

CITY OF IONE
FINANCIAL STATEMENTS
JUNE 30, 2018

CITY OF IONE

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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, 2018, 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, 2018, 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 on pages 3-10, budgetary comparison information on pages 43-44, additional pension information on pages 45-46 and additional post-retirement health care information on page 47 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

As disclosed in Note 6 of the financial statements, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during fiscal year ended June 30, 2018. Our opinion is not modified with respect to this matter.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 2, 2019 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion of the internal control over financial reporting or on compliance.

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

Larry Bain, CPA,
An Accounting Corporation
March 2, 2019

City of Ione
Required Supplementary Information
Management's Discussion and Analysis
June 30, 2018

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, 2018. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2017-18

- The City's net position was \$46,602,221 at June 30, 2018. Net position increased \$1,059,322 or 2.33%. Of the total net position, \$1,951,297 is unrestricted and may be used to meet ongoing obligations to citizens and creditors.
- Total cash and investments increased \$1,847,463 or 46.6% to \$5,809,301. Of total cash, \$3,669,732 is restricted for specific activities.
- As of June 30, 2018, the City's governmental funds reported combined fund balance of \$4,447,954. In comparison, Fiscal Year 2016-17 had a combined fund balance of \$4,016,515. 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 decreased \$37,731 or 5.0% to \$(797,514) as of June 30, 2018. Of the fund balance \$662,453 is non-spendable because it is tied up in long-term advance receivables and the remainder in the amount of \$(1,459,967) is reported as unassigned.
- The General Fund cash balance increased \$157,355 or 600.9% from \$26,187 to \$183,542.
- Projects funded by the gas tax fund include storm drains, street repairs and street improvements.
- There were \$263,677 General Fund capital asset additions, \$181,095 capital asset additions in the Local Transportation Fund, \$29,757 in the Police Services Impact Fees Fund, and \$635,628 sewer related capital asset additions for FY 2017-18.
- The City's proprietary funds (sewer) net position increased \$272,181 or 2.5% to \$11,205,257. Unrestricted cash increased \$629,806 or 67.8% to \$1,558,859, and restricted cash used for sewer capital construction increased \$136,600 to \$136,600. 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, Net OPEB obligation, Train Depot loan in the amount of \$9,000, a note payable in the amount of \$55,000 for the purchase of a commercial lawn mower, and a long-term lease for the new fire station. The SCORE Insurance liability was paid in full during the fiscal year. The long-term capital lease loan for Fire Station No. 2 with an original principal balance of \$560,000 has an outstanding balance as of June 30, 2018 of \$351,309. The City's proprietary funds (sewer) long-term liabilities consist of a long-term loan for sewer capital construction in the amount of \$2,934,533

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, 2018

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, 2018

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. 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, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

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

	June 30, 2018			June 30, 2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other Assets	\$6,444,301	\$2,129,701	\$8,574,002	\$5,221,289	\$1,322,363	\$6,543,652
Capital Assets	34,480,673	13,319,493	47,800,165	34,414,286	13,012,251	47,426,537
Total Assets	40,924,974	15,449,194	56,374,167	39,635,575	14,334,614	53,970,189
Deferred Outflows of Resources						
Deferred Outflows – OPEB	33,621	5,877	39,498	-	-	-
Deferred Outflows – Pensions	944,768	56,224	1,000,992	760,231	39,397	799,628
Total Deferred Outflows of Resources	978,389	62,101	1,040,490	760,231	39,397	799,628
Liabilities						
Current /non current	6,241,578	4,280,343	10,521,921	4,647,996	3,414,426	8,062,422
Total Liabilities	6,241,578	4,280,343	10,521,921	4,647,996	3,414,426	8,062,422
Deferred inflows of Resources						
Deferred Inflows - Pensions	264,821	25,695	290,516	278,389	26,509	304,898
Total Deferred Inflows of Resources	264,821	25,695	290,516	278,389	26,509	304,898
Net Position						
Net investment in capital assets	34,129,364	10,384,960	44,514,324	34,035,340	9,996,118	44,031,458
Restricted for capital replacement	-	136,600	136,600	-	-	-
Unrestricted	1,267,600	683,697	1,951,297	1,434,082	936,958	2,371,039
Total Net Position	\$35,396,964	\$11,205,257	\$46,602,221	\$35,469,421	\$10,933,076	\$46,402,497

The City's near-term financing situation, as measured by the current ratio (current assets divided by current liabilities), increased. The ratio decreased year-over-year from 2.059 to 1.298 (excluding restricted cash). The decrease was the result of a prior period adjustment to recognize a liability for prepaid developer impact fees collected in prior years. Values greater than 1.00 are considered good.

The City's overall financial position, as measured by net position is \$47,536,755. The major component of net position is invested in capital assets. Unrestricted net position is \$2,885,831 and represents the amount available for future operations. Unrestricted net position decreased whereas business-type activities accounted for the majority of the decrease.

City of Ione
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2018
Statement of Activities

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

	Fiscal Year Ending June 30, 2018			Fiscal Year Ending June 30, 2017		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business- type Activities	Totals
Governmental Activities:						
Charges for services	\$1,667,184	\$1,250,291	\$2,917,475	\$1,310,713	\$1,291,487	\$2,602,200
Capital grants and contributions	760,586	1,273,005	2,033,591	194,709	216,324	411,033
Operating grants	652,778	-	652,778	176,899	-	176,899
General Revenue:						
Property tax and assessments	689,755	-	689,755	626,611	-	626,611
Sales and use tax	175,722	-	175,722	164,121	-	164,121
Other taxes	995,518	-	995,518	957,844	-	957,844
Gain on sale of capital assets	-	-	-	3,586	-	3,586
Investment income	67,144	12,317	79,461	52,523	14,142	66,665
Transfers	-	-	-	19,841	(19,841)	-
Total Revenue	5,008,687	2,535,613	7,544,300	3,506,847	1,502,112	5,008,959
Expenses:						
General government	709,209	-	709,209	692,383	-	692,383
Public safety	1,851,551	-	1,851,551	1,726,660	-	1,726,660
Community development	96	-	96	-	-	-
Public works	721,706	-	721,706	485,509	-	485,509
Streets and roads	252,397	-	252,397	346,128	-	346,128
Parks and recreation	328,294	-	328,294	327,577	-	327,577
Interest on debt	14,295	69,934	84,229	15,350	57,231	72,581
Business-type activities:						
Wastewater	-	1,481,206	1,481,206	-	1,430,415	1,430,415
Total Expenses	3,877,548	1,551,140	5,428,688	3,593,607	1,487,646	5,081,253
Change in net position	1,131,139	984,473	2,115,612	(86,760)	14,466	(72,294)
Net Position:						
Net position - beginning	34,737,731	10,805,168	45,542,899	35,625,336	10,849,455	46,474,791
Prior period adjustment	(471,906)	(584,384)	(1,056,290)	(69,155)	69,155	-
Net position - ending	<u>\$35,396,964</u>	<u>\$11,205,257</u>	<u>\$46,602,221</u>	<u>\$35,469,421</u>	<u>\$10,933,076</u>	<u>\$46,402,497</u>

The statement of activities, identify the various revenue and expense items which affect the change in net position. Total revenues increased \$2,535,341 or about 50.62% to \$7,544,300 while total expenses increased \$347,435 or about 6.8% to \$5,428,688. The net position increased to \$199,724 or .4% to \$46,602,221. The increase to revenues for governmental activities was due to the increase to charges for services, capital grants and contributions, operating grants, property tax and assessments, sales and use tax, franchise taxes, motor vehicle in lieu tax, other taxes, investment income, and prior period adjustment offset by decrease in transient occupancy tax, and gain on sale of capital assets. Expenses for governmental activities is under revenues by \$1,131,139. Decrease in streets and roads, and interest on debt, offset by increase in general government, public safety, community development, public works, and parks and recreation contributed to the increase in expenses. However the substantial increase of revenues, mainly charges for services, capital grants and contributions, and operating grants resulted in the increase to the net position. 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, 2018

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 proprietary funds near-term financing situation, as measured by the current ratio (current assets divided by current liabilities), increased. The ratio increased over the two year period from 1.21 to 1.38. Values greater than 1.00 are considered good. Unrestricted net position represents the amount available for future operations. Unrestricted net position increased \$227,807.

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

Budgetary Highlights

General fund revenues for the 2017-18 fiscal year were budgeted at \$2,145,502. The actual revenues were \$2,575,335 which is a favourable variance of \$429,833 or 20.0%. The majority of the variance was due to an increase of \$51,720 for property tax, \$722 for sales tax, \$1,169 for transient occupancy, \$5,189 for sales tax-public safety, \$15,271 for real property transfer tax, \$15,591 for franchise fee, \$5,288 for business license, \$137,341 for building permits and inspections, \$295 for burn permits, \$2,872 for fire sprinkler inspection, \$16,599 for motor vehicle in lieu of (state), \$1,535 for HOPTR, \$15,405 for grants/reimbursements, \$14,958 for parking citations and other fines, planning and building inspection fees for \$58,347, engineering fees for \$6,035, \$55,471 for police department services, interest and investment income for \$5,401, rent for \$1,655, \$1,886 for insurance refunds and dividends, and \$35,514 for miscellaneous – all others. Revenue categories that were under budget were encroachment permits \$175, finance department services \$2,949, and fire department services \$15,307. General fund expenditures were budgeted at \$2,321,113. The actual amount expended was \$2,730,834 or \$409,721 over budget. The increased amount of budgeted expenditures was due to the city treasurer, legal, administrative, planning, building inspection, engineering, police, fire, and capital outlay. In addition there was unbudgeted other financing sources for proceeds of a capital lease to purchase a lawnmower in the amount of \$55,000. Conversely, city council, city manager, city clerk, finance, 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, 2018

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	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Land	\$29,696,609	\$29,696,609	\$3,873,444	\$3,873,444	\$33,570,053	\$33,570,053
CIP	-	250,612	2,486,437	1,852,948	\$2,486,437	\$2,103,560
Structures	3,395,120	3,329,120	1,460,112	1,460,112	\$4,855,232	\$4,789,232
Site improvements	1,084,997	982,992	446,396	446,396	\$1,531,393	\$1,429,388
Vehicles and equipment	2,629,443	2,438,015	660,007	657,868	\$3,289,450	\$3,095,883
Infrastructure	2,959,806	2,594,098	8,995,864	8,995,864	\$11,955,670	\$11,589,962
Accumulated depreciation	(5,285,302)	(4,877,160)	(4,602,767)	(4,274,381)	(\$9,888,069)	(\$9,151,541)
Total Capital Assets, Net	\$34,480,673	\$34,414,286	\$13,319,493	\$13,012,251	\$47,800,165	\$47,426,537

As of June 30, 2018 the City's investment in capital assets totalled \$47,800,165 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 \$351,309.

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 6/30/18 is \$9,000

City of Ione
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2018

LONG – TERM DEBT (Continued)

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 of the insurance liability was paid in full in June 2018.

On June 6, 2018 the City entered into a debt agreement with America River Bank whereby the City borrowed \$55,000 to purchase a commercial lawn mower for the City parks. Payments are due quarterly with the first payment due September 25, 2018 and the final payment due June 25, 2023. The interest rate is 5.06%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council adopted the City's Fiscal Year 2017-18 General Fund Final Budget, Sewer and Gas Tax Budget, and remaining Special Revenue Budgets on June 20, 2017. During the past ten 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 2017-2018.

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, 2018
(With comparative total as of June 30, 2017)**

	Governmental Activities	Business-type Activities	Totals	
			2018	2017
Assets				
Cash and investments	\$ 580,980	\$ 1,558,589	\$ 2,139,569	\$ 1,321,833
Accounts receivables	578,178	114,926	693,104	529,920
Interest receivable	-	-	-	-
Prepaid items	355	-	355	-
Deposits with others	48,945	8,631	57,576	77,027
Restricted cash and investments	3,533,132	136,600	3,669,732	2,640,005
Total current assets	4,741,590	1,818,746	6,560,336	4,568,786
Non Current Assets				
Internal balances	(310,955)	310,955	-	-
Interest receivable	398,500	-	398,500	358,401
Loans receivable (net of allowance for uncollectibles)	1,615,166	-	1,615,166	1,616,466
Capital assets				
Land	29,696,609	3,873,444	33,570,053	33,570,053
Construction in progress	-	2,486,437	2,486,437	2,103,560
Structures	3,395,120	1,460,112	4,855,232	4,789,232
Site improvements	1,084,997	446,396	1,531,393	1,429,388
Vehicles and equipment	2,629,443	660,007	3,289,450	3,095,883
Infrastructure	2,959,806	8,995,864	11,955,670	11,589,962
Accumulated depreciation	(5,285,302)	(4,602,767)	(9,888,069)	(9,151,541)
Total capital assets, net	34,480,673	13,319,493	47,800,166	47,426,537
Total Assets	40,924,974	15,449,194	56,374,168	53,970,189
Deferred Outflows of Resources				
Deferred Outflows-OPEB	33,621	5,877	39,498	-
Deferred Outflows-Pensions	944,768	56,224	1,000,992	799,628
Total Deferred Outflows of Resources	\$ 978,389	\$ 62,101	\$ 1,040,490	\$ 799,628
Liabilities				
Current liabilities:				
Accounts payable	\$ 421,753	\$ 341,084	\$ 762,837	\$ 237,875
Accrued payroll	77,070	5,101	82,171	48,628
Deposits from others	770,817	486,412	1,257,229	445,663
Accrued interest payable	-	25,310	25,310	26,014
Due within one year	66,068	83,494	149,562	187,005
Noncurrent liabilities:				
Due in more than one year	4,905,871	3,338,942	8,244,813	7,117,237
Total Liabilities	6,241,578	4,280,343	10,521,921	8,062,422
Deferred Inflows of Resources				
Deferred Inflows-Pensions	264,821	25,695	290,516	304,898
Total Deferred Inflows of Resources	264,821	25,695	290,516	304,898
Net Position				
Net investment in capital assets	34,129,364	10,384,960	44,514,324	44,031,458
Restricted for capital replacement	-	136,600	136,600	-
Unrestricted	1,267,600	683,697	1,951,297	2,371,039
Total Net Position	\$ 35,396,964	\$ 11,205,257	\$ 46,602,221	\$ 46,402,497

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

CITY OF IONE

**STATEMENT OF ACTIVITIES
JUNE 30, 2018
(With comparative total as of June 30, 2017)**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/programs	Expenses	Charges for	Capital Grants	Operating	Governmental Activities	Business-type Activities	Totals	
		Services	and Contributions	Grants			2018	2017
Governmental Activities:								
General government	\$ 709,209	\$ 118,084	\$ 54,755	\$ -	\$ (536,370)	\$ -	\$ (536,370)	\$ (553,863)
Public safety	1,851,551	832,866	121,969	275,562	(621,154)		(621,154)	(881,479)
Community development	96			63,299	63,203		63,203	-
Public works	721,706	716,234			(5,472)		(5,472)	60,673
Streets and roads	252,397		263,793	212,252	223,648		223,648	(238,136)
Parks and recreation	328,294	-	320,069	101,665	93,440		93,440	(283,131)
Interest on debt	14,295				(14,295)		(14,295)	(15,350)
Total Governmental Activities	3,877,548	1,667,184	760,586	652,778	(797,000)		(797,000)	(1,911,286)
Business-type Activities:								
Wastewater	1,481,206	1,250,291	1,273,005			1,042,090	1,042,090	77,396
Interest on debt	69,934					(69,934)	(69,934)	(57,231)
Total Business-type Activities	1,551,140	1,250,291	1,273,005			972,156	972,156	20,165
Total Government	\$ 5,428,688	\$ 2,917,475	\$ 2,033,591	\$ 652,778	(797,000)	972,156	175,156	(1,891,121)
General Revenues:								
Taxes:								
Property taxes					689,755		689,755	626,611
Sales and use tax					175,722		175,722	164,121
Transient occupancy tax					1,269		1,269	81,191
Franchise tax					95,591		95,591	75,227
Motor vehicle in lieu tax					851,599		851,599	772,682
Other taxes					47,059		47,059	28,744
Sale of assets							-	3,586
Investment income					67,144	12,317	79,461	66,665
Total general revenues					1,928,139	12,317	1,940,456	1,818,827
Change in net position					1,131,139	984,473	2,115,612	(72,294)
Net position - beginning restated					34,737,731	10,805,168	45,542,899	46,474,791
Prior Period Adjustment					(471,906)	(584,384)	(1,056,290)	-
Net Position - ending					\$ 35,396,964	\$ 11,205,257	\$ 46,602,221	\$ 46,402,497

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

CITY OF IONE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

(With comparative total as of June 30, 2017)

	General	Measure M	Public Safety Maintenance District	Governmental Impact Fees	Local Traffic Mitigation	Fire Services Impact Fees	Other Nonmajor Funds	Total Governmental 2018	2017
<u>Assets</u>									
Cash and investments	183,542	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 397,438	\$ 580,980	\$ 393,050
Due from other funds	35,344				139,608		4,260	179,212	184,576
Receivables									
Accounts (net of allowance)	388,982	30,121	10,331		-		148,744	578,178	460,427
Interest	-							-	-
Deposits with others	46,614						2,331	48,945	64,895
Prepaid items	355						-	355	-
Restricted cash and investments		393,878	685,162	66,995	1,033,382		1,353,715	3,533,132	2,640,005
Total Current Assets	654,837	423,999	695,493	66,995	1,172,990	-	1,906,488	4,920,802	3,742,954
Advances to other funds	662,453	349,913		25,000	-		1,583,034	2,620,400	2,633,527
Interest receivable							398,500	398,500	358,401
Loans receivable (net of allowance for uncollectible)							1,615,166	1,615,166	1,616,466
Total Long-Term Assets	662,453	349,913		25,000			3,596,700	4,634,066	4,608,394
Total Assets	\$ 1,317,290	\$ 773,912	\$ 695,493	\$ 91,995	\$ 1,172,990	\$ -	\$ 5,503,188	\$ 9,554,868	\$ 8,351,348
<u>Liabilities and Fund Balances</u>									
<u>Liabilities</u>									
Accounts payable	\$ 411,928	\$ -	\$ 2,347	\$ -	\$ -	\$ -	\$ 7,478	\$ 421,753	\$ 196,656
Accrued payroll	75,493						1,577	77,070	39,849
Deposits from others	10,079			23,602	68,689	302,064	366,383	770,817	440,890
Due to other funds				77,365		62,243	39,604	179,212	184,576
Total Current Liabilities	497,500		2,347	100,967	68,689	364,307	415,042	1,448,852	861,971
Long-term Liabilities									
Advances from other funds	1,404,098			598,000		929,257		2,931,355	2,945,482
Total Liabilities	1,901,598		2,347	698,967	68,689	1,293,564	415,042	4,380,207	3,807,453
Deferred Inflows of Resources									
Unavailable revenue	213,206		8,704				504,797	726,707	527,380
Total Deferred Inflows of Resources	213,206		8,704				504,797	726,707	527,380
<u>Fund Balances</u>									
Restricted for loans receivable							1,594,120	1,594,120	1,595,420
Non-spendable for advances	662,453	349,913		25,000			1,583,034	2,620,400	2,633,527
Assigned for public safety		423,999	684,442				34,238	1,142,679	931,016
Assigned for community development							723,020	723,020	667,516
Assigned for streets and roads							382,168	382,168	294,961
Assigned for capital projects				(631,972)	1,104,301	(1,293,564)	266,769	(554,466)	(683,689)
Unassigned, reported in General fund	(1,459,967)							(1,459,967)	(1,422,236)
Total Fund Balances	(797,514)	773,912	684,442	(606,972)	1,104,301	(1,293,564)	4,583,349	4,447,954	4,016,515
Total Liabilities, Deferred inflows of Resources and Fund Balances	\$ 1,317,290	\$ 773,912	\$ 695,493	\$ 91,995	\$ 1,172,990	\$ -	\$ 5,503,188	\$ 9,554,868	\$ 8,351,348

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, 2018
(With comparative total as of June 30, 2017)

	<u>2018</u>	<u>2017</u>
Fund Balances of Governmental Funds	\$ 4,447,954	\$ 4,016,515
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.	34,480,673	34,414,286
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.	(1,890,014)	(1,925,573)
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>(1,641,649)</u>	<u>(1,035,807)</u>
Net position of governmental activities	\$ <u>35,396,964</u>	\$ <u>35,469,421</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, 2018
(With comparative total as of June 30, 2017)**

	General	Measure M	Public Safety Maintenance District	Governmental Impact Fees	Local Traffic Mitigation	Fire Services Impact Fees	Other Nonmajor Funds	Total Governmental	
								2018	2017
Revenues									
Taxes	\$ 899,171	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 899,171	\$ 821,129
Special assessment/impact fees		397,901	258,618	54,755	158,813	121,969	685,648	1,677,704	765,422
Licenses and permits	329,712							329,712	196,250
Use of money and property	92,056	5,018		-			9,629	106,703	101,467
Intergovernmental	981,039	31,157	-				498,497	1,510,693	1,252,704
Fines, forfeitures and penalties	14,958							14,958	15,589
Charges for current services	219,449							219,449	267,268
Other	38,950	5,922	6,100					50,972	20,012
Total Revenues	2,575,335	439,998	264,718	54,755	158,813	121,969	1,193,774	4,809,362	3,439,841
Expenditures									
Current:									
General government	654,931							654,931	599,879
Public ways and facilities/ transportation	628,633						252,100	880,733	751,266
Public safety	969,761	333,810	191,723			-	190,670	1,685,964	1,550,643
Community development	213,832						96	213,928	241,438
Capital Outlay	263,677				-		210,852	474,529	113,690
Debt service									
Principal						27,637	9,000	36,637	35,582
Interest						14,295		14,295	15,350
Total Expenditures	2,730,834	333,810	191,723	-		41,932	662,718	3,961,017	3,307,848
Excess (Deficit) of Revenues over Expenditures	(155,499)	106,188	72,995	54,755	158,813	80,037	531,056	848,345	131,993
Other Financing Sources (Uses)									
Proceeds of debt	55,000							55,000	3,586
Operating transfers in	-		-					-	19,841
Operating transfers out								-	-
Total Other Financing Sources (Uses)	55,000							55,000	23,427
Net Change in Fund Balances	(100,499)	106,188	72,995	54,755	158,813	80,037	531,056	903,345	155,420
Fund Balances, July 1	(759,783)	667,724	611,447	(633,057)	1,028,929	(1,373,601)	4,474,855	4,016,515	3,930,250
Prior period adjustments	62,768			(28,670)	(83,441)		(422,563)	(471,906)	(69,155)
Fund Balances, June 30	\$ (797,514)	\$ 773,912	\$ 684,442	\$ (606,972)	\$ 1,104,301	#####	\$ 4,583,348	\$ 4,447,954	\$ 4,016,515

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, 2018
(With comparative total as of June 30, 2017)**

	<u>2018</u>	<u>2017</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 903,345	\$ 155,420
Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities. The costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. The net activity is reconciled as follows:		
Cost of assets capitalized	474,529	113,690
Depreciation expense	(408,142)	(402,588)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	199,327	43,578
Debt proceeds are other financing sources in the governmental funds, but proceeds increase long-term liabilities in the statement of net position	(55,000)	-
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.	36,637	42,454
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.	1,938	(53,883)
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>(21,495)</u>	<u>14,569</u>
Change in net position of governmental activities	\$ <u>1,131,139</u>	\$ <u>(86,760)</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, 2018
(With comparative total as of June 30, 2017)**

	Sewer O & M	Sewer Capital	Sewer CDCR Capital	Sewer Tertiary Plant	Totals	
					2018	2017
Current assets:						
Cash and investments	\$ 1,558,589	\$ -	\$ -	\$ -	\$ 1,558,589	\$ 928,783
Receivables						
Accounts	80,433			34,493	114,926	69,493
Deposits with others	8,631				8,631	12,132
Due from other funds	3,086,249				3,086,249	3,860,217
Restricted cash and investments	-		136,600		136,600	-
Total current assets	<u>4,733,902</u>	<u>-</u>	<u>136,600</u>	<u>34,493</u>	<u>4,904,995</u>	<u>4,870,625</u>
Non Current Assets						
Advances to other funds	66,155	244,800	-		310,955	311,955
Capital assets						
Land	3,873,444				3,873,444	3,873,444
Construction in progress	2,486,437				2,486,437	1,852,948
Structures	1,460,112				1,460,112	1,460,112
Site improvements	446,396				446,396	446,396
Vehicles and equipment	660,007				660,007	657,868
Infrastructure	8,995,864				8,995,864	8,995,864
Accumulated depreciation	(4,602,767)				(4,602,767)	(4,274,381)
Total capital assets	<u>13,319,493</u>				<u>13,319,493</u>	<u>13,012,251</u>
Total Assets	<u>18,119,550</u>	<u>244,800</u>	<u>136,600</u>	<u>34,493</u>	<u>18,535,443</u>	<u>18,194,831</u>
Deferred Outflows of Resources						
Deferred Outflows-OPEB	5,877				5,877	
Deferred Outflows-Pensions	56,224				56,224	39,397
Total Deferred Outflows of Resources	<u>\$ 62,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,101</u>	<u>\$ 39,397</u>
Liabilities						
Current liabilities:						
Accounts payable	\$ 185,927	\$ 140,545	\$ -	\$ 14,612	\$ 341,084	\$ 41,222
Accrued payroll	5,101				5,101	8,779
Due to other funds		2,599,062	-	487,187	3,086,249	3,860,217
Interest payable	25,310				25,310	26,014
Note payable	83,494				83,494	81,600
Score liability	-				-	6,108
Deposits from others		481,068			481,068	
Customer deposits	5,344				5,344	4,773
Total current liabilities	<u>305,176</u>	<u>3,220,675</u>	<u>-</u>	<u>501,799</u>	<u>4,027,650</u>	<u>4,028,713</u>
Noncurrent liabilities:						
Advances from other funds					-	-
OPEB-retiree health	245,137				245,137	111,352
Note payable	2,851,039				2,851,039	2,934,533
Net pension liability	238,672				238,672	197,128
Compensated absences	4,094				4,094	2,917
Total noncurrent liabilities	<u>3,338,942</u>				<u>3,338,942</u>	<u>3,245,930</u>
Total Liabilities	<u>3,644,118</u>	<u>3,220,675</u>	<u>-</u>	<u>501,799</u>	<u>7,366,592</u>	<u>7,274,643</u>
Deferred Inflows of Resources						
Deferred Inflows-Pensions	25,695				25,695	26,509
Total Deferred Inflows of Resources	<u>25,695</u>				<u>25,695</u>	<u>26,509</u>
Net position:						
Net investment in capital assets.	10,384,960				10,384,960	9,996,118
Restricted for capital replacement			136,600		136,600	
Unrestricted net position (accumulated deficit)	4,126,878	(2,975,875)		(467,306)	683,697	936,958
Total Net Position (Accumulated Deficit)	<u>\$ 14,511,838</u>	<u>\$ (2,975,875)</u>	<u>\$ 136,600</u>	<u>\$ (467,306)</u>	<u>\$ 11,205,257</u>	<u>\$ 10,933,076</u>

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, 2018
(With comparative total as of June 30, 2017)**

	Sewer O & M	Sewer Capital	Sewer CDCR Capital	Sewer Tertiary Plant	Totals	
					2018	2017
Operating Revenues						
Charges for services	\$ 993,399	\$ -	\$ -	\$ 247,970	\$ 1,241,369	\$ 1,286,794
Other	8,922				8,922	4,693
Total Operating Revenues	1,002,321	-	-	247,970	1,250,291	1,482,811
Operating Expenses						
Salaries and benefits	292,381	-	-	6,692	299,073	268,324
Services and supplies	607,715	6,576	-	239,456	853,747	837,378
Depreciation expense	328,386				328,386	324,713
Total Operating Expenses	1,228,482	6,576	-	246,148	1,481,206	1,430,415
Operating Income	(226,161)	(6,576)	-	1,822	(230,915)	52,396
Non-Operating Revenues (Expenses)						
Grant revenue	-				-	25,000
Interest expense	(69,934)				(69,934)	(57,231)
Interest income	12,317				12,317	14,142
Total Non-Operating Revenues (Expenses)	(57,617)	-	-	-	(57,617)	(18,089)
Income (Loss) Before Capital Contributions and Transfers	(283,778)	(6,576)	-	1,822	(288,532)	34,307
Capital Contributions and Transfers						
Impact fees			508,600		508,600	
Connection fees		764,405			764,405	
Operating transfers in	372,000	-	-	-	372,000	21,064
Operating transfers out	-		(372,000)		(372,000)	(40,905)
Total Capital Contributions and Transfers	372,000	764,405	136,600		1,273,005	(19,841)
Net Income (Loss)	88,222	757,829	136,600	1,822	984,473	14,466
Net Position (Accumulated Deficit), July 1-Restated	14,423,616	(3,149,320)		(469,128)	10,805,168	10,849,455
Prior Period Adjustments		(584,384)			(584,384)	69,155
Net Position (Accumulated Deficit), June 30	\$ 14,511,838	\$ (2,975,875)	\$ 136,600	\$ (467,306)	\$ 11,205,257	\$ 10,933,076

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

CITY OF IONE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2018
(With comparative total as of June 30, 2017)

	Sewer O & M	Sewer-Capital Project Fund	CDCR Capital Project Fund	Sewer Tertiary Plant	Totals	
					2018	2017
Cash Flows from Operating Activities						
Cash received from customers	\$ 991,952	\$ -	\$ -	\$ 213,477	\$ 1,205,429	#####
Cash payments to suppliers	(462,586)	133,969		(227,875)	(556,492)	(940,449)
Cash payments to employees	(270,979)			(6,692)	(277,671)	(239,304)
Net Cash Provided By (Used For) Operating Activities	<u>258,387</u>	<u>133,969</u>	<u>-</u>	<u>(21,090)</u>	<u>371,266</u>	<u>308,358</u>
Cash Flows from Capital and Related Financing Activities						
Purchase of fixed assets	(635,628)				(635,628)	(54,051)
Grant revenue					-	25,000
Connection and impact fees		661,089	508,600		1,169,689	
Principal payments on long-term debt	(81,600)				(81,600)	(79,750)
Interest paid on debt	(70,638)				(70,638)	(63,259)
Interfund lending	774,968	(795,058)		21,090	1,000	(1,000)
Net transfers from other funds	372,000				372,000	1,223
Net transfer to other funds			(372,000)		(372,000)	(21,064)
Net Cash Provided by (Used For) Capital and Related Financing Activities	<u>359,102</u>	<u>(133,969)</u>	<u>136,600</u>	<u>21,090</u>	<u>382,823</u>	<u>(192,901)</u>
Cash Flows from Investing Activities:						
Interest income	12,317				12,317	14,142
Net Cash Provided By Investing Activities	<u>12,317</u>				<u>12,317</u>	<u>14,142</u>
Net Increase (Decrease) in Cash and Cash Equivalents	629,806	-	136,600	-	766,406	129,599
Cash and Cash Equivalents, July 1	<u>928,783</u>				<u>928,783</u>	<u>799,184</u>
Cash and Cash Equivalents, June 30	<u>\$1,558,589</u>	<u>\$ -</u>	<u>\$ 136,600</u>	<u>\$ -</u>	<u>\$ 1,695,189</u>	<u>\$ 928,783</u>
Reconciliation of Cash and Cash Equivalents:						
Cash and investments	\$1,558,589	\$ -	\$ 136,600	\$ -	\$ 1,695,189	\$ 928,783
Restricted cash and investments					-	-
Total Cash and Cash Equivalents, June 30	<u>\$1,558,589</u>	<u>\$ -</u>	<u>\$ 136,600</u>	<u>\$ -</u>	<u>\$ 1,695,189</u>	<u>\$ 928,783</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities						
Operating income (loss)	\$ (226,161)	\$ (6,576)	\$ -	\$ 1,822	\$ (230,915)	52,396
Adjustments to operating income:						
Depreciation expense	328,386				328,386	324,713
(Increase) decrease in accounts receivable	(10,940)			(34,493)	(45,433)	5,177
(Increase) decrease in workers compensation deposit	3,501				3,501	-
Increase (decrease) in accounts payable	147,736	140,545		11,581	299,862	(92,382)
Increase in accrued payroll	(3,678)				(3,678)	6,207
Increase (decrease) in customer deposits	571				571	123
Increase (decrease) in S.C.O.R.E. liability	(6,108)				(6,108)	(4,581)
Increase in OPEB					-	20,975
GASB 68-pension adjustments	23,903				23,903	680
Change in compensated absences	1,177				1,177	(4,950)
Net Cash Provided By (Used For) Operating Activities	<u>\$ 258,387</u>	<u>\$ 133,969</u>	<u>\$ -</u>	<u>\$ (21,090)</u>	<u>\$ 371,266</u>	<u>\$ 308,358</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, 2018

(With comparative total as of June 30, 2017)

	Agency Funds			Totals	
	Community	Asset Seizure	Regional Traffic		
	Facilities Districts	Police	Mitigation	2018	2017
<u>Assets</u>					
Cash and investments	\$ 71,305	\$ 8,996	\$ 304,527	\$ 384,828	\$ (15,168)
Cash with fiscal agent	456,978			456,978	1,753,903
Due from other government	4,168			4,168	2,047
Total Assets	<u>\$ 532,451</u>	<u>\$ 8,996</u>	<u>\$ 304,527</u>	<u>\$ 845,974</u>	<u>\$ 1,740,782</u>
<u>Liabilities</u>					
Due to others	\$ 532,451	\$ 8,996	\$ 304,527	\$ 845,974	\$ 1,740,782
Total Liabilities	<u>\$ 532,451</u>	<u>\$ 8,996</u>	<u>\$ 304,527</u>	<u>\$ 845,974</u>	<u>\$ 1,740,782</u>

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

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018, 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, 2018

Note 2: Cash and Investments

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

Cash and investments	\$ 2,139,569
Restricted cash and investments	<u>3,669,732</u>
Cash and investments, statement of net assets	5,809,301
Cash and investments, statement of fiduciary assets	<u>841,806</u>
Total cash and investments	<u><u>\$ 6,651,107</u></u>
Checking and saving accounts	\$ 5,060,693
Certificates of deposit	253,341
Imprest cash	240
Local agency investment fund	765,565
Money market accounts	<u>571,268</u>
Total cash and investments	<u><u>\$ 6,651,107</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, 2018

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:

Investment Type	Totals	12 Months or Less	Remaining 13-48 Months
State Investment Pool*	\$ 765,565	\$ 765,565	\$ -
Held by Trustee			
Money Market*	571,268	571,268	-
Totals	\$ 1,336,833	\$ 1,336,833	\$ -

*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, 2018, the City's deposits balance including certificates of deposits was \$5,423,380 and the carrying amount was \$5,314,034. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance, \$698,297 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 \$88.94 billion. Of the \$88.94 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 2.67% 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, 2018

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, 2018 was as follows:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 29,696,609	\$ -	\$ -	\$ 29,696,609
Construction in progress	250,612		(250,612)	-
Capital assets, being depreciated:				
Buildings and improvements	3,329,120	66,000		3,395,120
Site improvements	982,992	102,005		1,084,997
Vehicles and equipment	2,438,015	191,428		2,629,443
Infrastructure	2,594,098	365,708		2,959,806
Total capital assets, being depreciated	9,344,225	725,141	-	10,069,366
Less accumulated depreciation for:				
Buildings and improvements	(1,369,807)	(78,320)		(1,448,127)
Site Improvements	(596,288)	(40,821)		(637,109)
Vehicles and Equipment	(1,781,311)	(173,581)	-	(1,954,892)
Infrastructure	(1,129,754)	(115,420)		(1,245,174)
Total accumulated depreciation	(4,877,160)	(408,142)	-	(5,285,302)
Total capital assets, being depreciated, net	4,467,065	316,999	-	4,784,064
Governmental activities capital assets, net	<u>\$ 34,414,286</u>	<u>\$ 316,999</u>	<u>\$ (250,612)</u>	<u>\$ 34,480,673</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 3,873,444	\$ -	\$ -	\$ 3,873,444
Construction in progress	1,852,948	633,489		2,486,437
Capital assets, being depreciated:				
Buildings and improvements	1,460,112			1,460,112
Site improvements	446,396			446,396
Vehicle and equipment	657,868	2,139		660,007
Infrastructure	8,995,864			8,995,864
Total capital assets, being depreciated	11,560,240	2,139	-	11,562,379
Less accumulated depreciation for:				
Buildings and improvements	(836,557)	(35,756)		(872,313)
Site improvements	(384,796)	(4,400)		(389,196)
Vehicle and equipment	(502,044)	(24,993)		(527,037)
Infrastructure	(2,550,984)	(263,237)		(2,814,221)
Total accumulated depreciation	(4,274,381)	(328,386)	-	(4,602,767)
Total capital assets, being depreciated, net	7,285,859	(326,247)	-	6,959,612
Business- type activities capital assets, net	<u>\$ 13,012,251</u>	<u>\$ 307,242</u>	<u>\$ -</u>	<u>\$ 13,319,493</u>

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 3: Capital Assets (Continued)

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

Governmental Activities

General government	\$ 47,717
Public safety	192,242
Public works	19,888
Streets and roads	59,595
Parks	88,700
Total	<u>\$ 408,142</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, 2018:

	Balance July 1, 2017	Additions/ Adjustments	Retirements/ Adjustments	Balance June 30, 2018	Due Within One Year
Compensated absences-Note 1K	\$ 147,984	\$ 30,654	\$ (37,227)	\$ 141,411	\$ 18,614
Net pension liability-Note 5	2,339,702	263,880		2,603,582	-
Net OPEB Obligation Note-6	1,046,325	765,311		1,811,636	-
Amador County loan	-		-	-	-
Train Depot loan	18,000		(9,000)	9,000	9,000
S.C.O.R.E. insurance liability	9,161		(9,161)	-	-
Note Payable		55,000		55,000	9,719
Capital lease	378,946		(27,637)	351,309	28,735
Total	<u>\$ 3,940,118</u>	<u>\$ 1,114,845</u>	<u>\$ (83,025)</u>	<u>\$ 4,971,938</u>	<u>\$ 66,068</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>	
2019	\$ 41,932
2020	41,932
2021	41,932
2022	41,932
2023	41,932
2024-2028	209,660
2029	6,989
Total minimum lease payments	426,308
Less: Amount representing interest	(74,999)
Present value of minimum lease payments	<u>\$ 351,309</u>

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 4: Long-term Liabilities (Continued)

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.

Note Payable

On June 6, 2018 the City entered into a debt agreement with American River Bank whereby the City borrowed \$55,000 to purchase a commercial lawn mower for the City parks. Payments are due quarterly with the first payment due September 25, 2018 and the final payment is due June 25, 2023. The interest rate is 5.06%. The following is the amortization schedule for this loan:

Fiscal Year Ended

June 30,	Principal	Interest	Total
2019	\$ 9,719	\$ 2,856	\$ 12,576
2020	10,481	2,094	12,576
2021	11,022	1,554	12,576
2022	11,590	986	12,576
2023	12,188	388	12,576
Totals	<u>\$ 55,000</u>	<u>\$ 7,878</u>	<u>\$ 62,878</u>

Business-Type Activities:

A summary of changes in the City's business-type activities long-term liabilities for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Compensated absences	\$ 2,917	\$ 1,177	\$ -	\$ 4,094	\$ -
Net pension liability-Note 5	197,128	41,544		238,672	-
S.C.O.R.E. insurance liability	6,108		(6,108)	-	-
Net OPEB Liability-Note 6	111,352	133,785		245,137	-
I-Bank Installment Loan	3,016,133		(81,600)	2,934,533	83,494
Total	<u>\$ 3,333,638</u>	<u>\$ 176,506</u>	<u>\$ (87,708)</u>	<u>\$ 3,422,436</u>	<u>\$ 83,494</u>

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 4: Long-term Liabilities (Continued)

Installment Sale Agreement

Effective September 1, 2013 the City entered into an instalment 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
2019		\$ 83,494	\$ 59,880	\$ 143,374
2020		85,431	58,132	143,563
2021		87,413	56,343	143,756
2022		89,441	54,514	143,955
2023		91,516	52,640	144,156
2024-2028		490,428	233,552	723,980
2029-2033		550,020	179,765	729,785
2034-2038		616,851	119,443	736,294
2039-2043		691,804	51,788	743,592
2044		148,135	1,533	149,668
Totals		<u>\$ 2,934,533</u>	<u>\$ 867,590</u>	<u>\$ 3,802,123</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, 2018, are summarized as follows:

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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%	1.09%-2.42%	1% to 2%
Required employee contribution rates	8.00%	N/A	6.25%
Required employer rates (net of UAL contribution)	9.54%	7.20%	6.53%

	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%	12.00%
Required employer rates (net of UAL contribution)	18.62%	16.84%	11.99%

	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%	9.50%
Required employer rates (net of UAL contribution)	12.24%	9.51%

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, 2018, contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	\$ 355,084
Contributions-employee (paid by employer)	\$ -

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, the City reported net pension liabilities for its proportionate share of the Plan as follows:

	Proportionate share of Net pension liability
Miscellaneous Plan	\$ 1,173,835
Safety Plan	\$ 1,668,419

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, 2016, 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, 2015 rolled forward to June 30, 2016 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, 2016 and June 30, 2017 (measurement date) was:

	Miscellaneous Plans	Safety Plans
Proportion - June 30, 2016	0.02982%	0.03028%
Proportion - June 30, 2017	0.02978%	0.02792%
Change - Increase (Decrease)	-0.00005%	-0.00236%

For the year ended June 30, 2018, the City recognized pension expense of \$377,049. At June 30, 2018, 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	\$ -	\$ (8,629)
Changes of assumptions	414,710	
Net difference between projected and actual earnings on pension plan investments	99,530	
Changes in proportion		(188,097)
Change in proportionate share of contributions	37,877	
City contributions subsequent to the measurement date	355,084	-
Total	<u>\$ 907,201</u>	<u>\$ (196,726)</u>

\$355,084 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, 2018.

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, 2018

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

Measurement Period	
Ended June 30:	
2018	\$ 38,627
2019	220,254
2020	155,133
2021	(58,623)

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.15%

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 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 7.15% 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 7.15 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 7.15 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 7.00 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.

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.

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-

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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>Current Target Allocation</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.4%	-0.90%

(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% (6.15%)</u>	<u>Current Discount Rate Rate (7.15%)</u>	<u>Discount Rate +1% (8.15%)</u>
Miscellaneous Plans	\$ 1,829,836	\$ 1,173,835	\$ 630,523
Safety Plans	\$ 2,494,510	\$ 1,668,419	\$ 993,134

Note 6: Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

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 between 50 and 52 and has 5 years vested full-time service, depending on the subscriber group, and separated from the City into a retirement status within the CalPERS Retirement System. Retirees who have met other vesting requirements as defined by Government Code 20079, shall receive up to a maximum \$850 of the retiree health benefit premium. The cap will increase \$50 per year until 2020 when it reaches a maximum \$1,000 per month. The cap is assumed to not increase thereafter. The City also pays the CAIPERS administrative fee of .33% of the premium (.23% for 2018/19). The City does not offer vision, dental or life benefits to retirees. The total City expense, on the pay as you go basis for postretirement health benefits in the 2017/2018 fiscal year was \$39,498. As of June 30, 2018, six retired employees were receiving postretirement health benefits. The City has not established a funding plan to prefund the post-retirement health care benefits.

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 6: Other Postemployment Benefits (OPEB) (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 \$850. The plan also provides coverage for eligible dependents. For employees who are eligible to participate in the plan the City will contribute the health benefit cost for the retiree and eligible spouse up to 45% of \$850 increasing \$50 annually until it reaches \$1,000. A retiree with less than the required years of service with the City will receive no benefit, unless they have previous employment qualifying them for CalPERS retirement, in which case they are eligible to receive the CalPERS minimum at the time of retirement.

Funding Policy

As of June 30, 2018 the City Council has not adopted a funding policy. The City is on the pay as you go basis for paying the post-retirement health care benefits.

Employees Covered By Benefit Terms

At the OPEB liability measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	6
Active employees	16
Total	<u>22</u>

Contributions

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the actuarially determined contribution of the employer (ADC), an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ADC 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 contribution requirement of plan members is established by the City Council. The 2017-18 fiscal year actuarial determined contribution was not amortized because the City is currently financing benefits on a pay-as-you-go basis. For the fiscal year ending June 30, 2018 the City contributed \$0 to towards the unfunded actuarial accrued liability (UAAL). The City did not choose a trustee for the plan as of June 30, 2018. The City made the required contribution for fiscal year end June 30, 2018 directly to health insurance providers totalling \$39,498.

Net OPEB Liability: At June 30, 2018 the City reported a net OPEB liability of \$2,056,773. The net OPEB liability was measured from July 1, 2016 to June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2017.

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 6: Other Postemployment Benefits (OPEB) (Continued)

Actuarial Assumptions

The net OPEB liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2016 to June 30, 2017
Actuarial Assumptions:	
Discount Rate	3.13%
Healthcare trend rates	5.00% to 6.00%
Salary increase	3.00%
Age adjustment factor	4.00%
Percent of retirees with spouses	50%
Investment Rate of Return	N/A

OPEB Assets

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

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
Pay as you go	N/A	N/A
Total	0.00%	

(1): The city has not established an irrevocable trust.

The discount rate used to measure the total OPEB liability was 3.13 percent. The projection of cash flows used to determine the discount rate assumed the City's contributions will continue based upon the current OPEB funding policy. Based on those assumptions, there would be no OPEB plans fiduciary net position available to make future benefit payments.

Changes in the Net OPEB Liability

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position (i.e. fair value of Plan assets), and the net OPEB liability during the measurement period ending on June 30, 2017.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(c)
Balances at 6/30/2017	\$ 1,654,992	\$ -	\$ 1,654,992
Changes for the year:			
Service cost	404,341		404,341
Interest	50,970		50,970
Contribution-employer		53,530	(53,530)
Net investment income			-
Benefit payments	(53,530)	(53,530)	-
Net changes	401,781	-	401,781
Balances at 6/30/18	\$ 2,056,773	\$ -	\$ 2,056,773

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 6: Other Postemployment Benefits (OPEB) (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the City's share of the net OPEB liability if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease 2.13%	Discount Rate 3.13%	1% Increase 4.13%
Net OPEB liability (asset)	\$ 2,344,595	\$ 2,056,773	\$ 1,819,498

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$611,032. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or methods. At June 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on retirement plan investments	-	-
District contributions subsequent to measurement date	39,498	-
Totals	<u>\$ 39,498</u>	<u>\$ -</u>

\$39,498 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

Year Ended June 30,	
2019	\$ -
2020	-
2021	-
2022	-
Total	<u>\$ -</u>

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, is:

Community Facilities District 2005-2IA1	\$ 2,925,000
Community Facilities District 2005-2IA3	5,340,000
Total	<u>\$ 8,265,000</u>

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 was the fixed price of the annuity purchased from Pacific Life Insurance Company to pay the benefits. The contribution amounts and benefit provisions were established through an agreement between the City and PARS, and may be amended only by mutual agreement. There were no employee contributions. As of June 30, 2018 there was no additional annual pension cost due from the City and \$0 net pension liability as a result of this supplementary retirement plan.

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.

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 with a minimum annual rent of \$43,000. Under this agreement the City received, \$43,000 in the 2015-2016 fiscal year, \$43,000 in the 2016-2017 fiscal year and accrued an estimated receivable at June 30, 2018 of \$43,000 for the 2017-18 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 between funds at the fiscal year end are reported as either “due from/due to other funds” (due within one year), “advances to/from other funds” (non-current portions of interfund lending/borrowing transactions). Advances other funds are offset by a fund balance reserve in applicable governmental funds to indicate they are not expendable available financial resources.

As of June 30, 2018 \$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, 2018 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	\$ 662,453	\$ 1,404,098	\$ -	\$ 35,344	\$ -	\$ -
Enterprise	310,955	-	3,086,249	3,086,249	372,000	372,000
Special Revenue	1,136,143	-	39,604	4,260	-	-
Capital Projects	821,804	1,527,257	139,608	139,608	-	-
Total	<u>\$ 2,931,355</u>	<u>\$ 2,931,355</u>	<u>\$ 3,265,461</u>	<u>\$ 3,265,461</u>	<u>\$ 372,000</u>	<u>\$ 372,000</u>

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.

	Final Amended Budget	Actual Expenditures	(Unfavorable) Variance
General Government			
Legal	\$ 56,000	\$ 93,415	\$ (37,415)
Administrative Services	249,523	315,179	(65,656)
Public Ways and Facilities/Transportation			
Planning	47,660	84,228	(36,568)
Building inspection	365,000	509,459	(144,459)
Engineering	27,000	34,946	(7,946)
Public Safety			
Police	851,260	866,991	(15,731)
Fire	74,852	102,770	(27,918)
Measure M Fund			
Capital Outlay	129,500	263,677	(134,177)

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 12: Stewardship, Compliance and Accountability (Continued)

B. Deficit Fund Balances

Three major governmental funds have deficit fund balances at June 30, 2018. The general fund had a deficit fund balance of \$797,514 the fire impact fee fund has a deficit fund balance of \$1,298,772, the governmental impact fee fund had a deficit fund balance of \$606,972. The Sewer Capital enterprise fund had a deficit net position of \$2,975,875 and the Sewer Tertiary Plant fund had a deficit net position of \$467,306. The non-major railroad fund had a deficit fund balance of \$27,000 and the Safer Grant Fund had a deficit fund balance of \$9,613. 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

The beginning general fund, fund balance was increased \$75,858 to transfer developer deposit liabilities for deposits written off in prior years. Beginning general fund, fund balance was decreased \$13,090 to reclassify a prior year department of corrections allowance for doubtful account. Prior period adjustments were made reducing beginning fund balance is the police impact fee fund \$333,402, the parks impact fee fund \$89,161, the general impact fee fund \$28,670, the local traffic impact fee fund \$83,441 and the sewer capital fund \$584,384 to recognize prepaid developer impact fees that were recognized as revenues in prior years when they were received and were reclassified to deposits from others liabilities in the current fiscal year.

Government wide beginning net position decreased \$731,690 and business-type activities beginning net position decreased \$127,908 as a result of implementing governmental accounting standards board statement no. 75 for post-retirement health benefits. Government wide beginning net position decreased \$534,674 to recognize prepaid developer impact fees that were recognized as revenues in prior years when they were received and were reclassified to deposits from others liabilities in the current fiscal year.

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 City does make contributions to certain management employee deferred compensation accounts as authorized under individual employment contracts. The plan trustee is the California Public Retirement System.

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

Note 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, 2018

Note 15: Gann Limit

Proceeds subject to the limit for 2017-18	\$ 3,331,651
Amount of limit for 2017-18	4,115,723
Amount (under)/over the limit	<u>\$ (784,072)</u>
Per Capita Percentage Change	3.69%
Population Change*	21.43%
* 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 for the 2017/18 fiscal year was \$31,038.86 which is 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, 2018

	Original Budget	Final Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
Property tax	\$ 630,000	\$ 630,000	\$ 681,720	\$ 51,720
Sales tax	175,000	175,000	175,722	722
Transient occupancy	100	100	1,269	1,169
Sales tax - public safety			5,189	5,189
Real property transfer	20,000	20,000	35,271	15,271
Total Taxes	825,100	825,100	899,171	74,071
Licenses and Permits				
Franchise fee	80,000	80,000	95,591	15,591
Business license	6,500	6,500	11,788	5,288
Building permits and inspections	81,000	81,000	218,341	137,341
Burn permits	-	-	295	295
Fire sprinkler inspection	-	-	2,872	2,872
Encroachment permit	1,000	1,000	825	(175)
Total Licenses and Permits	168,500	168,500	329,712	161,212
Intergovernmental				
Motor vehicle in lieu (state)	835,000	835,000	851,599	16,599
HOPTR	6,500	6,500	8,035	1,535
Grants/reimbursements	106,000	106,000	121,405	15,405
Total Intergovernmental	947,500	947,500	981,039	33,539
Fines, Forfeitures and Penalties				
Parking citations and other fines		-	14,958	14,958
Total Fines, Forfeitures and Penalties			14,958	14,958
Charges for Current Services				
Planning and building inspection fees	57,000	57,000	115,347	58,347
Engineering fees			6,035	6,035
Finance	3,000	3,000	51	(2,949)
Police department services	21,000	21,000	76,471	55,471
Fire department services	36,852	36,852	21,545	(15,307)
Total Charges for Current Services	117,852	117,852	219,449	101,597
Use of Money and Property				
Interest and investment income	7,000	7,000	12,401	5,401
Rent	78,000	78,000	79,655	1,655
Total Use of Money and Property	85,000	85,000	92,056	7,056
Other				
Insurance refunds and dividends	800	800	2,686	1,886
Miscellaneous - all others	750	750	36,264	35,514
Total Other	1,550	1,550	38,950	37,400
Total Revenues	\$ 2,145,502	\$ 2,145,502	\$ 2,575,335	\$ 429,833

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

CITY OF IONE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Original Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 2,145,502	\$ 2,145,502	\$ 2,575,335	\$ 429,833
Expenditures				
General Government				
City Council	25,590	25,590	20,739	4,851
City Manager	40,898	40,898	40,282	616
City Clerk	96,770	96,770	90,846	5,924
Finance	94,557	94,557	91,354	3,203
City Treasurer	2,916	2,916	3,116	(200)
Legal	56,000	56,000	93,415	(37,415)
Administrative services	249,523	249,523	315,179	(65,656)
Total General Government	566,254	566,254	654,931	(88,677)
Public Ways and Facilities/Transportation				
Planning	47,660	47,660	84,228	(36,568)
Building inspection	185,000	365,000	509,459	(144,459)
Engineering	27,000	27,000	34,946	(7,946)
Total Public Ways and Facilities/Transportation	259,660	439,660	628,633	(188,973)
Public Safety				
Police	851,260	851,260	866,991	(15,731)
Fire	74,852	74,852	102,770	(27,918)
Total Public Safety	926,112	926,112	969,761	(43,649)
Community Development				
Parks and recreation	259,587	259,587	213,832	45,755
Total Community Development	259,587	259,587	213,832	45,755
Capital Outlay	129,500	129,500	263,677	(134,177)
Total Expenditures	2,141,113	2,321,113	2,730,834	(409,721)
Excess (Deficit) of Revenues Over Expenditures				
Before Other Financing Sources	4,389	(175,611)	(155,499)	20,112
Other Financing Sources				
Proceeds of debt			55,000	55,000
Operating transfers in			-	
Total Other Financing Sources			55,000	55,000
Excess (Deficit) of Revenues and Other Financing				
Sources over Expenditures	\$ 4,389	\$ (175,611)	(100,499)	\$ 75,112
Fund Balance, July 1, 2017			(759,783)	
Prior Period Adjustment			62,768	
Fund Balance, June 30, 2018			\$ (797,514)	

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, 2018

	City's proportion of the net pension liability (asset)	City's proportionate share of the net pension liability (asset)	City's covered employee payroll	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>					
6/30/2014	0.03101%	\$766,508	\$292,700	261.88%	*
6/30/2015	0.03150%	\$864,120	\$424,499	203.56%	77.40%
6/30/2016	0.02982%	\$1,036,055	\$424,791	243.90%	73.13%
6/30/2017	0.02978%	\$1,173,835	\$402,879	291.36%	66.82%
<u>CalPERS-Safety Plans</u>					
6/30/2014	0.03334%	\$1,250,619	\$498,282	250.99%	*
6/30/2015	0.03415%	\$1,407,288	\$583,315	241.26%	66.85%
6/30/2016	0.03028%	\$1,568,488	\$582,674	269.19%	67.63%
6/30/2017	0.02792%	\$1,668,419	\$614,843	271.36%	64.62%

*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, 2018

	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>					
6/30/2014	\$51,163	(\$51,163)	\$0	\$292,700	17.48%
6/30/2015	\$81,342	(\$81,342)	\$0	\$424,499	19.16%
6/30/2016	\$84,796	(\$84,796)	\$0	\$424,791	19.96%
6/30/2017	\$92,530	(\$92,530)	\$0	\$402,879	22.97%
<u>CalPERS-Safety Plans</u>					
6/30/2014	\$158,304	(\$158,304)	\$0	\$498,282	31.77%
6/30/2015	\$227,364	(\$227,364)	\$0	\$583,315	38.98%
6/30/2016	\$239,671	(\$239,671)	\$0	\$582,674	41.13%
6/30/2017	\$262,554	(\$262,554)	\$0	\$614,843	42.70%

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 OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS JUNE 30, 2018

Total OPEB liability

Service cost	\$ 404,341
Interest	50,970
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments**	(53,530)
Net change in total OPEB liability	401,781
Total OPEB liability-beginning (a).	1,654,992
Total OPEB liability-ending (b)	<u>\$ 2,056,773</u>

Plan fiduciary net position

Contributions-employer **	\$ 53,530
Net investment income	-
Benefit payments	(53,530)
Administrative expenses	-
Net change in plan fiduciary net position	-
Plan fiduciary net position-beginning (c)	-
Plan fiduciary net position-ending (d)	<u>\$ -</u>

Net OPEB liability-beginning (a)-(c)	\$ 1,654,992
Net OPEB liability-ending (b)-(d)	\$ 2,056,773

Plan fiduciary net position as a percentage of the total OPEB liability 0%

Covered-employee payroll \$ 1,017,722

District's net OPEB liability as a percentage of covered-employee payroll 202%

Measurement date 6/30/2017

* Amounts presented above were determined as of June 30. Additional years will be presented as they become available.

**Amount includes implicit subsidy associated with benefits paid.

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

CITY OF IONE

NOTES REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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, 2018

	Revenue Funds	Projects Funds	Total
<u>Assets</u>			
Current Assets			
Cash and investments	\$ 397,438	\$ -	\$ 397,438
Due from other funds	4,260	-	4,260
Receivables			
Accounts	148,744	-	148,744
Deposits with others	2,331		2,331
Prepaid expense	-		-
Total Current Assets	<u>552,773</u>	<u>-</u>	<u>552,773</u>
Long-Term Assets			
Advance to other funds	786,230	796,804	1,583,034
Interest receivable	398,500		398,500
Loans receivable (net of allowance for uncollectibles)	1,594,120	21,046	1,615,166
Restricted cash and investments	<u>741,609</u>	<u>612,106</u>	<u>1,353,715</u>
Total Long-Term Assets	<u>3,520,459</u>	<u>1,429,956</u>	<u>4,950,415</u>
Total Assets	<u>\$ 4,073,232</u>	<u>\$1,429,956</u>	<u>\$ 5,503,188</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 7,478	\$ -	\$ 7,478
Accrued payroll	1,577		1,577
Deposits from others		366,383	366,383
Due to other funds	<u>39,604</u>		<u>39,604</u>
Total Liabilities	<u>48,659</u>	<u>366,383</u>	<u>415,042</u>
Deferred Inflows of Resources			
Unavailable revenue	<u>504,797</u>		<u>504,797</u>
Fund Balances			
Restricted for loans receivable	1,594,120		1,594,120
Non-spendable for advances	786,230	796,804	1,583,034
Assigned for public safety	34,238		34,238
Assigned for community development	723,020		723,020
Assigned for streets and roads	382,168		382,168
Assigned for capital projects		266,769	266,769
Total Fund Balance	<u>3,519,776</u>	<u>1,063,573</u>	<u>4,583,349</u>
Total Liabilities and Fund Balances	<u>\$ 4,073,232</u>	<u>\$1,429,956</u>	<u>\$ 5,503,188</u>

CITY OF IONE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Capital Project Funds	Total
Revenues			
Use of money and property	\$ 9,629	\$ -	\$ 9,629
Intergovernmental	498,497		498,497
Special assessment/impact fees	285,599	400,049	685,648
	<u>793,725</u>	<u>400,049</u>	<u>1,193,774</u>
Total Revenues			
Expenditures			
Current:			
General government			-
Public ways and facilities/ transportation	252,100		252,100
Public safety	190,670		190,670
Community development	96		96
Principal expense	9,000		9,000
Capital outlay	181,095	29,757	210,852
	<u>632,961</u>	<u>29,757</u>	<u>662,718</u>
Total Expenditures			
Excess (Deficit) of Revenues Over Expenditures	<u>160,764</u>	<u>370,292</u>	<u>531,056</u>
Fund Balance, July 1, 2017	<u>3,359,012</u>	<u>1,115,844</u>	<u>4,474,856</u>
Prior Period Adjustment	<u>(422,563)</u>	<u>(422,563)</u>	<u>(422,563)</u>
Fund Balance, June 30, 2018	<u><u>\$ 3,519,776</u></u>	<u><u>\$ 1,063,573</u></u>	<u><u>\$ 4,583,349</u></u>

CITY OF IONE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	TDA	Ione Dist 1 COIC	SLESF AB3229	Gas Tax	Sales Tax Fire	Fire Break Assessment	Railroad Depot	Safer Grant	State Grant	Rehab Housing
<u>Assets</u>										
Cash and investments	\$ 32,161	\$ -	\$ -	\$ -	\$ 2,748	\$ -	\$ -	\$ -	\$ 2,674	\$ -
Due from other funds				-						
Accounts receivable	1,504	348	48,747	90,645					7,500	
Deposits with others				2,331						
Prepaid expense				-						
Total Current Assets	33,665	348	48,747	92,976	2,748				10,174	
Advances to other funds	541,209			245,021						
Interest receivable										15,168
Loans receivable (net of allowance for uncollectibles)										34,015
Restricted cash and investments		76,355	41,103	197,558		46,506				47,497
Total Long-Term Assets	541,209	76,355	41,103	442,579		46,506				96,680
Total Assets	\$ 574,874	\$ 76,703	\$ 89,850	\$ 535,555	\$ 2,748	\$ 46,506	\$ -	\$ -	\$ 10,174	\$ 96,680
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>										
<u>Liabilities</u>										
Accounts payable	\$ -	\$ 4,765	\$ -	\$ 1,348	\$ -	\$ -	\$ -	\$ 1,269	\$ 96	\$ -
Accrued payroll				1,577						
Deposits from others										
Due to other funds	-		-				27,000	8,344	-	
Total Liabilities		4,765		2,925			27,000	9,613	96	
<u>Deferred Inflows of Resources</u>										
Unavailable revenue	1,504		48,747	56,046						15,168
<u>Fund Balances</u>										
Restricted for loans receivable										34,015
Non-spendable for advances	541,209			245,021						
Assigned for public safety			41,103		2,748			(9,613)		
Assigned for community development							(27,000)		10,078	47,497
Assigned for streets and roads	32,161	71,938		231,563		46,506				
Total Fund Balance	573,370	71,938	41,103	476,584	2,748	46,506	(27,000)	(9,613)	10,078	81,512
Total Liabilities and Fund Balances	\$ 574,874	\$ 76,703	\$ 89,850	\$ 535,555	\$ 2,748	\$ 46,506	\$ -	\$ -	\$ 10,174	\$ 96,680

CITY OF IONE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

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	Affordable Housing Developer Fee	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 356,955 4,260	\$ 2,900	\$ - -	\$ -	\$ 397,438 4,260 148,744 2,331
						361,215	2,900			552,773
										786,230
	53,517	15,050	28,235	139,816	37,370	85,884	23,460			398,500
	169,606	60,961	109,533	452,417	287,883	343,905	135,800			1,594,120
84,675	770	160	36,669	-	-	-	-	157,191	53,125	741,609
84,675	223,893	76,171	174,437	592,233	325,253	429,789	159,260	157,191	53,125	3,520,459
<u>\$ 84,675</u>	<u>\$ 223,893</u>	<u>\$ 76,171</u>	<u>\$ 174,437</u>	<u>\$ 592,233</u>	<u>\$ 325,253</u>	<u>\$ 791,004</u>	<u>\$ 162,160</u>	<u>\$ 157,191</u>	<u>\$ 53,125</u>	<u>\$ 4,073,232</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,478 1,577 -
				4,260			-			39,604
				4,260						48,659
	53,517	15,050	28,235	139,816	37,370	85,884	23,460			504,797
	169,606	60,961	109,533	452,417	287,883	343,905	135,800			1,594,120 786,230 34,238
84,675	770	160	36,669	(4,260)		361,215	2,900	157,191	53,125	723,020 382,168
84,675	170,376	61,121	146,202	448,157	287,883	705,120	138,700	157,191	53,125	3,519,776
<u>\$ 84,675</u>	<u>\$ 223,893</u>	<u>\$ 76,171</u>	<u>\$ 174,437</u>	<u>\$ 592,233</u>	<u>\$ 325,253</u>	<u>\$ 791,004</u>	<u>\$ 162,160</u>	<u>\$ 157,191</u>	<u>\$ 53,125</u>	<u>\$ 4,073,232</u>

CITY OF IONE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Local Transportation	Ione Dist 1 COIC	COPS SLESF AB3229	Gas Tax	Prop 172 Sales Tax Fire	Conservation Fire Break Assessment	Railroad Depot	Safer Grant	State Grant	Rehab Housing
Revenues										
Use of money and property	\$ 7,763	\$ -	\$ -	\$ 1,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessment/impact fees	179,591	52,883								
Intergovernmental	-		139,421	268,706	-			80,196	10,174	
Total Revenues	187,354	52,883	139,421	270,572				80,196	10,174	
Expenditures										
Current:										
Public ways and facilities/ transportation		59,298		192,802						
Public safety			100,000					90,670		
Community development									96	
Principal expense							9,000			
Capital outlay	181,095									
Total Expenditures	181,095	59,298	100,000	192,802			9,000	90,670	96	
Excess (Deficit) of Revenues Over Expenditures	6,259	(6,415)	39,421	77,770			(9,000)	(10,474)	10,078	
Fund Balance, July 1, 2017	567,111	78,353	1,682	398,814	2,748	46,506	(18,000)	861		81,512
Fund Balance, June 30, 2018	\$ 573,370	\$ 71,938	\$ 41,103	\$ 476,584	\$ 2,748	\$ 46,506	\$ (27,000)	\$ (9,613)	\$ 10,078	\$ 81,512

CITY OF IONE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

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	Affordable Housing Developer Fee	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,629
									53,125	285,599
						-	-			498,497
									53,125	793,725
										252,100
										190,670
										96
										9,000
										181,095
										632,961
									53,125	160,764
84,675	170,376	61,121	146,202	448,157	287,883	705,120	138,700	157,191		3,359,012
\$ 84,675	\$ 170,376	\$ 61,121	\$ 146,202	\$ 448,157	\$ 287,883	\$ 705,120	\$ 138,700	\$ 157,191	\$ 53,125	\$ 3,519,776

CITY OF IONE
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2018

	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	410,892	125,578	75,636	612,106
Total Long-Term Assets	431,938	125,578	872,440	1,429,956
Total Assets	<u>\$ 431,938</u>	<u>\$ 125,578</u>	<u>\$ 872,440</u>	<u>\$ 1,429,956</u>
<u>Liabilities and Fund Balances</u>				
Current Liabilities				
Deposits from others	\$ 73,397	\$ -	\$ 292,986	\$ 366,383
Total Liabilities	73,397		292,986	366,383
Fund Balances				
Non-spendable for advances			796,804	796,804
Assigned for capital projects	358,541	125,578	(217,350)	266,769
Total Fund Balances	358,541	125,578	579,454	1,063,573
Total Liabilities and Fund Balances	<u>\$ 431,938</u>	<u>\$ 125,578</u>	<u>\$ 872,440</u>	<u>\$ 1,429,956</u>

CITY OF IONE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

	<u>Parks & Rec Impact Fund</u>	<u>Drainage Fund</u>	<u>Services Impact Fees</u>	<u>Totals</u>
Revenues				
Impact fees	\$ 295,069	\$ -	\$ 104,980	\$ 400,049
Use of money and property	-	-	-	-
Intergovernmental				-
Total Revenues	<u>295,069</u>		<u>104,980</u>	<u>400,049</u>
Expenditures				
Current:				
General government				-
Capital outlay			<u>29,757</u>	<u>29,757</u>
Total Expenditures			<u>29,757</u>	<u>29,757</u>
Excess (Deficit) of Revenues Over Expenditures	<u>295,069</u>		<u>75,223</u>	<u>370,292</u>
Fund Balance, July 1, 2017	<u>152,633</u>	<u>125,578</u>	<u>837,633</u>	<u>1,115,844</u>
Prior Period Adjustment	<u>(89,161)</u>		<u>(333,402)</u>	<u>(422,563)</u>
Fund Balance, June 30, 2018	<u>\$ 358,541</u>	<u>\$ 125,578</u>	<u>\$ 579,454</u>	<u>\$ 1,063,573</u>

LARRY BAIN, CPA

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

To the 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 2, 2019.

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 deficiency in internal control that we consider to be a material weakness following this report is identified as FS 18-1.

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 18-2 through FS 18-6 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.

Larry Bain, CPA,
An Accounting Corporation
March 2, 2019

CITY OF IONE
SCHEDULE OF FINDINGS
JUNE 30, 2018

Deemed to be Significant Deficiencies and Material Weaknesses

FS 18-1: (Condition) At June 30, 2018, we noted the general fund had a deficit fund balance of \$797,514, the Fire Service Impact Fee Fund had a \$1,298,772 deficit fund balance, the Government Impact Fees fund had a deficit fund balance of \$606,972 the Railroad Depot had a deficit fund balance of \$27,000 and the Safer Grant fund had a deficit fund balance of \$9,913.

We noted improvement in the Sewer Capital Fund with an increase in net position of \$654,513 and ending accumulated deficit of \$2,975,875. The Sewer Tertiary Fund had an increase in net position during the 2017/18 fiscal year of \$1,822 and an ending accumulated deficit of \$467,306. We have noted these conditions in prior audits.

Recommendation: We recommend the City continue to evaluate the tertiary plant operations and prepare a plan of how the tertiary fund will pay back the \$487,187 borrowed from other funds. During the 2017/18 fiscal year the fund generated \$1,822 which will not be sufficient to repay the amount borrowed from other funds.

While the City expects current financial resources will be sufficient to cover current liabilities, we recommend close attention to resolving the accumulated deficit in the general fund and all funds with deficit fund balances/accumulated deficits.

Management Response: Finance continues to monitor deficit fund balances from previous years and is diligently working to reduce them whenever possible. The Tertiary Plant Fund will see little, if any, improvement in fund balance since the contract for reimbursement to the City is currently not keeping pace with the increasing operational costs of the plant. The Sewer Capital Fund will begin to reflect improvement following the implementation of \$8.50 per parcel/per month in utility billing revenue that had been allocated to the Sewer Fund (3111) rather than the Sewer Capital Fund (3121). A utility rate study will be taking place during the 19/20 fiscal year, based on the lack of adjustments over the past several years, the Enterprise Funds will likely see an increase of revenues due to fee updates.

Deemed to be Significant Deficiencies and Not Material Weaknesses

FS 18-2: (Condition) We noted the City had a lack of segregation of duties, as one person is capable of handling all aspects of processing certain transactions from beginning to end. A lack of segregation of duties increases the risk of potential 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 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.

Management Response: Management agrees that Finance staffing levels are insufficient to appropriately maintain the existing workload and proper segregation of duties. To address budgetary constraints several years ago Finance staff and salaries were drastically reduced and have never been returned to adequate levels. With increasing growth, regulations and reporting mandates this problem continues to be of major concern.

In an effort to address this issue restructuring has taken place within the City Manager, City Clerk and Finance Departments by creating the "Administration" Department. This has allowed us to maintain most financial responsibilities within a single department, rather than having tasks spread between three departments, which further hindered internal controls.

CITY OF IONE
SCHEDULE OF FINDINGS
JUNE 30, 2018

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

FS 18-3: (Condition) During our testing of sewer commercial accounts we noted the City is charging based on the number of fixtures, however the City did not have files for commercial properties documenting the number of fixtures so that we could recalculate the charges. We have noted this condition in prior audits.

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

Management Response: A rate study has been included in the adopted 2018-2019 budget. The study will address concerns with the current commercial billing procedures and will provide an updated comprehensive rate schedule for utility services. As well, implementation of the new utility billing software program will further streamline the calculation process for all utility statements based on the fee/rate structure adopted by council.

FS 18-4: (Condition) During our testing of the prior year deposit liability account, we noted Ryland (now Axios) pulled building permits, however the City did not adjust their deposit liability balance to reduce the liability for the 2016/17 FY activity.

During the current fiscal year audit, we noted the deposit liability was recorded in the fire impact fee fund, whereas the developer had prepaid impact fees covering multiple funds. The City did record a journal entry to reduce the deposit liability in the fire impact fee fund, however the calculation excluded 4 permits that were shown on the schedule as being paid on October 2, 2018 as opposed to the actual paid date of October 2, 2017.

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

Management Response: A procedure will be implemented to ensure that prepaid permits are tracked by individual parcel, as well as developer, in order to ensure that deposit liability balances are properly adjusted and up to date.

FS 18-5: (Condition) During our prior year testing of health insurance and health in lieu payments, we noted there were some employees with insurance deduction over withheld/ under withheld from their pay checks. We also noted on the health in lieu payouts some of the employees were also overpaid/underpaid. We also noted this condition in the prior audit.

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

Management Response: Management is in the process of finalizing a comprehensive City Handbook which will move towards city-wide employee benefits, as opposed to the current departmental/MOU procedure. Inconsistencies should be minimal once benefits are uniform Citywide with all non-represented employees being eligible for the same benefits, accruals and caps as defined in the personnel portion of the City Handbook. In-lieu medical reimbursements have now been eliminated for all employees, with the exception of those represented by the IPOA MOU.

CITY OF IONE
SCHEDULE OF FINDINGS
JUNE 30, 2018

FS 18-6: (Condition) During our testing of the SAFER federal grant program we noted the following conditions:

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

Recommendation: We recommend that a fire district employee, other than a related party to the volunteer coordinator, with knowledge of the volunteer coordinators working hours authorize the timesheets. We recommend the City review if a job description, salary schedule and benefits package should be approved by City Council. We recommend that invoices submitted to the granting agency for reimbursement be reviewed by the Finance Department, sent to the granting agency by the Finance Department and recorded as a receivable in the general ledger. We recommend the City request reimbursement from the granting agency for fringe benefits actually paid as opposed to paying the volunteer coordinator in lieu of paying fringe benefits and requesting reimbursement for those in lieu payments. We recommend the City reconcile the actual hours worked by the volunteer coordinator and if it is determined that the 1,000 hours was exceeded contact CalPERS to determine if the volunteer coordinator should have been enrolled in the CalPERS retirement plan and take action to enrol the employee in the retirement plan.

Management Response: Management agrees that currently there are not adequate internal controls in place to implement, monitor and accurately report grant activity.

A “Grant Procedure Policy” will be created which will identify who is responsible for specific grant administration and reporting requirements. All grant activity shall adhere to protocol found in the City of Ione Policies and Procedures Handbook.