts prior to posting payments and will analyse accounts receivable transactions to determine deferred revenue at year-end.

FS 16-5: During our audit we noted the City had recorded a \$504,000 receivable from JTS for regional traffic fees which should have been paid to the City in February 2016. We noted the receivable was still on the books as of June 30, 2016. Per review of the activity and inquiry with management we noted the City entered into a new developer agreement with a different developer allowing them to develop villages 4-10 without the payment of the \$504,000 and the new developer does not appear to be liable for this fee. We proposed the City establish an allowance for doubtful accounts for the \$504,000 as of June 30, 2016.

Recommendation: We recommend City Council review this activity and if determined the funds are uncollectible direct staff to write off the receivable.

Management Response: The City Attorney has sent letter to JTS demanding payment of the regional traffic fees.

Deemed to be Significant Deficiencies and Not Material Weaknesses

FS 16-6: We noted the City had a lack of segregation of duties, as one person is capable of handling all aspects of processing transactions from beginning to end. We also noted that journal entries are not approved or reviewed by management, other than the finance manager, who initiates, posts the entry and files the backup documentation. A lack of segregation of duties increases the risk of potential errors 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 also noted the Finance Department journal entries do not always have an approval signature by the City Manager or other responsible employee, indicating the entries have been reviewed for accuracy and giving the Finance Department approval to post the entries. 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. We also recommend the City review procedures for getting approval signatures on the journal entries and include this internal control procedure in the City's financial policies and procedures manual.

Management Response: City management has made due diligence to ensure internal controls are in place. A process has been implemented to segregate duties which will be added to the finance policies and procedures manual. Approval on all journal entries is now in place.

FS 16-7 (Prior Year Finding 15-8): 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.

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Deemed to be Significant Deficiencies and Not Material Weaknesses (Continued)

2011/12 Fiscal Year Status: During the current year audit we noted the site inspections on commercial properties had not been performed. Furthermore, as part of our sewer receipts testing, we contacted a mobile home park that is being billed for 51 connections and were informed that there are 54 spaces at the mobile home park. It appears the City has been undercharging three connections for this commercial customer.

2012/13 Fiscal Year Status: The City does not appear to have a rate schedule that supports all the charged rates. A banquet hall is paying \$168.59 which is unsupported and an eatery is charged \$54.41 which is unsupported. Additionally the late fees on sewer bills are not being calculated correctly. Interest on a late balance only includes the initial bill itself. If a bill was to be more than two months late, the interest would only include the current month late charge and the prior month late charge excluding the interest from the prior month late.

The public works employee made a site inspection at the mobile home park and determined that three mobile homes were vacant. We are still unsure if the mobile homes are hooked up to City sewer and if they should be charged the monthly sewer fee.

2013/14 Fiscal Year Status: We noted two instances during our testing of “other institutions” commercial accounts where we were unable to recalculate the bill based on consumption.

Current Year Follow Up: No change

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.

Management Response: The City will re-examine how the commercial and industrial development sewer charges are being calculated, rate schedule and update process in place.

FS 16-8 (Prior Year Finding FS 15-9): We noted the compensated absences schedule had an incorrect formula used to calculate one employee’s sick time liability. The employee is entitled to 50% of sick time upon termination, however because the formula was entered with 50% twice, it resulted in understating the employee’s sick leave liability by 25%.

We also noted the City was recording administrative leave time as a liability on the books and administrative leave time in not paid out upon termination. Additionally, there were two non-exempt employees receiving administrative leave time and we did not observe a policy or documentation stating they were entitled to this benefit.

We noted three employees who were provided lump sum annual accruals of vacation (not yet earned). These employees should be accruing on a per pay period basis as a lump sum accrual overstates the compensated absences balance and if the employee leaves City during the year there is a risk they will be overpaid based on the balance recorded.

We noted one employee who used 4 hours of compensated time off where the activity was not recorded on that employee’s compensated absences schedule.

Additionally, we noted one instance where an employee received a gross vacation pay-out of \$8,722.82 and they requested to have their state and federal withholdings turned off for that payroll. Federal and State withholdings should only be changed based on the W-4 withholding information and not by an employee’s verbal request.

**CITY OF IONE
SCHEDULE OF FINDINGS
JUNE 30, 2016**

Deemed to be Significant Deficiencies and Not Material Weaknesses (Continued)

Current Year Follow Up: During our 2015/16 audit testing we noted several exceptions with compensated absences. We noted employees with vacation and sick balances that had been overstated as the City was relying solely on the Paychex compensated absence report which had many errors including giving employees a lump sum annual accrual on top of the additional bi-weekly accrual. We noted another employee did not receive their accrual for 8 pay periods. The City should have created their own compensated absence schedule and reconciled this schedule to the Paychex report rather than relying solely on the Paychex report. The Financial Manager had an employee outside of the financial department entering the Paychex report into the excel schedule without any review or internal checks. The Finance Manager acknowledged they had not been reviewing the delegated work and that they should have performed internal checks to reconcile the numbers provided by Paychex to the underlying documentation.

We also note the City included the administrative leave in the compensated absence liability and this is not a benefit that is paid out at termination. In addition, there were two employees receiving this benefit whom did not meet the eligibility criteria or have an individual contract that entitled them to the administrative leave benefit.

Based on our testing the sum of the errors in the compensated absence schedule resulted in a \$12,289 overstatement to the liability at June 30, 2016. We proposed a journal entry to correct the balance and discussed this with the City Management.

Recommendation: Because there is a control weakness in the calculation, record keeping and valuation of vacation time, sick time, administrative leave time and compensated time earned the City should review control procedures and policies to ensure accuracy and have in place more definitive guidelines. We also recommend the City perform periodic internal checks and reconciliations of the compensated absence tracking and not only rely on the outside payroll company to provide these balances.

Management Response: Finance staff will perform internal checks and reconciliations of the compensated absence tracking using the timesheets as compared with the Paychex reports and make adjustments as needed to ensure accuracy.

FS 16-9 (Prior Year Finding 15-10): During our review of transient occupancy tax (T.O.T.) revenue it was determined that the tax is lower than expected. The amount of T.O.T. reported during the 2012/13 fiscal year was \$3,180. Based on the amount submitted to the City, the hotel is reporting revenue for the 2012/13 fiscal year of \$31,800. With 14 rooms available and assuming an average rate of \$100 per night's stay this equates to an occupancy rate of approximately 6.2%, or less than one room rented per day.

During the 2014/15 fiscal year audit we noted the reported T.O.T. revenue was \$3,357. Based on the assumptions noted above the calculated occupancy rate was 6.57%

Current Year Follow Up: During the 2015/16 fiscal year the City received \$4,200 in T.O.T. Revenue. The City hired an independent accountant to perform a T.O.T. audit subsequent to the fiscal year end. Refer to that report for their findings.

Recommendation: We recommend the City take action based on the independent accountant's review of the T.O.T. activity in order for the Motel to comply with collecting and remitting the T.O.T tax to the City.

Management Response: City Council is reviewing the options as presented by the independent accountant who performed an audit of the Motel's T.O.T. activity.

FS 16-10: During our testing of accounts payable we noted a \$14,392 invoice from Mazingo Construction and \$6,065 from Coastland Civil Engineering which were accrued to accounts payable, but should not have been accrued at June 30, 2016 because the work was performed in the 2016/17 fiscal year. We passed on recording a journal entry to reverse these accounts payable entries.

**CITY OF IONE
SCHEDULE OF FINDINGS
JUNE 30, 2016**

Deemed to be Significant Deficiencies and Not Material Weaknesses (Continued)

Recommendation: We recommend the City review controls over accounts payable to ensure that only invoices meeting the accounts payable criteria are accrued.

Management Response: City will review controls over accounts payable to ensure invoices due at year end meet the accounts payable accrual criteria.