

CITY OF IONE
FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, 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, 2015, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 43-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basis financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Implementation of New Accounting Standards

As disclosed in Note 5 to the financial statements, the City of Ione implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year ended June 30, 2015.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ione, California's basic financial statements. The combining and individual non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

{Signature on File}

Larry Bain, CPA,
An Accounting Corporation
April 22, 2016

City of Ione
Required Supplementary Information
Management's Discussion and Analysis
June 30, 2015

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, 2015. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2014-15

- The City's net position was \$46,035,778 at June 30, 2015. Net position decreased \$2,023,993 or .0411%. Of the total net position, \$3,052,952 is unrestricted and may be used to meet ongoing obligations to citizens and creditors.
- Total cash and investments decreased \$131,969 or 3.32% to \$3,836,190. Of total cash, \$3,166,534 is restricted for specific activities.
- As of June 30, 2015, the City's governmental funds reported combined fund balance of \$3,082,807. In comparison, Fiscal Year 2013-14 had a combined fund balance of \$2,632,321. Six governmental funds are classified as major. They are: General Fund, Measure M, Public Safety Maintenance District, Governmental Impact Fees, Local Traffic Mitigation, and the Fire Services Impact Fees.
- The General Fund fund balance increased \$184,475 or 12.86% to \$(1,249,731) as of June 30, 2015. 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 \$(1,912,184) is reported as unassigned.
- The General Fund cash balance increased \$33,402 or 6.6% from \$(607,940) to \$(574,538).
- Projects funded by the gas tax fund include storm drains, street repairs and street improvements.
- There were \$32,468 general fund capital asset additions, \$384,467 capital asset additions in the Public Safety Maintenance Fund or non-major funds, and \$348,974 sewer related capital asset additions for FY 2014-2015.
- The City's proprietary funds (sewer) net position decreased \$294,684 or 2.7% to \$10,699,097. Unrestricted cash decreased \$169,421 or 20.46% to \$658,638, and restricted cash used for sewer capital construction decreased \$440,751 or 21.85% to \$1,575,929. The City is working toward full compliance with its regulatory permits and is near completion.
- The City's long-term liabilities include compensated absences, net pension liability, OPEB obligation, PARS supplemental retirement annuity, Train Depot loan in the amount of \$36,000, SCORE Insurance liability in the amount of \$34,358 as well as the long term capital lease for the new fire station, and the Amador County sales tax loan. The original principal amount for the fire station capital lease loan was \$560,000, with a balance of \$431,257 as of 6/30/15. The original principal amount for the sales tax loan is \$149,293 with a balance of \$38,866 as of 6/30/15. The City's proprietary funds (sewer) long-term liabilities consist of the long-term loan for sewer capital construction in the amount of \$3,173,825.

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, 2015

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, 2015

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

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

The City of Ione maintains two fiduciary or agency funds. They are: community facilities districts and regional traffic mitigation.

Notes to the Financial Statements

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

Other Information

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

City of Ione
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

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

| | June 30, 2015 | | | June 30, 2014 | | |
|--------------------------------------|----------------------------|-----------------------------|----------------------|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total |
| Current and other Assets | \$ 4,430,043 | \$ 2,689,367 | \$ 7,119,410 | \$ 4,434,599 | \$ 3,366,783 | \$ 7,801,382 |
| Capital Assets | 34,893,008 | 11,602,426 | 46,495,434 | 34,737,934 | 11,478,740 | 46,216,674 |
| Total Assets | 39,323,051 | 14,291,793 | 53,614,844 | 39,172,533 | 14,845,523 | 54,018,056 |
| Deferred Outflows of Resources: | | | | | | |
| Deferred Outflows - Pensions | 206,688 | 18,971 | 225,659 | - | - | - |
| Total Deferred Outflows of Resources | 206,688 | 18,971 | 225,659 | - | - | - |
| Liabilities | | | | | | |
| Current/non current | 3,904,789 | 3,585,209 | 7,489,998 | 2,110,403 | 3,847,882 | 5,958,285 |
| Total Liabilities | 3,904,789 | 3,585,209 | 7,489,998 | 2,110,403 | 3,847,882 | 5,958,285 |
| Deferred Inflows of Resources: | | | | | | |
| Deferred Inflows - Pensions | 288,269 | 26,458 | 314,727 | - | - | - |
| Total Deferred Inflows of Resources | 288,269 | 26,458 | 314,727 | - | - | - |
| Net Position | | | | | | |
| Net investment in capital assets | 34,461,830 | 10,004,530 | 44,466,360 | 34,282,086 | 11,478,740 | 45,760,826 |
| Restricted for capital replacement | - | (1,483,534) | (1,483,534) | - | (959,521) | (959,521) |
| Unrestricted | 874,851 | 2,178,101 | 3,052,952 | 2,780,044 | 478,422 | 3,258,466 |
| Total Net Position | \$ 35,336,681 | \$ 10,699,097 | \$ 46,035,778 | \$ 37,062,130 | \$ 10,997,641 | \$ 48,059,771 |

The City's near-term financing situation, as measured by the current ratio (current assets divided by current liabilities), decreased. The ratio increased year-over-year from 2.1 to 2.2. Values greater than 1.00 are considered good.

The City's overall financial position, as measured by net position is \$46,035,778. The major component of net position is invested in capital assets. Unrestricted net position are \$3,052,952 and represent the amount available for future operations. Unrestricted net position decreased and business-type activities accounted for the majority of the decrease.

City of Ione
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2015

Statement of Activities

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

| | Fiscal Year Ending June 30, 2015 | | | Fiscal Year Ending June 30, 2014 | | |
|----------------------------------|----------------------------------|-----------------------------|----------------------|----------------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Totals | Governmental Activities | Business-type Activities | Totals |
| Governmental Activities: | | | | | | |
| Charges for services | \$ 1,031,940 | \$ 1,300,270 | \$ 2,332,210 | \$ 1,002,625 | \$ 1,174,657 | \$ 2,177,282 |
| Capital grants and contributions | 119,584 | 16,059 | 135,643 | 237,543 | 223,212 | 460,755 |
| Operating grants | 890,217 | | 890,217 | 471,354 | | 471,354 |
| General Revenue: | | | - | | | - |
| Property Tax and assessments | 571,349 | | 571,349 | 509,124 | | 509,124 |
| Sales and use tax | 203,177 | | 203,177 | 151,909 | | 151,909 |
| Other taxes | 985,776 | | 985,776 | 568,700 | | 568,700 |
| Gain on sale of capital assets | 20,872 | | 20,872 | - | | - |
| Investment income | 1,540 | 14,309 | 15,849 | 12,881 | 20,444 | 33,325 |
| Transfers | (14,560) | 14,560 | - | - | - | - |
| Total Revenue | 3,809,895 | 1,345,198 | 5,155,093 | 2,954,136 | 1,418,313 | 4,372,449 |
| Expenses: | | | | | | |
| General government | \$ 755,947 | | \$ 755,947 | \$ 617,816 | | \$ 617,816 |
| Public Safety | 1,534,401 | | 1,534,401 | 1,507,025 | | 1,507,025 |
| Community development | 3,320 | | 3,320 | 82,113 | | 82,113 |
| Public Works | 244,118 | | 244,118 | 227,527 | | 227,527 |
| Streets and Roads | 472,858 | | 472,858 | 244,347 | | 244,347 |
| Parks and Recreation | 359,894 | | 359,894 | 318,402 | | 318,402 |
| Interest on debt | 17,262 | | 17,262 | 17,223 | | 17,223 |
| Business-type activities: | | | | | | |
| Wastewater | | 1,256,029 | 1,256,029 | | 1,254,801 | 1,254,801 |
| Total Expenses | 3,387,800 | 1,256,029 | 4,643,829 | 3,014,453 | 1,254,801 | 4,269,254 |
| Change in net position | \$ 422,095 | \$ 89,169 | \$ 511,264 | \$ (60,317) | \$ 163,512 | \$ 103,195 |
| Net Position: | | | | | | |
| Net Position - beginning | 37,062,130 | 10,997,641 | 48,059,771 | 37,185,250 | 10,860,217 | 48,045,467 |
| Prior period adjustment | (2,147,544) | (387,713) | (2,535,257) | (62,803) | (26,088) | (88,891) |
| Net Position - Ending | \$ 35,336,681 | \$ 10,699,097 | \$ 46,035,778 | \$ 37,062,130 | \$ 10,997,641 | \$ 48,059,771 |

The statement of activities, identify the various revenue and expense items which affect the change in net position. Total revenues increased \$782,642 or about 17.9% to \$5,155,093 while total expenses increased \$374,575 or about 8.1% to \$4,643,829. The net position decreased \$2,023,994 or 4.4% to \$46,035,778. The increase to revenues for governmental activities was due to the increase to motor vehicle in lieu of tax, property taxes and assessments, sales and use tax, franchise tax, sales of assets and other taxes, offset by decreased in capital grants and constructions and investment income. Expenses for governmental activities is under revenues by \$464,160. Decrease in general government, public works, streets and roads, and parks and recreation contributed to the increase in expenses and the change in net position offset decreased in expenses of public safety and community development. Street repairs and maintenance along with planning, engineering and interest on debt upturns were the primary driver of increased cost.

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

City of Ione
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2015

FUNDS FINANCIAL ANALYSIS

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

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

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

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

The combined funds near-term financing situation, as measured by the current ratio (current assets divided by current liabilities), decreased. The ratio decreased over the two year period from 2.31 to 1.96. Values greater than 1.00 are considered good. Unrestricted net position represent the amount available for future operations. Unrestricted net position decreased \$1,392,909.

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

Budgetary Highlights

General fund revenues for the 2014-15 fiscal year were budgeted at \$1,880,151. The actual revenues were \$2,276,984 which is favourable variance of \$396,833 or 21.1%. The majority of the variance was due to an increase of \$9,324 for property tax, \$11,596 for sales tax, \$8,028 building permits and inspections for licenses and permits, \$182,195 for motor vehicle in lieu of (state), \$84,067 for grants/reimbursements, miscellaneous – all others in the amount of \$22,975, and \$133,748 for charges for current services due mainly for planning fees - \$16,866, engineering fees - \$65,999, legal reimbursements - \$34,403, and police department services - \$13,823. Revenue categories that were over budget were transient occupancy tax \$5,000, real property transfer tax \$4,008, and use of money and property for interest and investment income \$5,462, and rent \$43,826.

General fund expenditures were budgeted at \$1,873,318. The actual amount expended was \$2,097,047 or \$191,261 over budget. The increased amount of budgeted expenditures was due to the city council, city manager, city clerk, legal, planning, building inspection, engineering, corporate yard-vehicle, fire, parks and recreation, and capital outlay. Conversely, city treasurer, administrative, and police 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, 2015

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 | |
|---------------------------|----------------------------|---------------|-----------------------------|---------------|---------------------|---------------|
| | 6/30/2015 | 6/30/2014 | 6/30/2015 | 6/30/2014 | 6/30/2015 | 6/30/2014 |
| Land | \$ 29,696,609 | \$ 29,696,609 | \$ 3,873,444 | \$ 3,873,444 | \$ 33,570,053 | \$ 33,570,053 |
| CIP | 112,326 | 81,326 | 3,038,398 | 3,224,639 | 3,150,724 | 3,305,965 |
| Structures | 3,329,120 | 3,329,120 | 1,460,112 | 1,460,112 | 4,789,232 | 4,789,232 |
| Site improvements | 929,993 | 929,993 | 446,396 | 446,396 | 1,376,389 | 1,376,389 |
| Vehicles and equipment | 2,320,400 | 2,003,279 | 637,835 | 629,636 | 2,958,235 | 2,632,915 |
| Infrastructure | 2,594,098 | 2,594,098 | 5,881,035 | 5,354,019 | 8,475,133 | 7,948,117 |
| Accumulated depreciation | (4,089,538) | (3,896,491) | (3,734,794) | (3,509,506) | (7,824,332) | (7,405,997) |
| Total Capital Assets, Net | \$ 34,893,008 | \$ 34,737,934 | \$ 11,602,426 | \$ 11,478,740 | \$ 46,495,434 | \$ 46,216,674 |

As of June 30, 2015 the City's investment in capital assets totaled \$46,495,434 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 \$431,257.

In September 2011 it was discovered that the State Board of Equalization misallocated the City's sales tax owing to the County for the 4th quarter of 2008 and the 1st quarter of 2009. A repayment agreement was reached between the City and the County to offset the loss of revenues in the amount of \$149,293. The County will loan the City \$11,220.32 for eight quarters beginning December 1, 2011, and pays the County \$7,683.68 per quarter with an interest rate at 2%. The current principal balance is \$38,866.

City of Ione
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2015

LONG – TERM DEBT (Continued)

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

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.

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%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council adopted the City's Fiscal Year 2014-15 General Fund Final Budget, Sewer and Gas Tax Budget, and remaining Special Revenue Budgets on June 16, 2015. During the past eight 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 will be near completion in 2015-2016.

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

ADDITIONAL FINANCIAL INFORMATION

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

CITY OF IONE

**STATEMENT OF NET POSITION
JUNE 30, 2015
(With comparative total as of June 30, 2014)**

| | Governmental Activities | Business-type Activities | Totals | |
|---|----------------------------|-----------------------------|---------------|---------------|
| | | | 2015 | 2014 |
| Assets | | | | |
| Cash and investments | \$ 11,018 | \$ 658,638 | \$ 669,656 | \$ 840,370 |
| Accounts receivables | 592,461 | 201,356 | 793,817 | 1,040,265 |
| Taxes receivable | 192,696 | | 192,696 | 213,098 |
| Interest receivable | 568 | | 568 | 742 |
| Prepaid items | 1 | | 1 | 25,000 |
| Due from others | | - | - | 222,803 |
| Due from other governments | - | | - | 61,187 |
| Deposits with others | 39,379 | 8,644 | 48,023 | 71,018 |
| Restricted cash and investments | 1,590,605 | 1,575,929 | 3,166,534 | 3,127,789 |
| Total current assets | 2,426,728 | 2,444,567 | 4,871,295 | 5,602,272 |
| Non Current Assets | | | | |
| Internal balances | (244,800) | 244,800 | - | - |
| Interest receivable | 324,413 | | 324,413 | 275,108 |
| Loans receivable (net of allowance for uncollectibles) | 1,923,702 | | 1,923,702 | 1,924,002 |
| Capital assets | | | | |
| Land | 29,696,609 | 3,873,444 | 33,570,053 | 33,570,053 |
| Construction in progress | 112,326 | 3,038,398 | 3,150,724 | 3,305,965 |
| Structures | 3,329,120 | 1,460,112 | 4,789,232 | 4,789,232 |
| Site improvements | 929,993 | 446,396 | 1,376,389 | 1,376,389 |
| Vehicles and equipment | 2,320,400 | 637,835 | 2,958,235 | 2,632,915 |
| Infrastructure | 2,594,098 | 5,881,035 | 8,475,133 | 7,948,117 |
| Accumulated depreciation | (4,089,538) | (3,734,794) | (7,824,332) | (7,405,997) |
| Total capital assets, net | 34,893,008 | 11,602,426 | 46,495,434 | 46,216,674 |
| Total Assets | 39,323,051 | 14,291,793 | 53,614,844 | 54,018,056 |
| Deferred Outflows of Resources | | | | |
| Deferred Outflows-Pensions | 206,688 | 18,971 | 225,659 | - |
| Total Deferred Outflows of Resources | \$ 206,688 | \$ 18,971 | \$ 225,659 | \$ - |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 108,015 | \$ 94,290 | \$ 202,305 | \$ 632,396 |
| Accrued payroll | 61,521 | 26,726 | 88,247 | 64,698 |
| Deposits from others | 440,261 | 4,406 | 444,667 | 444,849 |
| Deferred revenue | | | - | - |
| Accrued interest payable | | 28,595 | 28,595 | 28,595 |
| Due within one year | 167,167 | 76,175 | 243,342 | 234,733 |
| Noncurrent liabilities: | | | | |
| Due in more than one year | 3,127,825 | 3,355,017 | 6,482,842 | 4,553,014 |
| Total Liabilities | 3,904,789 | 3,585,209 | 7,489,998 | 5,958,285 |
| Deferred Inflows of Resources | | | | |
| Deferred Inflows-Pensions | 288,269 | 26,458 | 314,727 | - |
| Total Deferred Inflows of Resources | 288,269 | 26,458 | 314,727 | - |
| Net Position | | | | |
| Net investment in capital assets | 34,461,830 | 10,004,530 | 44,466,360 | 44,527,506 |
| Restricted for capital replacement | | (1,483,534) | (1,483,534) | (959,521) |
| Unrestricted | 874,851 | 2,178,101 | 3,052,952 | 4,491,786 |
| Total Net Position | \$ 35,336,681 | \$ 10,699,097 | \$ 46,035,778 | \$ 48,059,771 |

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

CITY OF IONE

**STATEMENT OF ACTIVITIES
JUNE 30, 2015
(With comparative total as of June 30, 2014)**

| Functions/programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--------------------------------|--------------|-------------------------|-------------------------------------|---------------------|--|-----------------------------|--------------|--------------|
| | | Charges for Services | Capital Grants and Contributions | Operating Grants | Governmental Activities | Business-type Activities | Totals | |
| | | | | | | | 2015 | 2014 |
| Governmental Activities: | | | | | | | | |
| General government | \$ 755,947 | \$ 111,875 | \$ 4,635 | \$ 5,000 | \$ (634,437) | \$ - | \$ (634,437) | \$ (514,098) |
| Public safety | 1,534,401 | 574,964 | 97,834 | 821,236 | (40,367) | | (40,367) | (560,771) |
| Community development | 3,320 | | | 49,329 | 46,009 | | 46,009 | (32,708) |
| Public works | 244,118 | 347,201 | | | 103,083 | | 103,083 | 141,570 |
| Streets and roads | 472,858 | | 9,968 | 14,652 | (448,238) | | (448,238) | (9,958) |
| Parks and recreation | 359,894 | (2,100) | 7,147 | | (354,847) | | (354,847) | (309,743) |
| Interest on debt | 17,262 | | | | (17,262) | | (17,262) | (17,223) |
| Total Governmental Activities | 3,387,800 | 1,031,940 | 119,584 | 890,217 | (1,346,059) | | (1,346,059) | (1,302,931) |
| Business-type Activities: | | | | | | | | |
| Wastewater | 1,199,881 | 1,300,270 | 16,059 | | | 116,448 | 116,448 | 222,316 |
| Interest on debt | 56,148 | | | | | (56,148) | | |
| Total Business-type Activities | 1,256,029 | 1,300,270 | 16,059 | | | 60,300 | 116,448 | 222,316 |
| Total Government | \$ 4,643,829 | \$ 2,332,210 | \$ 135,643 | \$ 890,217 | (1,346,059) | 60,300 | (1,229,611) | (1,080,615) |

General Revenues:

Taxes:

| | | | |
|---------------------------|---------------|---------------|---------------|
| Property taxes | 571,349 | 571,349 | 509,124 |
| Sales and use tax | 203,177 | 203,177 | 151,909 |
| Transient occupancy tax | - | - | - |
| Franchise tax | 92,922 | 92,922 | 92,503 |
| Motor vehicle in lieu tax | 879,793 | 879,793 | 458,462 |
| Other taxes | 13,061 | 13,061 | 17,735 |
| Sale of assets | 20,872 | 20,872 | - |
| Transfers | (14,560) | 14,560 | - |
| Investment income | 1,540 | 14,309 | 15,849 |
| Total general revenues | 1,768,154 | 28,869 | 1,797,023 |
| Change in net position | 422,095 | 89,169 | 511,264 |
| Net position - beginning | 37,062,130 | 10,997,641 | 48,059,771 |
| Prior Period Adjustment | (2,147,544) | (387,713) | (2,535,257) |
| Net Position - ending | \$ 35,336,681 | \$ 10,699,097 | \$ 46,035,778 |

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

CITY OF IONE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

(With comparative total as of June 30, 2014)

| | General | Measure M | Public Safety Maintenance District | Governmental Impact Fees | Local Traffic Mitigation | Fire Services Impact Fees | Other Nonmajor Funds | Total Governmental | |
|---|--------------|------------|--|-----------------------------|-----------------------------|------------------------------|----------------------------|--------------------|--------------|
| | | | | | | | | 2015 | 2014 |
| <u>Assets</u> | | | | | | | | | |
| Cash and investments | (1,293) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 12,311 | \$ 11,018 | \$ 12,311 |
| Due from other funds | 35,604 | | | | 691,023 | | 4,260 | 730,887 | 907,422 |
| Receivables | | | | | | | | | |
| Accounts (net of allowance) | 384,071 | 60,146 | 88,514 | | - | | 59,730 | 592,461 | 960,824 |
| Taxes | 192,696 | | | | | | | 192,696 | 213,098 |
| Interest | 568 | | | | | | | 568 | 742 |
| Due from other governments | - | | | | | | | - | 61,187 |
| Deposits with others | 36,978 | | | | | | 2,401 | 39,379 | 71,018 |
| Prepaid items | | | | | | | 1 | 1 | 25,000 |
| Restricted cash and investments | | 104,512 | 379,436 | 8,644 | 212,717 | | 885,296 | 1,590,605 | 1,111,109 |
| Total Current Assets | 648,624 | 164,658 | 467,950 | 8,644 | 903,740 | - | 963,999 | 3,157,615 | 3,362,711 |
| Advances to other funds | 662,453 | 360,623 | | 25,000 | - | | 1,606,081 | 2,654,157 | 2,654,157 |
| Interest receivable | | | | | | | 324,413 | 324,413 | 275,108 |
| Loans receivable (net of allowance for uncollectible) | | | | | | | 1,923,702 | 1,923,702 | 1,924,002 |
| Total Long-Term Assets | 662,453 | 360,623 | | 25,000 | | | 3,854,196 | 4,902,272 | 4,853,267 |
| Total Assets | \$ 1,311,077 | \$ 525,281 | \$ 467,950 | \$ 33,644 | \$ 903,740 | \$ - | \$ 4,818,195 | \$ 8,059,887 | \$ 8,215,978 |
| <u>Liabilities and Fund Balances</u> | | | | | | | | | |
| <u>Liabilities</u> | | | | | | | | | |
| Accounts payable | \$ 88,098 | \$ - | \$ 11,581 | \$ - | \$ - | \$ 3,494 | \$ 4,842 | \$ 108,015 | \$ 150,327 |
| Accrued payroll | 59,340 | | | | | | 2,181 | 61,521 | 52,699 |
| Deposits from others | 80,909 | | | | | 359,352 | | 440,261 | 440,290 |
| Due to other funds | 1,131,192 | | | 104,513 | | 35,604 | 17,625 | 1,288,934 | 882,422 |
| Total Current Liabilities | 1,359,539 | | 11,581 | 104,513 | | 398,450 | 24,648 | 1,898,731 | 1,525,738 |
| Long-term Liabilities | | | | | | | | | |
| Advances from other funds | 813,653 | | | 598,000 | | 929,257 | | 2,340,910 | 2,898,957 |
| Total Liabilities | 2,173,192 | | 11,581 | 702,513 | | 1,327,707 | 24,648 | 4,239,641 | 4,424,695 |
| Deferred Inflows of Resources | | | | | | | | | |
| Unavailable revenue | 387,616 | | | | | | 349,823 | 737,439 | 1,158,962 |
| Total Deferred Inflows of Resources | 387,616 | | | | | | 349,823 | 737,439 | 1,158,962 |
| <u>Fund Balances</u> | | | | | | | | | |
| Restricted for loans receivable | | | | | | | 1,902,656 | 1,902,656 | 1,902,956 |
| Non-spendable for advances | 662,453 | 360,623 | | 25,000 | | | 1,606,081 | 2,654,157 | 2,654,157 |
| Assigned for public safety | | 164,658 | 456,369 | | | | 7,000 | 628,027 | 365,689 |
| Assigned for community development | | | | | | | 321,802 | 321,802 | 375,594 |
| Assigned for streets and roads | | | | | | | 396,720 | 396,720 | 716,297 |
| Assigned for capital projects | | | | (693,869) | 903,740 | (1,327,707) | 209,465 | (908,371) | (1,285,712) |
| Unassigned, reported in General fund | (1,912,184) | | | | | | | (1,912,184) | (2,096,660) |
| Total Fund Balances | (1,249,731) | 525,281 | 456,369 | (668,869) | 903,740 | (1,327,707) | 4,443,724 | 3,082,807 | 2,632,321 |
| Total Liabilities, Deferred inflows of Resources and Fund Balances | \$ 1,311,077 | \$ 525,281 | \$ 467,950 | \$ 33,644 | \$ 903,740 | \$ - | \$ 4,818,195 | \$ 8,059,887 | \$ 8,215,978 |

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, 2015
(With comparative total as of June 30, 2014)

| | <u>2015</u> | <u>2014</u> |
|--|----------------------|----------------------|
| Fund Balances of Governmental Funds | \$ 3,082,807 | \$ 2,632,321 |
| 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. | 34,893,008 | 34,737,934 |
| 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. | (1,929,133) | |
| 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>(710,001)</u> | <u>(308,125)</u> |
| Net position of governmental activities | <u>\$ 35,336,681</u> | <u>\$ 37,062,130</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, 2015
(With comparative total as of June 30, 2014)**

| | General | Measure M | Public Safety Maintenance District | Governmental Impact Fees | Local Traffic Mitigation | Fire Services Impact Fees | Other Nonmajor Funds | Total Governmental | |
|--|-----------------------|-------------------|---------------------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|---------------------|---------------------|
| | | | | | | | | 2015 | 2014 |
| Revenues | | | | | | | | | |
| Taxes | \$ 739,710 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 739,710 | \$ 680,063 |
| Special assessment/impact fees | | 361,045 | 183,832 | 4,635 | 240,927 | 2,834 | 37,443 | 830,716 | 492,738 |
| Licenses and permits | 133,314 | | | | | | | 133,314 | 119,093 |
| Use of money and property | 40,712 | | | | | | | 40,712 | 84,287 |
| Intergovernmental | 1,134,887 | | 500,475 | | | | 338,976 | 1,974,338 | 1,251,673 |
| Fines, forfeitures and penalties | 13,024 | | | | | | | 13,024 | 9,515 |
| Charges for current services | 170,519 | | | | | | | 170,519 | 57,993 |
| Other | 44,818 | 11,245 | 24,726 | | | | 25 | 80,814 | 34,119 |
| Total Revenues | 2,276,984 | 372,290 | 709,033 | 4,635 | 240,927 | 2,834 | 376,444 | 3,983,147 | 2,729,481 |
| Expenditures | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | 690,829 | | | | | | 206 | 691,035 | 551,903 |
| Public ways and facilities/ transportation | 215,777 | | | | | | 415,785 | 631,562 | 383,984 |
| Public safety | 874,346 | 317,280 | 163,287 | | | - | 100,000 | 1,454,913 | 1,382,553 |
| Community development | 283,627 | | | | | | 3,320 | 286,947 | 314,744 |
| Capital Outlay | 32,468 | | 342,670 | | | | 41,797 | 416,935 | 345,252 |
| Debt service | | | | | | | | | |
| Principal | | | | | | 24,670 | 9,000 | 33,670 | 22,076 |
| Interest | | | | | | 17,262 | | 17,262 | 17,223 |
| Total Expenditures | 2,097,047 | 317,280 | 505,957 | - | 41,932 | 41,932 | 570,108 | 3,532,324 | 3,017,736 |
| Excess (Deficit) of Revenues over Expenditures | 179,937 | 55,010 | 203,076 | 4,635 | 240,927 | (39,098) | (193,664) | 450,823 | (288,255) |
| Other Financing Sources (Uses) | | | | | | | | | |
| Sale of Assets | 20,872 | | | | | | | 20,872 | |
| Operating transfers in | - | | | | | | 166,621 | 166,621 | 20,710 |
| Operating transfers out | | | | | | | (181,181) | (181,181) | (20,710) |
| Total Other Financing Sources (Uses) | 20,872 | | | | | | (14,560) | 6,312 | - |
| Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses | 200,809 | 55,010 | 203,076 | 4,635 | 240,927 | (39,098) | (208,224) | 457,135 | (288,255) |
| Fund Balances, July 1 | (1,434,206) | 470,271 | 253,293 | (673,504) | 662,813 | (1,288,609) | 4,642,264 | 2,632,322 | 2,945,203 |
| Prior period adjustments | (16,334) | | | | | | 9,684 | (6,650) | (24,627) |
| Fund Balances, June 30 | \$ (1,249,731) | \$ 525,281 | \$ 456,369 | \$ (668,869) | \$ 903,740 | \$ (1,327,707) | \$ 4,443,724 | \$ 3,082,807 | \$ 2,632,321 |

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

CITY OF IONE

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(With comparative total as of June 30, 2014)**

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|--------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 457,135 | \$ (288,255) |
| 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 | 416,935 | 345,252 |
| Capital contributions | 95,000 | - |
| Depreciation expense | (356,860) | (309,768) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | (274,565) | 224,655 |
| Proceeds of capital leases are other financing sources in the governmental funds, but the proceeds increase long-term liabilities in the Statement of Net Position | | |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | 35,961 | 22,076 |
| 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. | 40,082 | (57,435) |
| 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>8,407</u> | <u>3,158</u> |
| Change in net position of governmental activities | <u>\$ 422,095</u> | <u>\$ (60,317)</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, 2015
(With comparative total as of June 30, 2014)**

| | Sewer O & M | Sewer Capital | Nonmajor Sewer Tertiary Plant | Totals | |
|--|----------------|------------------|-------------------------------------|---------------|---------------|
| | | | | 2015 | 2014 |
| Current assets: | | | | | |
| Cash and investments | \$ 658,638 | \$ - | \$ - | \$ 658,638 | \$ 828,059 |
| Receivables | | | | | |
| Accounts | 99,074 | | 102,282 | 201,356 | 79,441 |
| Deposits with others | 8,644 | | | 8,644 | - |
| Due from others | | - | | - | 222,803 |
| Due from other funds | 2,240,072 | | | 2,240,072 | 1,437,226 |
| Restricted cash and investments | 1,575,929 | | | 1,575,929 | 2,016,680 |
| Total current assets | 4,582,357 | - | 102,282 | 4,684,639 | 4,584,209 |
| Non Current Assets | | | | | |
| Advances to other funds | | 244,800 | | 244,800 | 244,800 |
| Capital assets | | | | | |
| Land | 3,873,444 | | | 3,873,444 | 3,873,444 |
| Construction in progress | 3,038,398 | | | 3,038,398 | 3,224,639 |
| Structures | 1,460,112 | | | 1,460,112 | 1,460,112 |
| Site improvements | 446,396 | | | 446,396 | 446,396 |
| Vehicles and equipment | 637,835 | | | 637,835 | 629,636 |
| Infrastructure | 5,881,035 | | | 5,881,035 | 5,354,019 |
| Accumulated depreciation | (3,734,794) | | | (3,734,794) | (3,509,506) |
| Total capital assets | 11,602,426 | | | 11,602,426 | 11,478,740 |
| Total Assets | 16,184,783 | 244,800 | 102,282 | 16,531,865 | 16,307,749 |
| Deferred Outflows of Resources | | | | | |
| Deferred Outflows-Pensions | 18,971 | | | 18,971 | |
| Total Deferred Outflows of Resources | \$ 18,971 | \$ - | \$ - | \$ 18,971 | \$ - |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 30,502 | \$ 28,569 | \$ 35,219 | \$ 94,290 | \$ 482,069 |
| Accrued payroll | 26,726 | | | 26,726 | 11,999 |
| Due to other funds | - | 1,699,765 | 540,307 | 2,240,072 | 1,462,226 |
| Interest payable | 28,595 | | | 28,595 | 28,595 |
| Customer deposits | 4,406 | | | 4,406 | 4,559 |
| Total current liabilities | 90,229 | 1,728,334 | 575,526 | 2,394,089 | 1,989,448 |
| Noncurrent liabilities: | | | | | |
| OPEB-retiree health | 69,117 | | | 69,117 | 52,652 |
| Termination benefit-PARS | - | | | - | - |
| Note payable | 3,173,825 | | | 3,173,825 | 3,250,000 |
| S.C.O.R.E. liability | 13,743 | | | 13,743 | - |
| Net pension liability | 169,575 | | | 169,575 | - |
| Compensated absences | 4,932 | | | 4,932 | 18,008 |
| Total noncurrent liabilities | 3,431,192 | | | 3,431,192 | 3,320,660 |
| Total Liabilities | 3,521,421 | 1,728,334 | 575,526 | 5,825,281 | 5,310,108 |
| Deferred Inflows of Resources | | | | | |
| Deferred Inflows-Pensions | 26,458 | | | 26,458 | |
| Total Deferred Inflows of Resources | 26,458 | | | 26,458 | |
| Net position: | | | | | |
| Net investment in capital assets. | 10,004,530 | | | 10,004,530 | 10,245,420 |
| Restricted for capital replacement | | (1,483,534) | | (1,483,534) | (959,521) |
| Unrestricted | 2,651,345 | | (473,244) | 2,178,101 | 1,711,742 |
| Total Net Position (Accumulated Deficit) | \$ 12,655,875 | \$ (1,483,534) | \$ (473,244) | \$ 10,699,097 | \$ 10,997,641 |

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, 2015
(With comparative total as of June 30, 2014)**

| | Sewer O & M | Sewer Capital | Nonmajor Sewer Tertiary Plant | Totals | |
|---|----------------|------------------|-------------------------------------|---------------|---------------|
| | | | | 2015 | 2014 |
| Operating Revenues | | | | | |
| Charges for services | \$ 1,055,472 | \$ - | \$ 204,482 | \$ 1,259,954 | \$ 1,176,944 |
| Connection fees | | 16,059 | | 16,059 | 223,212 |
| Other | 40,316 | | | 40,316 | (2,287) |
| Total Operating Revenues | 1,095,788 | 16,059 | 204,482 | 1,316,329 | 1,397,869 |
| Operating Expenses | | | | | |
| Salaries and benefits | 205,781 | 400 | | 206,181 | 262,648 |
| Services and supplies | 457,681 | 78,386 | 232,345 | 768,412 | 721,235 |
| Depreciation expense | 225,288 | | | 225,288 | 191,670 |
| Total Operating Expenses | 888,750 | 78,786 | 232,345 | 1,199,881 | 1,175,553 |
| Operating Income | 207,038 | (62,727) | (27,863) | 116,448 | 222,316 |
| Non-Operating Revenues (Expenses) | | | | | |
| Interest expense | (56,148) | | | (56,148) | (79,248) |
| Interest income | 14,309 | | | 14,309 | 20,444 |
| Total Non-Operating Revenues (Expenses) | (41,839) | | | (41,839) | (58,804) |
| Income (Loss) Before Transfers | 165,199 | (62,727) | (27,863) | 74,609 | 163,512 |
| Operating Transfers | | | | | |
| Operating transfers in | 302,799 | - | - | 302,799 | 3,331,666 |
| Operating transfers out | (25,000) | (263,239) | | (288,239) | (3,331,666) |
| Net Operating Transfers | 277,799 | (263,239) | | 14,560 | - |
| Net Income (Loss) | 442,998 | (325,966) | (27,863) | 89,169 | 163,512 |
| Net Position (Accumulated Deficit), July 1 | 12,402,543 | (959,521) | (445,381) | 10,997,641 | 10,860,217 |
| Prior Period Adjustments | (189,666) | (198,047) | | (387,713) | (26,088) |
| Net Position (Accumulated Deficit), June 30 | \$ 12,655,875 | \$ (1,483,534) | \$ (473,244) | \$ 10,699,097 | \$ 10,997,641 |

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

CITY OF IONE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2015
(With comparative total as of June 30, 2014)**

| | Sewer O & M | Sewer Capital | Nonmajor Sewer Tertiary Plant | Totals | |
|---|---------------------|---------------------|-------------------------------------|---------------------|---------------------|
| | | | | 2015 | 2014 |
| Cash Flows from Operating Activities | | | | | |
| Cash received from customers | \$ 1,068,802 | \$ 40,815 | \$ 109,400 | \$ 1,219,017 | \$ 1,495,474 |
| Cash payments to suppliers | (464,157) | (468,612) | (220,810) | (1,153,579) | (503,763) |
| Cash payments to employees | (197,782) | (400) | | (198,182) | (243,598) |
| Net Cash Provided By (Used For) Operating Activities | 406,863 | (428,197) | (111,410) | (132,744) | 748,114 |
| Cash Flows from Capital and Related Financing Activities | | | | | |
| Purchase of fixed assets | (348,974) | | | (348,974) | (1,890,778) |
| Principal payments on long-term debt | (76,175) | | | (76,175) | 3,250,000 |
| Interest paid on debt | (56,148) | | | (56,148) | (50,653) |
| Interfund lending | (827,846) | 691,436 | 111,410 | (25,000) | 25,000 |
| Net transfers from other funds | 277,799 | | | 277,799 | 504,204 |
| Net transfer to other funds | | (263,239) | | (263,239) | (504,204) |
| Net Cash Provided by (Used For) Capital and Related Financing Activities | (1,031,344) | 428,197 | 111,410 | (491,737) | 1,333,569 |
| Cash Flows from Investing Activities: | | | | | |
| Interest income | 14,309 | | | 14,309 | 20,444 |
| Net Cash Provided By Investing Activities | 14,309 | | | 14,309 | 20,444 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (610,172) | - | - | (610,172) | 2,102,127 |
| Cash and Cash Equivalents, July 1 | 2,844,739 | | | 2,844,739 | 742,612 |
| Cash and Cash Equivalents, June 30 | <u>\$ 2,234,567</u> | <u>-</u> | <u>-</u> | <u>\$ 2,234,567</u> | <u>\$ 2,844,739</u> |
| Reconciliation of Cash and Cash Equivalents: | | | | | |
| Cash and investments | \$ 658,638 | \$ - | \$ - | \$ 658,638 | \$ 828,059 |
| Restricted cash and investments | 1,575,929 | - | | 1,575,929 | 2,016,680 |
| Total Cash and Cash Equivalents, June 30 | <u>\$ 2,234,567</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,234,567</u> | <u>\$ 2,844,739</u> |
| Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities | | | | | |
| Operating income (loss) | \$ 207,038 | \$ (62,727) | \$ (27,863) | \$ 116,448 | 222,316 |
| Adjustments to operating income: | | | | | |
| Depreciation expense | 225,288 | | | 225,288 | 191,670 |
| (Increase) decrease in accounts receivable | (26,833) | 24,756 | (95,082) | (97,159) | 96,018 |
| (Increase) decrease in workers compensation deposit | 4,139 | | | 4,139 | |
| Increase (decrease) in accounts payable | (9,088) | (390,226) | 11,535 | (387,779) | 217,472 |
| Increase in accrued payroll | 14,727 | | | 14,727 | 5,401 |
| Increase (decrease) in customer deposits | (153) | | | (153) | 1,587 |
| Increase (decrease) in S.C.O.R.E. liability | (1,527) | | | (1,527) | |
| Increase in OPEB | 16,465 | | | 16,465 | 15,113 |
| GASB 68-pension adjustments | (10,117) | | | (10,117) | |
| Decrease in termination benefits-PARS | - | | | - | (7,610) |
| Change in compensated absences | (13,076) | | | (13,076) | 6,147 |
| Net Cash Provided By (Used For) Operating Activities | <u>\$ 406,863</u> | <u>\$ (428,197)</u> | <u>\$ (111,410)</u> | <u>\$ (132,744)</u> | <u>\$ 748,114</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, 2015

(With comparative total as of June 30, 2014)

| | Agency Funds | | Totals | |
|---------------------------|----------------------|-------------------|---------------------|---------------------|
| | Community | Regional Traffic | | |
| | Facilities Districts | Mitigation | 2015 | 2014 |
| <u>Assets</u> | | | | |
| Cash and investments | \$ 25,418 | \$ - | \$ 25,418 | \$ 1,146 |
| Cash with fiscal agent | 1,849,658 | | 1,849,658 | 1,530,370 |
| Due from others | | 504,000 | 504,000 | 504,000 |
| Due from other government | 1,966 | | 1,966 | 3,518 |
| | <u>1,877,042</u> | <u>504,000</u> | <u>2,381,042</u> | <u>2,039,034</u> |
| Total Assets | <u>\$ 1,877,042</u> | <u>\$ 504,000</u> | <u>\$ 2,381,042</u> | <u>\$ 2,039,034</u> |
| <u>Liabilities</u> | | | | |
| Due to others | <u>\$ 1,877,042</u> | <u>\$ 504,000</u> | <u>\$ 2,381,042</u> | <u>\$ 2,039,034</u> |
| Total Liabilities | <u>\$ 1,877,042</u> | <u>\$ 504,000</u> | <u>\$ 2,381,042</u> | <u>\$ 2,039,034</u> |

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

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015, 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, 2015

Note 2: Cash and Investments

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

| | |
|---|---------------------|
| Cash and investments | \$ 669,656 |
| Restricted cash and investments | <u>3,166,534</u> |
| Cash and investments, statement of net assets | 3,836,190 |
| Cash and investments, statement of fiduciary assets | <u>1,875,076</u> |
| Total cash and investments | <u>\$ 5,711,266</u> |
| | |
| Checking and saving accounts | \$ 1,138,383 |
| Certificates of deposit | 398,200 |
| Imprest cash | 100 |
| Local agency investment fund | 748,996 |
| Money market accounts | <u>3,425,587</u> |
| Total cash and investments | <u>\$ 5,711,266</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, 2015

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* | \$ 748,996 | \$ 748,996 | \$ - |
| Held by Trustee | | | |
| Money Market I-Bank* | 1,575,929 | \$ 1,575,929 | - |
| Money Market* | 1,849,658 | 1,849,658 | - |
| Totals | <u>\$ 4,174,583</u> | <u>\$ 4,174,583</u> | <u>\$ -</u> |

*Not subject to categorization

C. Concentrations of Credit Risk

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

D. Custodial Credit Risk

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

At June 30, 2015, the City's deposits balance including certificates of deposits was \$1,616,009 and the carrying amount was \$1,536,583. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance, \$898,174 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 \$69.67 billion. Of the \$69.67 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 2.08% 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, 2015

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, 2015 was as follows:

| | Balance July 1, 2014 | Additions | Retirements | Balance June 30, 2015 |
|---|-------------------------|-------------------|---------------------|--------------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 29,696,609 | \$ - | \$ - | \$ 29,696,609 |
| Construction in progress | 81,326 | 31,000 | | 112,326 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 3,329,120 | | | 3,329,120 |
| Site improvements | 929,993 | | | 929,993 |
| Vehicles and equipment | 2,003,279 | 317,121 | | 2,320,400 |
| Infrastructure | 2,594,098 | | | 2,594,098 |
| Total capital assets, being depreciated | 8,856,490 | 317,121 | - | 9,173,611 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,134,847) | (87,909) | | (1,222,756) |
| Site Improvements | (469,285) | (43,916) | | (513,201) |
| Vehicles and Equipment | (1,549,014) | (69,467) | 163,813 | (1,454,668) |
| Infrastructure | (743,345) | (155,568) | | (898,913) |
| Total accumulated depreciation | (3,896,491) | (356,860) | 163,813 | (4,089,538) |
| Total capital assets, being depreciated, net | 4,959,999 | (39,739) | 163,813 | 5,084,073 |
| Governmental activities capital assets, net | <u>\$ 34,737,934</u> | <u>\$ (8,739)</u> | <u>\$ 163,813</u> | <u>\$ 34,893,008</u> |
| Business-Type Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 3,873,444 | \$ - | \$ - | \$ 3,873,444 |
| Construction in progress | 3,224,639 | 188,369 | (374,610) | 3,038,398 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 1,460,112 | | | 1,460,112 |
| Site improvements | 446,396 | | | 446,396 |
| Vehicle and equipment | 629,636 | 8,199 | | 637,835 |
| Infrastructure | 5,354,019 | 527,016 | | 5,881,035 |
| Total capital assets, being depreciated | 7,890,163 | 535,215 | - | 8,425,378 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (729,288) | (35,756) | | (765,044) |
| Site improvements | (371,597) | (4,400) | | (375,997) |
| Vehicle and equipment | (463,138) | (26,125) | | (489,263) |
| Infrastructure | (1,945,484) | (159,007) | | (2,104,491) |
| Total accumulated depreciation | (3,509,506) | (225,288) | - | (3,734,794) |
| Total capital assets, being depreciated, net | 4,380,657 | 309,927 | - | 4,690,584 |
| Business- type activities capital assets, net | <u>\$ 11,478,740</u> | <u>\$ 498,296</u> | <u>\$ (374,610)</u> | <u>\$ 11,602,426</u> |

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 3: Capital Assets (Continued)

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

Governmental Activities

| | |
|--------------------|-------------------|
| General government | \$ 56,800 |
| Public safety | 104,797 |
| Public works | 10,699 |
| Streets and roads | 99,742 |
| Parks | 84,822 |
| Total | <u>\$ 356,860</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, 2015:

| | Balance July 1, 2014 | Additions/ Adjustments | Retirements | Balance June 30, 2015 | Due Within One Year |
|----------------------------------|-------------------------|---------------------------|---------------------|--------------------------|------------------------|
| Compensated absences-Note 1K | \$ 111,075 | \$ 84,793 | \$ (93,200) | \$ 102,668 | \$ 46,600 |
| Net pension liability | | 1,847,552 | | 1,847,552 | - |
| Net OPEB Obligation Note 7 | 646,962 | 120,646 | | 767,608 | - |
| Termination Benefits-Pars Note 8 | 101,010 | | (50,505) | 50,505 | 50,504 |
| Amador County loan | 69,016 | | (30,150) | 38,866 | 30,911 |
| Train Depot loan | 45,000 | | (9,000) | 36,000 | 9,000 |
| S.C.O.R.E. insurance liability | 38,176 | | (17,561) | 20,615 | 4,582 |
| Capital lease | 455,848 | | (24,670) | 431,178 | 25,570 |
| Total | <u>\$ 1,467,087</u> | <u>\$ 2,052,991</u> | <u>\$ (225,086)</u> | <u>\$ 3,294,992</u> | <u>\$ 167,167</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> | |
| 2016 | \$ 41,932 |
| 2017 | 41,932 |
| 2018 | 41,932 |
| 2019 | 41,932 |
| 2020 | 41,932 |
| 2021-2025 | 209,660 |
| 2026-2029 | 132,785 |
| Total minimum lease payments | <u>552,104</u> |
| Less: Amount representing interest | <u>(120,926)</u> |
| Present value of minimum lease payments | <u>\$ 431,178</u> |

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 4: Long-term Liabilities (Continued)

Amador County Loan

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

| Fiscal Year Ended | | | | |
|-------------------|-----------|----------|-----------|--|
| June 30, | Principal | Interest | Total | |
| 2016 | \$ 30,911 | \$ 1,154 | \$ 32,065 | |
| 2017 | 7,955 | 544 | 8,499 | |
| Totals | \$ 38,866 | \$ 1,698 | \$ 40,564 | |

Train Depot Loan

On June 29, 2012 the City received a \$45,000 donation from the Jackson Rancheria for relocating the train depot to City owned property. As of June 30, 2015 the City agreed to a five year pay-back period at \$9,000 per year with the first payment made during the 2014/15 fiscal year.

Business-Type Activities:

A summary of changes in the City's business-type activities long-term liabilities for the year ended June 30, 2015:

| | Balance July 1, 2014 | Additions | Retirements | Balance June 30, 2015 | Due Within One Year |
|--------------------------------|-------------------------|------------|-------------|--------------------------|------------------------|
| Compensated absences | \$ 18,008 | \$ 7,290 | \$ (20,365) | \$ 4,933 | \$ - |
| Net pension liability | | \$ 169,575 | | \$ 169,575 | |
| S.C.O.R.E. insurance liability | 15,270 | | (1,527) | 13,743 | 3,054 |
| Net OPEB Obligation Note 7 | 52,653 | 16,464 | | 69,117 | - |
| I-Bank Installment Loan | 3,250,000 | | (76,175) | 3,173,825 | 77,942 |
| Total | \$ 3,335,931 | \$ 193,329 | \$ (98,067) | \$ 3,431,193 | \$ 80,996 |

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 |
| 2016 | \$ 77,942 | \$ 64,891 | \$ 142,833 |
| 2017 | 79,750 | 63,259 | 143,009 |
| 2018 | 81,600 | 61,589 | 143,189 |
| 2019 | 83,494 | 59,880 | 143,374 |
| 2020 | 85,431 | 58,132 | 143,563 |
| 2021-2025 | 457,820 | 262,984 | 720,804 |
| 2026-2030 | 513,448 | 212,775 | 726,223 |
| 2031-2035 | 575,837 | 156,463 | 732,300 |
| 2036-2040 | 645,805 | 93,307 | 739,112 |
| 2041-2044 | 572,698 | 24,049 | 596,747 |
| Totals | <u>\$ 3,173,825</u> | <u>\$ 1,057,329</u> | <u>\$ 4,231,154</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, 2015, are summarized as follows:

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

| | | Miscellaneous 1st Tier Plan | Miscellaneous 2nd Tier Plan | PEPRA Miscellaneous Plan |
|--|--|------------------------------------|------------------------------------|---------------------------------|
| Hire date | | Prior to January 1, 2013 | Prior to January 1, 2013 | On or after January 1, 2013 |
| Benefit formula | | 2.5% @ 55, 2% @ 55 | 2% @ 60 | 2% @ 62 |
| Benefit vesting s chedule | | 5 years service | 5 years service | 5 years service |
| Benefit payments | | monthly for life | monthly for life | monthly for life |
| Retirement age | | 50+ | 50+ | 52-62 |
| Monthly benefits , as a % of eligible compensation | | 2.2% to 2.7% | 1.092% -2.418% | 1% to 2% |
| Required employee contribution rates | | 8% | 7% | 6.25% |
| Required employer contribution rates | | 21.402% | 8.005% | 6.25% |

| | | Safety Police 1st Tier Plan | Safety Police 2nd Tier Plan | PEPRA Safety Police Plan |
|--|--|------------------------------------|------------------------------------|---------------------------------|
| Hire date | | Prior to January 1, 2013 | On or after January 1, 2013 | On or after January 1, 2013 |
| Benefit formula | | 3% @ 50 | 2% @ 55 | 2.7% @ 57 |
| Benefit vesting s chedule | | 5 years service | 5 years service | 5 years service |
| Benefit payments | | monthly for life | monthly for life | monthly for life |
| Retirement age | | 45+ | 50+ | 52+ |
| Monthly benefits , as a % of eligible compensation | | 2.5% to 3% | 2.4% -3% | 2% to 2.7% |
| Required employee contribution rates | | 9.00% | 9.00% | 11.50% |
| Required employer contribution rates | | 61.38% | 21.37% | 11.50% |

| | | Safety Fire 1st Tier Plan | PEPRA Safety Fire Plan |
|--|--|----------------------------------|--------------------------------|
| Hire date | | On or after January 1, 2013 | On or after January 1, 2013 |
| Benefit formula | | 2% @ 55 | 2% @ 57 |
| Benefit vesting s chedule | | 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 contribution rates | | 15.37% | 9.50% |

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, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

| | | |
|---|----|---------|
| Contributions-employer | \$ | 171,988 |
| Contributions-employee (paid by employer) | \$ | - |

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan of \$2,017,127.

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, 2014, 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, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability as of June 30, 2014 (measurement date) was approximately 0.03242%:

For the year ended June 30, 2015, the City recognized pension expense of (\$120,339). At June 30, 2015, 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 | \$ - | \$ - |
| Changes of assumptions | | |
| Net difference between projected and actual earnings on pension plan investments | - | (299,923) |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 10,868 | (14,804) |
| City contributions subsequent to the measurement date | 214,790 | - |
| Total | <u>\$ 225,658</u> | <u>\$ (314,727)</u> |

\$214,790 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, 2016.

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

| Measurement Period Ended June 30: | |
|--|--------------|
| 2016 | \$ (101,555) |
| 2017 | (101,555) |
| 2018 | (101,141) |
| 2019 | 393 |
| 2020 | - |
| Thereafter | - |

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

| | | Miscellaneous |
|---------------------------|--|-----------------------|
| Valuation Date | | June 30, 2013 |
| Measurement Date | | June 30, 2014 |
| Actuarial Cost Method | | Entry-Age Normal Cost |
| Actuarial Assumptions: | | |
| Discount Rate | | 7.50% |
| Inflation | | 2.75% |
| Payroll Growth | | 3.00% |
| Projected Salary Increase | | 3.3% - 14.2% (1) |
| Investment Rate of Return | | 7.5% (2) |

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

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

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

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

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.

| Asset Class | New Strategic Allocation | Real Return Years 1-10 (1) | Real Return Years 11+ (2) |
|-------------------------------|---------------------------------|-----------------------------------|----------------------------------|
| Global Equity | 47.0% | 5.25% | 5.71% |
| Global Fixed Income | 19.0 | 0.99 | 2.43 |
| Inflation Sensitive | 6.0 | 0.45 | 3.36 |
| Private Equity | 12.0 | 6.83 | 6.95 |
| Real Estate | 11.0 | 4.5 | 5.13 |
| Infrastructure and Forestland | 3.0 | 4.5 | 5.09 |
| Liquidity | 2.0 | (0.55) | (1.05) |

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

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

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

| | Discount Rate -1% (6.5%) | Current Discount Rate (7.50%) | Discount Rate +1% (8.50%) |
|-----------------------|-------------------------------------|--|--------------------------------------|
| Net Pension Liability | \$ 3,141,731 | \$ 2,017,127 | \$ 1,083,798 |

Note 6: Post-Retirement Health Benefits

The City Council passed a resolution to establish health benefit vesting requirements for future retirees under public employees’ medical and hospital care act, whereas an employee who is with the City of Ione for 5 years or longer and who has met other vesting requirements as defined by Government Code 20079, shall receive up to a maximum 100% of the health benefit for the employee premium plus up to 100% of the additional premium required for enrolment of family members in selected plans. The total City expense for postretirement health benefits in the 2014/2015 fiscal year was \$28,452. As of June 30, 2015, four retired employees were receiving postretirement health benefits.

Plan Description. City of Ione’s Post-Retirement Healthcare Plan is a multiple employer defined benefit healthcare plan administered by CalPERS. CalPERS provides medical insurance benefits only to eligible retirees and their eligible dependents. The City approved post-retirement health insurance benefits for all of its employees based on employees under the Public Employees’ Medical and Hospital Care Act (PEMHCA). Employees are entitled to receive medical only lifetime benefits with required service of five years. The minimum age for receiving benefits is 50 and the City cap is currently \$1,100. The plan also provides coverage for eligible dependents. For employees who are eligible to participate in the plan the City will contribute the health benefit cost for the retiree and eligible spouse up to 45% of \$1,100 increasing 5% annually until it reaches 100%. A retiree with less than the required years of service with the City will receive no benefit, unless they have previous employment qualifying them for CalPERS retirement, in which case they are eligible to receive the CalPERS minimum at the time of retirement.

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6: Post-Retirement Health Benefits (Continued)

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

Funding Policy. The contribution requirement of plan members is established by the City Council. As of June 30, 2015 the City Council had not established a funding policy. The 2014-2015 fiscal year actuarial determined contribution was calculated based on amortized funding over a 30 year period using entry age normal cost. For the fiscal year ending June 30, 2015 the City contributed \$0 towards the unfunded actuarial accrued liability (UAAL). The City did not choose a trustee for the plan as of June 30, 2015. The City made the net contribution for fiscal year end June 30, 2015 directly to health insurance providers totalling \$28,452.

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

| | |
|---|--------------------------|
| Annual required contribution | \$ 156,539 |
| Interest on beginning OPEB obligation | * 33,232 |
| ARC adjustment | (24,208) |
| Less: Unreimbursed retiree premium payments made to plan provider | <u>(28,452)</u> |
| Increase (decrease) in net OPEB obligation | 137,111 |
| Net OPEB obligation - beginning of year | <u>699,614</u> |
| Net OPEB obligation - end of year | <u><u>\$ 836,725</u></u> |

* Interest accrued because the City did not make the required contribution by fiscal year end. The actuarial assumption was that funding would be made at the beginning of the fiscal year and earn interest at the rate of 4.75% per fiscal year, which will be used to pay future benefits.

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

| Fiscal Year End | Annual OPEB Cost | Percentage Annual OPEB Cost Contributed | Net OPEB (Obligation) Asset |
|-----------------|---------------------|---|-----------------------------------|
| June 30, 2013 | \$ 134,286 | 21% | \$ (576,562) |
| June 30, 2014 | \$ 149,429 | 18% | \$ (699,614) |
| June 30, 2015 | \$ 165,563 | 17% | \$ (836,725) |

Funded Status and Funding Progress. As of September 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$867,094. As of June 30, 2015, the City's annual required contribution was not funded and is shown as a liability in the City's balance sheet along with the unfunded normal cost. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress will be presented in the future when multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits is available.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the September 1, 2013, actuarial valuation, the entry age normal cost asset valuation method is used. The actuarial assumptions include an investment/discount rate of 4.75% based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq. The valuation assumes that 100% of all eligible retirees will actually participate in the retiree medical benefit. The annual healthcare premiums will increase an average of 4% per year.

Note 7: Special Assessment Districts

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

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

The amount of the special assessment debt with no governmental commitment at June 30, 2015, is:

| | |
|---|----------------------|
| Community Facilities District 2005-1 | \$ 540,000 |
| Community Facilities District 2005-2IA1 | 3,565,000 |
| Community Facilities District 2005-2IA2 | 170,000 |
| Community Facilities District 2005-2IA3 | 6,560,000 |
| Total | <u>\$ 10,835,000</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 PARS, 4350 Von Karman Avenue, Newport Beach, California 92660.

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8: Supplementary Retirement Plan (Continued)

(B) Funding Policy

To fund the supplemental retirement plan, the City's annual required contribution is \$53,042 per year for five years beginning in 2011-2012, which is the fixed price of the annuity purchased from Pacific Life Insurance Company to pay the benefits. The contribution amounts and benefit provisions are established through an agreement between the City and PARS, and may be amended only by mutual agreement. There is no employee contribution.

(C) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation (asset) for its PARS retirement plan for fiscal year 2014-2015 is presented below.

| | June 30, 2015 |
|---|---------------|
| Annual required contribution | \$ 53,042 |
| Contributions made | (53,042) |
| Increase (decrease) in pension obligation (asset) | (53,042) |
| Net pension obligation (asset), beginning of year | 106,084 |
| Net pension obligation (asset), end of year | \$ 53,042 |

For fiscal year 2014-2015, the City's annual pension cost was \$53,042 and was equal to the contribution actually made. The required contribution was based on the amount agreed upon between the City and PARS at the time the plan was put into place.

Three-Year Trend Information for PARS Supplemental Retirement Benefits

Because this is the second year of the plan three year trend information is not available.

| | Annual Pension Cost (APC) | Dollar Amount of APC Contributed | Percentage of APC Contributed |
|--------------------------|------------------------------|-------------------------------------|----------------------------------|
| Year ended June 30, 2013 | \$ 53,042 | \$ 53,042 | 100% |
| Year ended June 30, 2014 | \$ 53,042 | \$ 53,042 | 100% |
| Year ended June 30, 2015 | \$ 53,042 | \$ 53,042 | 100% |

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, 2015

Note 10: Lease Income

On July 30th, 1990 the City entered into an agreement with Portlock International to lease the City owned property for the operation of a public golf course. The term of the lease is fifty five years commencing in June 1994. The rent is due as follows: years 6 to 10 is 1%, years 11 to 15 is 2% , years 16 to 20 is 3% and years 21 to 55 is 4% of gross revenue from the operation of the golf course, clubhouse, pro shop, driving range and other golf course facilities. The rent is due before the 20th day following each December 31st. Under this agreement the City received, \$43,000 in the 2012-2013, \$43,000 in the 2013-2014 fiscal year and accrued an estimated receivable at June 30, 2015 of \$43,000 for the 2014-15 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.

Receivables and Payables:

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

As of June 30, 2015 \$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 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, 2015 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 | \$ 813,653 | \$ 1,131,192 | \$ - | \$ - | \$ - |
| Enterprise | 244,800 | - | 2,240,072 | 2,240,072 | 302,799 | 288,239 |
| Special Revenue | 1,169,900 | - | 17,625 | 4,260 | 48,434 | 181,181 |
| Capital Projects | 821,804 | 1,527,257 | 104,513 | 691,023 | 118,187 | - |
| Total | <u>\$ 2,898,957</u> | <u>\$ 2,340,910</u> | <u>\$ 3,493,402</u> | <u>\$ 2,935,355</u> | <u>\$ 469,420</u> | <u>\$ 469,420</u> |

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 Fund | | | |
| General Government | | | |
| City Council | \$ 21,489 | \$ 23,319 | \$ (1,830) |
| City Manager | 66069 | 89769 | (23,700) |
| City Clerk | 97,897 | 98,333 | (436) |
| Finance | 118,510 | 124,523 | (6,013) |
| Legal | 100,000 | 114,372 | (14,372) |
| Public Ways and Facilities/Transportation | | | |
| Planning | 25,288 | 83,535 | (58,247) |
| Building inspection | 29,100 | 62,128 | (33,028) |
| Engineering | 18,300 | 45,373 | (27,073) |
| Corporate yard | 24,344 | 24,741 | (397) |
| Public Safety | | | |
| Fire | 42,873 | 70,830 | (27,957) |
| Community Development | | | |
| Parks and recreation | 243,000 | 283,627 | (40,627) |
| Capital outlay | - | 32,468 | (32,468) |
| Measure M Fund | | | |
| Public Safety | 260,647 | 317,280 | (56,633) |
| Public Safety Maintenance Assessemnt Fund | | | |
| Public safety | 21,000 | 163,287 | (142,287) |
| Capital outlay | \$ - | \$ 342,670 | \$ (342,670) |

B. Deficit Fund Balances

Three major governmental funds have deficit fund balances at June 30, 2015. The general fund had a deficit fund balance of \$685,022 the fire impact fee fund has a deficit fund balance of \$1,327,707, the governmental impact fee fund had a deficit fund balance of \$668,869. The Sewer Capital enterprise fund had a deficit net position of \$1,483,534 and the Nonmajor Sewer Tertiary Plant fund had a deficit net position of \$473,244. The deficit balances are expected to be eliminated upon receipt of funding from impact fees, granting authorities or through matching funds/subsidies from the General fund of the City and through recognition of deferred revenue..

C. Restatement of Net Position and Fund Balance

Adjustments resulting from errors or a change to comply with provisions of previously issued or retroactively applied accounting standards are treated as prior period adjustments. Accordingly the City reports these changes as a restatement to beginning net position in the government-wide statement of activities and proprietary fund statement of revenue, expenses and changes in net position and as a restatement to beginning fund balance in the statement of revenues expenditures and changes in fund balance. During the current fiscal year prior period adjustments were required to correct misstatements of capital assets, accounts receivable, accounts payable, and deferred revenue.

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 12: Stewardship, Compliance and Accountability (Continued)

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

| | Governmental Activities | Business-Type Activities |
|--|----------------------------|-----------------------------|
| Net Position Reported as of June 30, 2014 | \$ 37,062,130 | \$ 10,997,641 |
| Adjustments for: | | |
| Reclassify from proper fund | 2,487 | (2,487) |
| Correct prior year receivables | 6,133 | (198,047) |
| Implement GASB 68 net pension liability | (2,039,356) | (187,180) |
| Reverse prior year deferred revenue adjustment | (116,808) | |
| Total adjustment | (2,147,544) | (387,714) |
| Net Position, July 1, 2014 as restated | \$ 34,914,586 | \$ 10,609,927 |

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

| | General Fund | Other Governmental Funds |
|--|----------------|--------------------------------|
| Fund Balance, June 30, 2014 | \$ (1,434,206) | \$ 4,642,264 |
| Adjustments for: | | |
| Reclassify to proper fund | (16,334) | 3,551 |
| Correct prior year receivables | | 6,133 |
| Total adjustment | (16,334) | 9,684 |
| Fund Balance, July 1, 2014 as restated | \$ (1,450,540) | \$ 4,651,948 |

Note 13: Deferred Compensation Plan

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

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

Note 14: Revenue Limitations Imposed by California Proposition 218

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

CITY OF IONE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 15: Gann Limit

| | |
|---|---------------------|
| Proceeds subject to the limit for 2013-14 | \$ 2,560,181 |
| Amount of limit for 2013-14 | <u>2,959,855</u> |
| Amount (under)/over the limit | <u>\$ (399,674)</u> |
| Per Capita Percentage Change | -0.23% |
| Population Change* | -1.17% |

* Net of exclusions for correctional institution

Note 16: Commitments and Contingencies

Grants

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

Contingent Liabilities

On April 8, 2011 the Central Valley Regional Water Quality Control Board (the Board) issued a Cease and Desist Order (the "Order") requiring the City to take certain actions to address violations of waste discharge requirements related to operations of the City's wastewater treatment facilities. The Order does not impose any fines or penalties. The Order requires the City to take actions to correct violations in accordance with a specified timeframe. If the City fails to meet the requirements of the Order, the Board has the authority to impose fines and penalties.

Lawsuits

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

Commitments:

On July 1, 2013 the City entered into an agreement with the PERC Water Corporation for the operation and maintenance of the Wastewater Treatment Facility, the Tertiary Treatment Facility and the Sewer Collection System owned by the City. The agreement is effective for four years and may be extended for three additional two year periods. The monthly cost was set at \$29,170 adjusted annually for inflation.

The City has entered into various professional services agreements for engineering services, legal services and construction contracts.

CITY OF IONE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Original Budget | Final Original Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------------|-----------------------------|---------------------|--|
| Revenues | | | | |
| Taxes | | | | |
| Property tax | \$ 554,400 | \$ 554,400 | \$ 563,724 | \$ 9,324 |
| Sales (including in lieu of property tax) | 151,820 | 151,820 | 163,416 | 11,596 |
| Transient occupancy | 5,000 | 5,000 | | (5,000) |
| Sales tax - public safety | 4,400 | 4,400 | 4,578 | 178 |
| Real property transfer | 12,000 | 12,000 | 7,992 | (4,008) |
| Total Taxes | <u>727,620</u> | <u>727,620</u> | <u>739,710</u> | <u>12,090</u> |
| Licenses and Permits | | | | |
| Franchise fee | 93,000 | 93,000 | 92,922 | (78) |
| Business license | 5,000 | 5,000 | 5,069 | 69 |
| Building permits and inspections | 25,000 | 25,000 | 33,028 | 8,028 |
| Burn permits | 350 | 350 | 345 | (5) |
| Encroachment permit | 2,200 | 2,200 | 1,950 | (250) |
| Total Licenses and Permits | <u>125,550</u> | <u>125,550</u> | <u>133,314</u> | <u>7,764</u> |
| Intergovernmental | | | | |
| Motor vehicle in lieu (state) | 718,000 | 718,000 | 900,195 | 182,195 |
| HOPTR | 6,000 | 6,000 | 7,625 | 1,625 |
| Grants/reimbursements | 143,000 | 143,000 | 227,067 | 84,067 |
| Total Intergovernmental | <u>867,000</u> | <u>867,000</u> | <u>1,134,887</u> | <u>267,887</u> |
| Fines, Forfeitures and Penalties | | | | |
| Parking citations and other fines | 11,600 | 11,600 | 13,024 | 1,424 |
| Total Fines, Forfeitures and Penalties | <u>11,600</u> | <u>11,600</u> | <u>13,024</u> | <u>1,424</u> |
| Charges for Current Services | | | | |
| Planning fees | 15,500 | 15,500 | 32,366 | 16,866 |
| Engineering fees | | | 65,999 | 65,999 |
| Legal reimbursements | | - | 34,403 | 34,403 |
| Developer reimbursements | | | | |
| Parks and recreation | | - | 400 | 400 |
| Police department services | 770 | 770 | 14,593 | 13,823 |
| Fire department services | 20,500 | 20,500 | 22,757 | 2,257 |
| Total Charges for Current Services | <u>36,770</u> | <u>36,770</u> | <u>170,519</u> | <u>133,748</u> |
| Use of Money and Property | | | | |
| Interest and investment income | 7,000 | 7,000 | 1,538 | (5,462) |
| Rent | 83,000 | 83,000 | 39,174 | (43,826) |
| Total Use of Money and Property | <u>90,000</u> | <u>90,000</u> | <u>40,712</u> | <u>(49,288)</u> |
| Other | | | | |
| Insurance refunds and dividends | | | 232 | 232 |
| Miscellaneous - all others | 21,611 | 21,611 | 44,586 | 22,975 |
| Total Other | <u>21,611</u> | <u>21,611</u> | <u>44,818</u> | <u>23,207</u> |
| Total Revenues | <u>\$ 1,880,151</u> | <u>\$ 1,880,151</u> | <u>\$ 2,276,984</u> | <u>\$ 396,833</u> |

CITY OF IONE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Original Budget | Final Original Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|-----------------------------|----------------|--|
| Total Revenues (Continued) | \$ 1,880,151 | \$ 1,880,151 | \$ 2,276,984 | \$ 396,833 |
| Expenditures | | | | |
| General Government | | | | |
| City Council | 21,489 | 21,489 | 23,319 | (1,830) |
| City Manager | 66,069 | 66,069 | 89,769 | (23,700) |
| City Clerk | 97,897 | 97,897 | 98,333 | (436) |
| Finance | 118,510 | 118,510 | 124,523 | (6,013) |
| City Treasurer | 2,767 | 2,767 | 2,364 | 403 |
| Legal | 100,000 | 100,000 | 114,372 | (14,372) |
| Administrative services | 275,703 | 275,703 | 238,149 | 37,554 |
| Total General Government | 682,435 | 682,435 | 690,829 | (8,394) |
| Public Ways and Facilities/Transportation | | | | |
| Planning | 25,288 | 25,288 | 83,535 | (58,247) |
| Building inspection | 29,100 | 29,100 | 62,128 | (33,028) |
| Engineering | 18,300 | 18,300 | 45,373 | (27,073) |
| Corporate yard-vehicle | 24,344 | 24,344 | 24,741 | (397) |
| Total Public Ways and Facilities/Transportation | 97,032 | 97,032 | 215,777 | (118,745) |
| Public Safety | | | | |
| Police | 807,978 | 807,978 | 803,516 | 4,462 |
| Fire | 42,873 | 42,873 | 70,830 | (27,957) |
| Total Public Safety | 850,851 | 850,851 | 874,346 | (23,495) |
| Community Development | | | | |
| Parks and recreation | 243,000 | 243,000 | 283,627 | (40,627) |
| Total Community Development | 243,000 | 243,000 | 283,627 | (40,627) |
| Capital Outlay | | | 32,468 | (32,468) |
| Total Expenditures | 1,873,318 | 1,873,318 | 2,097,047 | (191,261) |
| Excess (Deficit) of Revenues Over Expenditures | | | | |
| Before Other Financing Sources | 6,833 | 6,833 | 179,937 | 173,104 |
| Other Financing Sources | | | | |
| Sale of assets | | | 20,872 | 20,872 |
| Operating transfers in | | | - | |
| Operating transfers out | | | - | |
| Total Other Financing Sources | | | 20,872 | 20,872 |
| Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses | \$ 6,833 | \$ 6,833 | 200,809 | \$ 193,976 |
| Fund Balance, July 1, 2014 | | | (1,434,206) | |
| Prior Period Adjustment | | | (16,334) | |
| Fund Balance, June 30, 2015 | | | \$ (1,249,731) | |

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, 2015

| <u>Actuarial Valuation Date</u> | <u>District's proportion of the net pension liability (asset)</u> | <u>District's proportionate share of the net pension liability (asset)</u> | <u>District's covered-employee payroll</u> | <u>District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</u> | <u>Plan fiduciary net position as a percentage of the total pension liability</u> |
|---------------------------------|---|--|--|--|---|
| <u>CalPERS-All Plans</u> | | | | | |
| 6/30/2014 | 0.03242% | \$2,017,127 | \$995,525 | 202.62% | 79.82% |

* The amounts presented for each fiscal year were determined as of the fiscal year-end

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, 2015**

| <u>Actuarial Valuation Date</u> | <u>Contractually required contribution</u> | <u>Contributions in relation to the contractually required contribution</u> | <u>Contribution deficiency (excess)</u> | <u>District's covered employee payroll</u> | <u>Contributions as a percentage of covered- employee payroll</u> |
|---------------------------------|--|---|---|--|---|
| <u>CalPERS-All Plans</u> | | | | | |
| 6/30/2014 | \$214,391 | (\$214,391) | \$0 | \$995,525 | 21.54% |

* The amounts presented for each fiscal year were determined as of the fiscal year-end

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

CITY OF IONE

NOTES REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2015

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. For the 2014/15 fiscal year not all special revenue fund budgets were adopted. 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, 2015

| | Special Revenue Funds | Capital Projects Funds | Total |
|---|-----------------------------|------------------------------|---------------------|
| <u>Assets</u> | | | |
| Current Assets | | | |
| Cash and investments | \$ 12,311 | \$ - | \$ 12,311 |
| Due from other funds | 4,260 | - | 4,260 |
| Receivables | | | |
| Accounts | 59,730 | - | 59,730 |
| Deposits with others | 2,401 | | 2,401 |
| Prepaid expense | 1 | | 1 |
| Total Current Assets | <u>78,703</u> | <u>-</u> | <u>78,703</u> |
| Long-Term Assets | | | |
| Advance to other funds | 809,277 | 796,804 | 1,606,081 |
| Interest receivable | 324,413 | | 324,413 |
| Loans receivable (net of allowance for uncollectibles) | 1,902,656 | 21,046 | 1,923,702 |
| Restricted cash and investments | 696,877 | 188,419 | 885,296 |
| Total Long-Term Assets | <u>3,733,223</u> | <u>1,006,269</u> | <u>4,739,492</u> |
| Total Assets | <u>\$ 3,811,926</u> | <u>\$ 1,006,269</u> | <u>\$ 4,818,195</u> |
| <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u> | | | |
| Liabilities | | | |
| Accounts payable | \$ 4,842 | \$ - | \$ 4,842 |
| Accrued payroll | 2,181 | | 2,181 |
| Due to other funds | 17,625 | | 17,625 |
| Total Liabilities | <u>24,648</u> | | <u>24,648</u> |
| Deferred Inflows of Resources | | | |
| Unavailable revenue | 349,823 | | 349,823 |
| Fund Balances | | | |
| Restricted for loans receivable | 1,902,656 | | 1,902,656 |
| Non-spendable for advances | 809,277 | 796,804 | 1,606,081 |
| Assigned for public safety | 7,000 | | 7,000 |
| Assigned for community development | 321,802 | | 321,802 |
| Assigned for streets and roads | 396,720 | | 396,720 |
| Assigned for capital projects | | 209,465 | 209,465 |
| Total Fund Balance | <u>3,437,455</u> | <u>1,006,269</u> | <u>4,443,724</u> |
| Total Liabilities and Fund Balances | <u>\$ 3,811,926</u> | <u>\$ 1,006,269</u> | <u>\$ 4,818,195</u> |

CITY OF IONE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

| | Special Revenue Funds | Capital Project Funds | Total |
|---|-----------------------------|-----------------------------|---------------------|
| Revenues | | | |
| Use of money and property | \$ - | \$ - | \$ - |
| Intergovernmental | 338,976 | | 338,976 |
| Special assessment/impact fees | 27,547 | 9,896 | 37,443 |
| Other | 25 | | 25 |
| | <hr/> | <hr/> | <hr/> |
| Total Revenues | 366,548 | 9,896 | 376,444 |
| | <hr/> | <hr/> | <hr/> |
| Expenditures | | | |
| Current: | | | |
| General government | | 206 | 206 |
| Public ways and facilities/ transportation | 415,785 | | 415,785 |
| Public safety | 100,000 | | 100,000 |
| Community development | 3,320 | | 3,320 |
| Principal expense | 9,000 | | 9,000 |
| Capital outlay | 41,797 | - | 41,797 |
| | <hr/> | <hr/> | <hr/> |
| Total Expenditures | 569,902 | 206 | 570,108 |
| | <hr/> | <hr/> | <hr/> |
| Excess (Deficit) of Revenues Over Expenditures | (203,354) | 9,690 | (193,664) |
| | <hr/> | <hr/> | <hr/> |
| Other Financing Sources (Uses) | | | |
| Proceeds of debt | - | | - |
| Operating transfers in | 48,434 | 118,187 | 166,621 |
| Operating transfers out | (181,181) | - | (181,181) |
| | <hr/> | <hr/> | <hr/> |
| Total Other Financing Sources (Uses) | (132,747) | 118,187 | (14,560) |
| | <hr/> | <hr/> | <hr/> |
| Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses | (336,101) | 127,877 | (208,224) |
| | <hr/> | <hr/> | <hr/> |
| Fund Balances, July 1, 2014 | 3,763,872 | 878,392 | 4,642,264 |
| | <hr/> | <hr/> | <hr/> |
| Prior period adjustment | 9,684 | | 9,684 |
| | <hr/> | <hr/> | <hr/> |
| Fund Balances, June 30, 2015 | <u>\$ 3,437,455</u> | <u>\$ 1,006,269</u> | <u>\$ 4,443,724</u> |

CITY OF IONE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

| | TDA | Ione Dist 1 COIC | COPS SLESF AB3229 | Gas Tax | Prop 172 Sales Tax Fire | Asset Seizure Fund | Conservation Fire Break Assessment | Railroad Depot | Rehab Housing |
|---|------------|---------------------|-------------------------|------------|-------------------------------|--------------------------|--|----------------|------------------|
| <u>Assets</u> | | | | | | | | | |
| Cash and investments | \$ 6,663 | \$ - | \$ - | \$ - | \$ 2,748 | \$ - | \$ - | \$ - | \$ - |
| Due from other funds | | | | - | | | | | |
| Accounts receivable | | 52 | 34,213 | 25,465 | | | | | |
| Deposits with others | | | | 2,401 | | | | | |
| Prepaid expense | | | | 1 | | | | | |
| Total Current Assets | 6,663 | 52 | 34,213 | 27,867 | 2,748 | | | | |
| Advances to other funds | 558,047 | | | 251,230 | | | | | |
| Interest receivable | | | | | | | | | 12,612 |
| Loans receivable (net of allowance for uncollectibles) | | | | | | | | | 37,815 |
| Restricted cash and investments | | 64,532 | | 258,123 | | 8,814 | 46,506 | - | 43,697 |
| Total Long-Term Assets | 558,047 | 64,532 | | 509,353 | | 8,814 | 46,506 | | 94,124 |
| Total Assets | \$ 564,710 | \$ 64,584 | \$ 34,213 | \$ 537,220 | \$ 2,748 | \$ 8,814 | \$ 46,506 | \$ - | \$ 94,124 |
| <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u> | | | | | | | | | |
| <u>Liabilities</u> | | | | | | | | | |
| Accounts payable | \$ - | \$ 2,604 | \$ - | \$ 2,238 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll | | | | 2,181 | | | | | |
| Due to other funds | | | 13,365 | | | | | - | |
| Total Liabilities | | 2,604 | 13,365 | 4,419 | | | | | |
| <u>Deferred Inflows of Resources</u> | | | | | | | | | |
| Unavailable revenue | | | 16,596 | | | 8,814 | | | 12,612 |
| <u>Fund Balances</u> | | | | | | | | | |
| Restricted for loans receivable | | | | | | | | | 37,815 |
| Non-spendable for advances | 558,047 | | | 251,230 | | | | | |
| Assigned for public safety | | | 4,252 | | 2,748 | | | | |
| Assigned for community development | | | | | | | | | 43,697 |
| Assigned for streets and roads | 6,663 | 61,980 | | 281,571 | | | 46,506 | | |
| Total Fund Balance | 564,710 | 61,980 | 4,252 | 532,801 | 2,748 | | 46,506 | - | 81,512 |
| Total Liabilities and Fund Balances | \$ 564,710 | \$ 64,584 | \$ 34,213 | \$ 537,220 | \$ 2,748 | \$ 8,814 | \$ 46,506 | \$ - | \$ 94,124 |

**CITY OF IONE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015**

| Low Income Housing | 97-Home Grant | 01-Home- 518 | 03-STBG 1826 Grant | 06-Home CDBG | 05-STBG | 2008 Housing Grant | 2010-Home 4711 | Self Help Housing | Totals |
|-----------------------|-------------------|------------------|-----------------------|-------------------|-------------------|-----------------------|-------------------|----------------------|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,900 | \$ - 4,260 | \$ 12,311 4,260 59,730 2,401 1 |
| | | | | | | | 2,900 | 4,260 | 78,703 |
| | 40,434 | 11,073 | 21,582 | 99,098 | 27,173 | 101,203 | 11,238 | | 809,277 324,413 |
| | 169,606 | 60,961 | 109,533 | 452,417 | 287,883 | 648,641 | 135,800 | | 1,902,656 |
| 84,675 | 770 | 160 | 36,669 | - | - | - | - | 152,931 | 696,877 |
| 84,675 | 210,810 | 72,194 | 167,784 | 551,515 | 315,056 | 749,844 | 147,038 | 152,931 | 3,733,223 |
| <u>\$ 84,675</u> | <u>\$ 210,810</u> | <u>\$ 72,194</u> | <u>\$ 167,784</u> | <u>\$ 551,515</u> | <u>\$ 315,056</u> | <u>\$ 749,844</u> | <u>\$ 149,938</u> | <u>\$ 157,191</u> | <u>\$ 3,811,926</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,842 2,181 17,625 |
| | | | | 4,260 | | | - | | 17,625 |
| | | | | 4,260 | | | | | 24,648 |
| | 40,434 | 11,073 | 21,582 | 99,098 | 27,173 | 101,203 | 11,238 | | 349,823 |
| | 169,606 | 60,961 | 109,533 | 452,417 | 287,883 | 648,641 | 135,800 | | 1,902,656 809,277 7,000 |
| 84,675 | 770 | 160 | 36,669 | (4,260) | | | 2,900 | 157,191 | 321,802 396,720 |
| 84,675 | 170,376 | 61,121 | 146,202 | 448,157 | 287,883 | 648,641 | 138,700 | 157,191 | 3,437,455 |
| <u>\$ 84,675</u> | <u>\$ 210,810</u> | <u>\$ 72,194</u> | <u>\$ 167,784</u> | <u>\$ 551,515</u> | <u>\$ 315,056</u> | <u>\$ 749,844</u> | <u>\$ 149,938</u> | <u>\$ 157,191</u> | <u>\$ 3,811,926</u> |

CITY OF IONE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

| | TDA | Ione Dist 1 COIC | COPS SLESF AB3229 | Gas Tax | Prop 172 Sales Tax Fire | Asset Seizure Fund | Conservation Fire Break Assessment | Railroad Depot | Rehab Housing |
|---|------------|---------------------|-------------------------|------------|-------------------------------|--------------------------|--|----------------|------------------|
| Revenues | | | | | | | | | |
| Use of money and property | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Special assessment/impact fees | | 27,547 | | | | | | | |
| Intergovernmental | | | 104,252 | 234,724 | - | | | - | |
| Other | | | | | | | | | 25 |
| Total Revenues | | 27,547 | 104,252 | 234,724 | | | | | 25 |
| Expenditures | | | | | | | | | |
| Current: | | | | | | | | | |
| Public ways and facilities/ transportation | | 31,943 | | 383,842 | | | | | |
| Public safety | | | 100,000 | | | | | | |
| Community development | | | | | | | | 3,320 | |
| Principal expense | | | | | | | | 9,000 | |
| Capital outlay | | | | | | | | 31,000 | |
| Total Expenditures | | 31,943 | 100,000 | 383,842 | | | | 43,320 | |
| Excess (Deficit) of Revenues Over Expenditures | | (4,396) | 4,252 | (149,118) | | | | (43,320) | 25 |
| Other Financing Sources (Uses) | | | | | | | | | |
| Proceeds of debt | | | | | | | | | |
| Operating transfers in | | | | | | | | 48,434 | |
| Operating transfers out | | | | (132,747) | | | | | |
| Total Other Financing Sources (Uses) | | | | (132,747) | | | | 48,434 | |
| Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses | - | (4,396) | 4,252 | (281,865) | | | | 5,114 | 25 |
| Fund Balances, July 1, 2014 | 564,710 | 66,376 | | 804,982 | 2,748 | | 46,506 | (5,114) | 81,487 |
| Prior period adjustment | | | | 9,684 | | | | | |
| Fund Balances, June 30, 2015 | \$ 564,710 | \$ 61,980 | \$ 4,252 | \$ 532,801 | \$ 2,748 | \$ - | \$ 46,506 | \$ - | \$ 81,512 |

CITY OF IONE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

| Low Income Housing | 97-Home Grant | 01-Home- 518 | 03-STBG 1826 Grant | 06-Home CDBG | 05-STBG | 2008 Housing Grant | 2010-Home 4711 | Self Help Housing | Totals |
|-----------------------|------------------|-----------------|-----------------------|-----------------|------------|-----------------------|-------------------|----------------------|--------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | | | | | | | | 27,547 |
| | | | | | | - | - | | 338,976 |
| | | | | | | | | | 25 |
| | | | | | | | | | 366,548 |
| | | | | | | | | | 415,785 |
| | | | | | | | | | 100,000 |
| | | | | | | | | | 3,320 |
| | | | | | | | | | 9,000 |
| | | | | | | | | 10,797 | 41,797 |
| | | | | | | | | 10,797 | 569,902 |
| | | | | | | | | (10,797) | (203,354) |
| | | | | | | | | | - |
| | | | | | | | | (48,434) | 48,434 |
| | | | | | | | | (48,434) | (181,181) |
| | | | | | | | | (48,434) | (132,747) |
| | | | | | | | - | (59,231) | (336,101) |
| 84,675 | 170,376 | 61,121 | 146,202 | 448,157 | 287,883 | 648,641 | 138,700 | 216,422 | 3,763,872 |
| | | | | | | | | | 9,684 |
| \$ 84,675 | \$ 170,376 | \$ 61,121 | \$ 146,202 | \$ 448,157 | \$ 287,883 | \$ 648,641 | \$ 138,700 | \$ 157,191 | \$ 3,437,455 |

**CITY OF IONE
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2015**

| | <u>Parks & Rec Fund</u> | <u>Drainage Fund</u> | <u>Police Services Impact Fees</u> | <u>Park and Ride Grant</u> | <u>Totals</u> |
|--|---------------------------------|--------------------------|--|------------------------------------|---------------------|
| <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 | 62,508 | 125,525 | 386 | | 188,419 |
| Total Long-Term Assets | 83,554 | 125,525 | 797,190 | - | 1,006,269 |
| Total Assets | <u>\$ 83,554</u> | <u>\$ 125,525</u> | <u>\$ 797,190</u> | <u>\$ -</u> | <u>\$ 1,006,269</u> |
| <u>Liabilities and Fund Balances</u> | | | | | |
| Current Liabilities | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Liabilities | | | | | |
| Fund Balances | | | | | |
| Non-spendable for advances | | | 796,804 | | 796,804 |
| Assigned for capital projects | 83,554 | 125,525 | 386 | | 209,465 |
| Total Fund Balances | 83,554 | 125,525 | 797,190 | | 1,006,269 |
| Total Liabilities and Fund Balances | <u>\$ 83,554</u> | <u>\$ 125,525</u> | <u>\$ 797,190</u> | <u>\$ -</u> | <u>\$ 1,006,269</u> |

CITY OF IONE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2015

| | Parks & Rec Impact Fund | Drainage Fund | Police Services Impact Fees | Park and Ride Grant | Totals |
|---|----------------------------|-------------------|-----------------------------------|---------------------------|---------------------|
| Revenues | | | | | |
| Impact fees | \$ 7,147 | \$ - | 2,749 | \$ - | \$ 9,896 |
| Use of money and property | | | | | - |
| Intergovernmental | | | | | - |
| Total Revenues | <u>7,147</u> | | <u>2,749</u> | | <u>9,896</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | | 206 | | | 206 |
| Capital outlay | | | | - | - |
| Total Expenditures | | <u>206</u> | | | <u>206</u> |
| Excess (Deficit) of Revenues Over Expenditures | <u>7,147</u> | <u>(206)</u> | <u>2,749</u> | | <u>9,690</u> |
| Other Financing Sources (Uses) | | | | | |
| Operating transfers in | | | | 118,187 | 118,187 |
| Operating transfers out | | | | | - |
| Total Other Financing Sources (Uses) | | | | <u>118,187</u> | <u>118,187</u> |
| Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses | <u>7,147</u> | <u>(206)</u> | <u>2,749</u> | <u>118,187</u> | <u>127,877</u> |
| Fund Balances, July 1, 2014 | <u>76,407</u> | <u>125,731</u> | <u>794,441</u> | <u>(118,187)</u> | <u>878,392</u> |
| Fund Balances, June 30, 2015 | <u>\$ 83,554</u> | <u>\$ 125,525</u> | <u>\$ 797,190</u> | <u>\$ -</u> | <u>\$ 1,006,269</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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 22, 2016.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. The deficiencies in internal control that we consider to be material weaknesses following this report are identified as FS 15-1 through FS 15-5.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies FS 15-6 through FS 15-12 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.

{Signature on File}

Larry Bain, CPA,
An Accounting Corporation
April 22, 2016

CITY OF IONE
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2015

INTERNAL CONTROL FINDINGS

Follow up on Prior Year Findings Deemed to be Significant Deficiencies and Material Weaknesses

FS 15-1: During our review of the financial statements we noted the sewer tertiary plant revenues are not sufficient to cover the expenses. During the fiscal years ending June 30, 2013, 2012 and 2011 the sewer tertiary fund lost \$130,845, \$81,311 and \$141,951 respectively. As of June 30, 2013 the sewer tertiary plant had a negative cash balance of \$428,897 which it has effectively borrowed from other funds. We have not seen a work out plan from the City detailing how the sewer tertiary fund is going to pay back the borrowed funds or how it is going to meet operational expenses.

We also noted that while the general fund experienced a \$155,970 positive revenues over expenditures in the 2012/13 fiscal year, the ending accumulated deficit at June 30, 2013 was \$(1,241,534).

Furthermore the general impact fee fund had a deficit fund balance of \$673,829 at June 30, 2013 and reported \$125 revenue during the 2012/13 fiscal year.

13/14 Fiscal Year Status: During the 2013/14 fiscal year we noted the sewer tertiary plant had a net loss of \$114,355 and the sewer O&M fund transferred \$119,994 to offset the net loss from operations. The sewer tertiary plant also had a negative cash balance of \$428,897 at June 30, 2014.

We also noted the general fund experienced a \$199,984 deficit revenues over expenditures in the 2013/14 fiscal year, increasing the ending accumulated deficit at June 30, 2014 to \$(1,434,206).

Furthermore the general impact fee fund had a deficit fund balance of \$673,504 at June 30, 2014 and reported \$2,453 revenue during the 2013/14 fiscal year.

Current Year Follow Up: The Tertiary plant continues to operate at a loss. During the 2014/15 fiscal year the plant had a net loss of \$27,863 and as of June 30, 2015 has borrowed \$540,307 from other funds to cover the cost of its operations.

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

Recommendation: We recommend the City continue to evaluate the tertiary plant operations and prepare a plan of how the tertiary fund will pay back amounts borrowed from other funds and how the plant will meet future operational expenses.

While the City expects current financial resources will be sufficient to cover current liabilities, we recommend close attention to resolving the accumulated deficit in the general fund.

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

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

CITY OF IONE
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2015

Follow up on Prior Year Findings Deemed to be Significant Deficiencies and Material Weaknesses (Continued)

Management Response: The City is making progress in recuperating expenses and have received payments from CDCR and Portlock. Council and city manager is currently working with ARSA on receiving payments. In the upcoming budget preparations for FY 2016-17, the City will require CDCR and ARSA to participate by preparing and submitting tertiary plant operation budget.

The City will address resolving the accumulated deficit in the general fund in future budget cycles by reducing expenditure and increasing revenue.

The City is currently in the process of reviewing the fee structure for the general impact fees as well as all other operating fees.

The City adopted Resolution 2015-25, "Establishing Policies on Interfund Transfers, Consolidating Funds, and Eliminating Funds", on June 2, 2015. This resolution directed management to write off the \$558,046 advance the general fund had previously borrowed from transportation funds.

FS 15-2 (Prior Year Finding 07-21): During our testing of Amador Regional Sanitation Agency (ARSA) expenditures we noted a \$14,560 capital lease payment for a parking lot purchase paid for from the ARSA fund. We also noted over \$300,000 in legal expenditures, resulting from the Portlock lawsuit, coded to this fund.

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

2010/11 Fiscal Year Status: \$69,155 in remaining ARSA fund cash was transferred to the general fund during the conversion. We did not observe City Council approval to close the ARSA fund and transfer the remaining cash to the general fund.

13/14 Fiscal Year Status: No change during the 2013/14 fiscal year.

Current Year Follow: During the 2014/15 fiscal year audit we noted the City has established an ARSA fund, however we did not observe the \$69,155 added to inter-fund lending.

Management Response: Resolution 2015-25, "Establishing Policies on Interfund Transfers, Consolidating Funds, and Eliminating Funds", gave direction to staff to add \$69,155 to inter-fund lending between the General Fund and ARSA Fund.

FS 15-3 (Prior Year Finding 08-8): During our audit we noted the City did not have a written financial and accounting policy that included internal control procedures. We have noted this finding in prior audits.

Current Year Follow up: The financial and accounting policy was finalized and adopted on June 16, 2015, Resolution 2015-27.

Recommendation: None.

CITY OF IONE
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2015

Follow up on Prior Year Findings Deemed to be Significant Deficiencies and Material Weaknesses (Continued)

FS 15-4 (2013/14 Fiscal Year Status :) We noted that while budgets for special revenue funds were established the level of detail was at the object level and not by account or specific project. We also noted the budget was not reviewed during the year to determine if the City was within the spending limits established by the budget and in many cases the budget was overspent. We also noted the general fund overspent the budget by \$143,684 and ended the fiscal year with a \$199,985 net loss and \$1,434,207 negative fund balance.

Current Year Follow Up: No Change. The level of detail was not sufficient to provide management with a guide for what that Council has set as the legal level of spending. The City also exceeded the expenditure budget in many of the departments and funds.

Recommendation: We recommend the City adopt a more detailed budget for all funds. We also recommend monitoring the budget during the fiscal year and making amendments when conditions change from the original budget. We recommend the City review the recurring structural deficit in the general fund and take action to either increase revenue or reduce expenditures.

Management Response: City staff established budgets for special revenue funds at the account level or by specific approved project. Budgets are being monitored monthly to determine if expenditures are within the projected limits.

FS 15-5 (Prior Year Finding 09-5): During our audit we noted the City did not maintain controls over the general fixed assets of the City, the fixed assets of the enterprise fund and the depreciation expense and accumulated depreciation for those fixed assets. The City is paying an outside service provider to maintain the schedules for fixed assets; however the City did not provide the information for current year activity and therefore no schedules were provided with accurate year end figures. We also noted the City miscoded expenditures related to the master plan to service and supply expenses accounts as opposed to capital outlay accounts.

2011/12 Fiscal Year Status: During the current fiscal year audit, we noted the City prepared schedules of capital outlay activity for fiscal year ending June 30, 11 and June 30, 2012. The City also made prior period adjustments to agree the beginning balances with the June 30, 2011 balance. They then posted entries in the sewer fund and prepared entries for Government-Wide financial statements to agree the final balances to the fiscal year ending June 30, 2012 activity. The schedules were tested without exception.

2013/14 Fiscal Year Status: During our testing of Capital Assets we noted that an expense of \$25,000 advanced to the Amador County Historical Society (ACHS) to be used for the Train Depot Permanent Foundation was recorded to capital expense. ACHS had not started the project as of June 30, 2014 and as such we proposed reclassifying the \$25,000 from capital expense to prepaid expense.

Current Year Follow Up: The \$25,000 provided the Amador County Historical Society by the City was expensed in 2014/15, however the City did not properly code it back to the capital expense

Recommendation: We recommend recording capital expenses once costs have been incurred for the Train Depot Foundation and expenditures have been verified by reviewing invoices submitted by ACHS.

Management Response: The City will record capital expenditures once cost has been incurred for the Train Depot and other funds.

CITY OF IONE
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2015

Follow up on Prior Year Findings Deemed to be Significant Deficiencies and Not Material Weaknesses

FS 15-6 (Prior Year Finding 11-10): During the prior year audit entries were made to establish advances to and advances from other funds. New interfund loans were noted during the current year audit and were properly approved and recorded. We also observed a policy for allocating interest on the advances and verified interest was charged during the 2010/2011 fiscal year.

2011/12 Fiscal Year Status: During the 2011/12 fiscal year audit we noted there were 12 long-term interfund loans. Of these interfund loans we noted three interfund loans where the receiving fund was paying the lending fund interest and nine interfund loans where the receiving fund was paying no interest to the lending fund.

Current Year Follow up: No change. We also noted there is no policy or schedule for when the loans will be paid back. We also noted that the TDA interfund loan was closed with an operating transfer. We did not observe this as a budgeted item and did not observe council approval for this transaction.

Recommendation: We recommend the City research if all of the lending funds should be receiving interest on the long-term advances and develop a schedule as to when the interfund loans will be paid.

Management Response: Resolution 2015-25 - Item No. 6 Interest on Transferred Funds of Resolution, adopted June 2, 2015, addresses the process and interest rate on transferred funds.

FS 15-7: We noted the City had a lack of segregation of duties, as one person is capable of handling all aspects of processing transactions from beginning to end. We also noted that journal entries are not approved or reviewed by management, other than the finance manager, who initiates, posts the entry and files the backup documentation. A lack of segregation of duties increases the risk of potential errors or irregularities occurring without being detected; however, due to a limited number of personnel in the finance department as a result of downsizing an adequate segregation of duties is not possible without incurring additional costs. We also noted the Finance Department journal entries do not always have an approval signature by the City Manager or other responsible employee, indicating the entries have been reviewed for accuracy and giving the Finance Department approval to post the entries. We have noted this finding in prior audits.

Recommendation: We recommend the City segregate duties to the greatest extent possible given the limited number of personnel in the Finance Department. We also recommend the City review procedures for getting approval signatures on the journal entries and include this internal control procedure in the City's financial policies and procedures manual.

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

FS 15-8 (Prior Year Finding 11-34): During our testing of sewer commercial accounts we noted the City is charging based on 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.

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

2012/13 Fiscal Year Status: The City does not appear to have a rate schedule that supports all the charged rates. A banquet hall is paying \$168.59 which is unsupported and an eatery is charged \$54.41 which is unsupported. Additionally the late fees on sewer bills are not being calculated correctly. Interest on a late balance only includes

CITY OF IONE
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2015

Follow up on Prior Year Findings Deemed to be Significant Deficiencies and Not Material Weaknesses (Continued)

the initial bill itself. If a bill was to be more than two months late, the interest would only include the current month late charge and the prior month late charge excluding the interest from the prior month late.

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

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

Current Year Follow Up: No change

Recommendation: We recommend the City consider performing a site inspection of all commercial properties and documenting the number of fixtures. The City should then compare that data to the actual charges and make adjustments where needed to verify that the current charges are valid.

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

FS 15-9: During our testing of compensated absences we noted one employee who exceeded the maximum cap of 280 vacation hours. The City continued to accrue vacation hours after the cap was reached and the City Manager authorized paying out 80 vacation hours to bring the balance below the cap. The City policy for miscellaneous employees does not allow for a vacation payout option. This matter should have gone before the City Council for approval.

13/14 Fiscal Year Status: At June 30, 2014 we noted one employee who was over the cap of 280 hours vacation accrual with 319.43 hours accrued. The City appeared to stop accruing vacation hours after realizing the employee was over the cap. There was no retro adjustment to get below the cap.

Current Year Follow Up: We noted the compensated absences schedule had an incorrect formula used to calculate one employee’s sick time liability. The employee is entitled to 50% of sick time upon termination, however because the formula was entered with 50% twice, it resulted in understating the employee’s sick leave liability by 25%.

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

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

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

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

CITY OF IONE
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2015

Follow up on Prior Year Findings Deemed to be Significant Deficiencies and Not Material Weaknesses (Continued)

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

Management Response: The City is in the process of reviewing and updating the City of Ione Personnel Handbook to ensure benefits are given to employees in accordance with the handbook. Federal and State withholding will only be changed based on the employee W-4 withholding information. Compensated absences is now recorded and reviewed bi-weekly. An internal audit is done to ensure accuracy between the timesheet records and the outside payroll company records.

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

Current year follow up: During the current year we noted the reported T.O.T. revenue was \$3,357. Based on the assumptions noted above the calculated occupancy rate was 6.57%

Recommendation: We recommend the City monitor the T.O.T. revenue and consider performing an audit of the City Hotels for compliance and to educate the Motel owner on complying with the T.O.T ordinance.

Management Response: City Council approved a TOT audit to be made by an independent auditor. Finance staff is now in process of contacting multiple independent auditors for fee comparison.

CITY OF IONE
CURRENT YEAR FINDINGS
JUNE 30, 2015

Current Year Findings Deemed to be Significant Deficiencies and Not Material Weaknesses

FS 15-11: During our testing of sewer accounts receivable, we noted on June 30, 2015 a customer had a credit balance of \$419. Upon review it was determined the credit should have been under general accounts receivable rather than sewer accounts receivable.

Recommendation: We recommend the City review all credit balances in account receivable accounts at year-end to determine that the credit is valid and was coded correctly.

Management Response: City staff will review all accounts receivable credit balances at year-end to determine that the credit is valid and was coded correctly.

FS 15-12: During our testing we noted the City did not reverse a prior year due from other government's journal entry in the COPS Fund which resulted in an overstatement to revenue and receivables of \$22,867.

Recommendation: We recommend reviewing balance sheet accounts and truing up as part of year end closing procedures.

Management Response: City staff will review balance sheet accounts to true up as part of year-end closing procedures.