

**CITY OF IONE**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**CITY OF IONE**  
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# LARRY BAIN, CPA

An Accounting Corporation

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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, 2014, 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, 2014, 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 40-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basis financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

**Larry Bain, CPA,**  
**An Accounting Corporation**  
April 29, 2015

**City of Ione**  
**Required Supplementary Information**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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, 2014. This information is presented in conjunction with the audited basic financial statements, which follows this section.

**FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2013-14**

- The City's net position was \$48,059,771 at June 30, 2014. Net position increased \$14,304 or .02%. Of the total net position, \$4,491,786 is unrestricted and may be used to meet ongoing obligations to citizens and creditors.
- Total cash and investments increased \$1,687,234 or 74% to \$3,968,159. Of total cash, \$3,127,789 is restricted for specific activities.
- As of June 30, 2014, the City's governmental funds reported combined fund balance of \$2,632,321. In comparison, Fiscal Year 2012-13 had a combined fund balance of \$2,945,203. Six governmental funds are classified as major. They are: General Fund, Measure M, Public Safety Maintenance District, Governmental Impact Fees, Local Traffic Mitigation, and the Fire Services Impact Fees.
- The General Fund fund balance decreased \$192,672 or 15% to \$(1,434,206) as of June 30, 2014. Of the fund balance \$662,454 is nonspendable because it is tied up in long-term advances and the remainder in the amount of \$(2,096,660) is reported as unassigned.
- The General Fund cash balance decreased \$183,758 or 43% from \$(424,182) to \$(607,940).
- Projects funded by the gas tax fund include storm drains and street repairs.
- There were \$5,070 general fund capital asset additions, \$340,182 capital asset additions in the Public Safety Maintenance Fund and nonmajor funds, and \$1,890,778 sewer related capital asset additions for FY 2013-2014.
- The City's proprietary funds (sewer) net position increased \$137,424 or 1% to \$10,997,641. Unrestricted cash increased \$85,447 or 12% to \$828,059, and restricted cash increased \$2,016,680 to be used for sewer capital construction. The City is working toward full compliance with its regulatory permits and is near completion.
- The City's long-term liabilities include compensated absences, OPEB obligation, PARS supplemental retirement annuity, Train Depot loan in the amount of \$45,000, SCORE Insurance liability in the amount of \$38,176 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 \$455,848 as of 6/30/14. The original principal amount for the sales tax loan is \$149,293 with a balance of \$69,016 as of 6/30/14. The City's proprietary funds (sewer) long-term liabilities consist of the long-term loan for sewer capital construction in the amount of \$3,250,000.

**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, 2014**

**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 assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

**City of Ione**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2014**

***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, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**

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

	June 30, 2014			June 30, 2013		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Current and other Assets	\$ 4,434,599	\$ 3,366,783	\$ 7,801,382	\$ 4,536,941	\$ 1,411,762	\$ 5,948,703
Capital Assets	34,737,934	11,478,740	46,216,674	34,702,451	9,779,632	44,482,083
<b>Total Assets</b>	<b>\$ 39,172,533</b>	<b>\$ 14,845,523</b>	<b>\$ 54,018,056</b>	<b>\$ 39,239,392</b>	<b>\$ 11,191,394</b>	<b>\$ 50,430,786</b>
Liabilities						
Current/non current	\$ 2,110,403	\$ 3,847,882	\$ 5,958,285	\$ 2,054,142	\$ 331,177	\$ 2,385,319
<b>Total Liabilities</b>	<b>\$ 2,110,403</b>	<b>\$ 3,847,882</b>	<b>\$ 5,958,285</b>	<b>\$ 2,054,142</b>	<b>\$ 331,177</b>	<b>\$ 2,385,319</b>
Net Position						
Net investment in capital assets	\$ 34,282,086	\$ 10,245,420	\$ 44,527,506	\$ 34,224,527	\$ 9,779,632	\$ 44,004,159
Restricted for capital replacement	-	(959,521)	(959,521)	-	(621,710)	(621,710)
Unrestricted	2,780,044	1,711,742	4,491,786	2,960,723	1,702,295	4,663,018
<b>Total Net Position</b>	<b>\$ 37,062,130</b>	<b>\$ 10,997,641</b>	<b>\$ 48,059,771</b>	<b>\$ 37,185,250</b>	<b>\$ 10,860,217</b>	<b>\$ 48,045,467</b>

The City's near-term financing situation, as measured by the current ratio (current assets divided by current liabilities), decreased. The ratio decreased year-over-year from 2.39 to 2.10. Values greater than 1.00 are considered good.

The City's overall financial position, as measured by net position is \$48,059,771. The major component of net position is invested in capital assets. Unrestricted net position are \$4,491,786 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, 2014**

**Statement of Activities**

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

	Fiscal Year Endig 6/30/2014			Fiscal Year Ending 6/30/2013		
	Governmental	Business-type		Governmental	Business-type	
	Activities	Activities	Total	Activities	Activities	Total
Charges for services	\$ 1,002,625	\$ 1,174,657	\$ 2,177,282	\$ 941,925	\$ 1,106,982	\$ 2,048,907
Capital grants and contributions	237,543	223,212	460,755	233,051	444,502	677,553
Operating grants	471,354	-	471,354	341,467	-	341,467
General Revenue:						
Property taxes and assessments	509,124	-	509,124	625,709	-	625,709
Sales and use tax	151,909	-	151,909	166,522	-	166,522
Other taxes	568,700	-	568,700	723,770	-	723,770
Gain on sale of capital assets	-	-	-	-	-	-
Interest income	12,881	20,444	33,325	21,778	18,523	40,301
<b>Total Revenue</b>	<b>2,954,136</b>	<b>1,418,313</b>	<b>4,372,449</b>	<b>3,054,222</b>	<b>1,570,007</b>	<b>4,624,229</b>
Expenses:						
Governmental activities:						
General government	617,816	-	617,816	579,084	-	579,084
Public safety	1,507,025	-	1,507,025	1,547,031	-	1,547,031
Community development	82,113	-	82,113	22,006	-	22,006
Public Works	227,527	-	227,527	126,934	-	126,934
Streets and roads	244,347	-	244,347	227,023	-	227,023
Parks and recreation	318,402	-	318,402	310,268	-	310,268
Interest on debt	17,223	-	17,223	28,811	-	28,811
Business-type activities:						
Wastewater	-	1,254,801	1,254,801	-	1,215,890	1,215,890
<b>Total Expense</b>	<b>3,014,453</b>	<b>1,254,801</b>	<b>4,269,254</b>	<b>2,841,157</b>	<b>1,215,890</b>	<b>4,057,047</b>
<b>Change in net position</b>	<b>(60,317)</b>	<b>163,512</b>	<b>103,195</b>	<b>213,065</b>	<b>354,117</b>	<b>567,182</b>
Net Position:						
Net position beginning	37,185,250	10,860,217	48,045,467	37,187,333	10,555,422	47,742,755
Prior period adjustment	(62,803)	(26,088)	(88,891)	(215,148)	(49,322)	(264,470)
<b>Net Position-ending</b>	<b>\$37,062,130</b>	<b>\$ 10,997,641</b>	<b>\$ 48,059,771</b>	<b>\$37,185,250</b>	<b>\$10,860,217</b>	<b>\$48,045,467</b>

The statement of activities, identify the various revenue and expense items which affect the change in net assets. Total revenues decreased \$251,780 or 5% to \$4,372,449 while total expenses increased \$212,207 or 5% to \$4,269,254. The net position increased \$14,304 or .02% to \$48,059,771. The decrease to revenues for governmental activities was due to the decrease to property taxes and assessments, sales and use tax, other taxes, and interest income, offset by the increase in charges for services, capital grants and contributions, and operating grants. Prior year one-time property tax was the primary driver of decreased revenues. Expenses for governmental activities exceeded revenues by \$60,317. Increase in general government, community development, public works, streets and roads, and parks and recreation contributed to the increase in expenses and the change in net position. Planning, Engineering and interest on debt upturns were the primary driver of increased cost.

**City of Ione**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2014**

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

**FUNDS FINANCIAL ANALYSIS**

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

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

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

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

The combined funds near-term financing situation, as measured by the current ratio (current assets divided by current liabilities), increased. The ratio increased over the two year period from 1.52 to 2.31. Values greater than 1.00 are considered good. Unrestricted net assets represent the amount available for future operations. Unrestricted net position decreased \$1,223,873.

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

**Budgetary Highlights**

General fund revenues for the 2013-14 fiscal year were budgeted at \$1,614,135. The actual revenues were \$1,588,160 which is an unfavorable variance of \$25,975 or 1.6%. The majority of the variance was due to a decrease of \$2,857 for licenses and permits, \$96,908 for charges for current services due mainly for legal reimbursements in the amount of \$99,564, use of money and property in the amount of \$14,505, and other revenue in the amount of \$20,832. Revenue categories that were over budget were taxes due mainly to sales (including in lieu of property tax) in the amount of \$67,129, and real property tax in the amount of \$1,836, intergovernmental in the amount of \$60,349 due mainly to motor vehicle in lieu (state) in the amount of \$87,080, and fines, forfeitures and penalties in the amount of \$4,315.

General fund expenditures were budgeted at \$1,629,034. The actual amount expended was \$1,777,787 or \$143,684 over budget. The increased amount of budgeted expenditures was due to the city clerk, legal, planning, building inspection, engineering, corporate yard-vehicle, police, fire, parks and recreation, and capital outlay. Conversely, city council, city manager, finance, city treasurer, and administrative services, are under budget. For more information please see pages 39 and 40 of the audit report.

**City of Ione**  
**Required Supplementary Information**  
**Management’s Discussion and Analysis (Continued)**  
**June 30, 2014**

**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		Business-type		Total	
	Activities		Activities		Government	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Land	\$29,696,609	\$29,696,609	\$ 3,873,444	\$3,873,444	\$33,570,053	\$33,570,053
Construction in progress	81,326	41,347	3,224,639	2,733,255	3,305,965	2,774,602
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	2,003,279	1,698,006	629,636	559,198	2,632,915	2,257,204
Infrastructure	2,594,098	2,594,098	5,354,019	4,025,063	7,948,117	6,619,161
Accumulated depreciation	(3,896,491)	(3,586,723)	(3,509,506)	(3,317,836)	(7,405,997)	(6,904,559)
<b>Total Capital Assets, Net</b>	<b>\$34,737,934</b>	<b>\$34,702,450</b>	<b>\$ 11,478,740</b>	<b>\$9,779,632</b>	<b>\$46,216,674</b>	<b>\$44,482,082</b>

As of June 30, 2014 the City’s investment in capital assets totaled \$46,216,674 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 went from \$3,979 down to \$3,494 with the final payment due August 1, 2028. The current lease carries a nominal annual interest rate of 3.90% down from 5.897%. The current principal balance is \$455,848.

In September 2011 it was discovered that the State Board of Equalization misallocated the City’s sales tax owing to the County for the 4<sup>th</sup> quarter of 2008 and the 1<sup>st</sup> 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 \$69,016.

**City of Ione**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2014**

**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 2013-14 General Fund Final Budget, Sewer and Gas Tax Budget, and remaining Special Revenue Budgets on June 19, 2013. During the past seven 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 2014-2015.

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, 2014  
(With comparative total as of June 30, 2013)**

	Governmental	Business-type	Totals	
	Activities	Activities	2014	2013
<b>Assets</b>				
Cash and investments	\$ 12,311	\$ 828,059	\$ 840,370	\$ 753,523
Accounts receivables	960,824	79,441	1,040,265	629,451
Taxes receivable	213,098		213,098	364,357
Interest receivable	742		742	947
Prepaid items	25,000		25,000	862
Due from others		222,803	222,803	297,070
Due from other governments	61,187		61,187	61,187
Deposits with others	71,018		71,018	50,099
Restricted cash and investments	1,111,109	2,016,680	3,127,789	1,527,402
Total current assets	<u>2,455,289</u>	<u>3,146,983</u>	<u>5,602,272</u>	<u>3,684,898</u>
<b>Non Current Assets</b>				
Internal balances	(219,800)	219,800	-	-
Interest receivable	275,108		275,108	225,803
Loans receivable (net of allowance for uncollectibles)	1,924,002		1,924,002	2,038,002
<b>Capital assets</b>				
Land	29,696,609	3,873,444	33,570,053	33,570,053
Construction in progress	81,326	3,224,639	3,305,965	2,774,602
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	2,003,279	629,636	2,632,915	2,257,204
Infrastructure	2,594,098	5,354,019	7,948,117	6,619,161
Accumulated depreciation	(3,896,491)	(3,509,506)	(7,405,997)	(6,904,559)
Total capital assets, net	<u>34,737,934</u>	<u>11,478,740</u>	<u>46,216,674</u>	<u>44,482,083</u>
Total Assets	<u>\$ 39,172,533</u>	<u>\$ 14,845,523</u>	<u>\$ 54,018,056</u>	<u>\$50,430,786</u>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 150,327	\$ 482,069	\$ 632,396	\$ 344,834
Accrued payroll	52,699	11,999	64,698	64,675
Deposits from others	440,290	4,559	444,849	492,242
Deferred revenue			-	-
Accrued interest payable		28,595	28,595	-
<b>Noncurrent liabilities:</b>				
Due within one year	158,558	76,175	234,733	151,611
Due in more than one year	1,308,529	3,244,485	4,553,014	1,331,957
Total Liabilities	<u>2,110,403</u>	<u>3,847,882</u>	<u>5,958,285</u>	<u>2,385,319</u>
<b>Net Position</b>				
Net investment in capital assets	34,282,086	10,245,420	44,527,506	44,004,159
Restricted for capital replacement		(959,521)	(959,521)	(621,710)
Unrestricted	2,780,044	1,711,742	4,491,786	4,663,017
Total Net Position	<u>\$ 37,062,130</u>	<u>\$ 10,997,641</u>	<u>\$ 48,059,771</u>	<u>\$ 48,045,467</u>

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

**CITY OF IONE**

**STATEMENT OF ACTIVITIES  
JUNE 30, 2014  
(With comparative total as of June 30, 2013)**

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	
							2014	2013
<b>Governmental Activities:</b>								
General government	\$ 617,816	\$ 96,265	\$ 2,453	\$ 5,000	\$ (514,098)	\$ -	\$ (514,098)	\$ (400,740)
Public safety	1,507,025	528,604	701	416,949	(560,771)		(560,771)	(747,785)
Community development	82,113			49,405	(32,708)		(32,708)	88,315
Public works	227,527	369,097			141,570		141,570	279,830
Streets and roads	244,347		234,389		(9,958)		(9,958)	(214,946)
Parks and recreation	318,402	8,659	-		(309,743)		(309,743)	(300,577)
Interest on debt	17,223				(17,223)		(17,223)	(28,811)
<b>Total Governmental Activities</b>	<b>3,014,453</b>	<b>1,002,625</b>	<b>237,543</b>	<b>471,354</b>	<b>(1,302,931)</b>		<b>(1,302,931)</b>	<b>(1,324,714)</b>
<b>Business-type Activities:</b>								
Wastewater	1,175,553	1,174,657	223,212			222,316	222,316	335,594
Interest on debt	79,248					(79,248)		
<b>Total Business-type Activities</b>	<b>1,254,801</b>	<b>1,174,657</b>	<b>223,212</b>			<b>143,068</b>	<b>222,316</b>	<b>335,594</b>
<b>Total Government</b>	<b>\$ 4,269,254</b>	<b>\$ 2,177,282</b>	<b>\$ 460,755</b>	<b>\$ 471,354</b>	<b>(1,302,931)</b>	<b>143,068</b>	<b>(1,080,615)</b>	<b>(989,120)</b>

**General Revenues:**

**Taxes:**

Property taxes		509,124		509,124	625,709
Sales and use tax		151,909		151,909	166,522
Transient occupancy tax		-		-	3,180
Franchise tax		92,503		92,503	94,697
Motor vehicle in lieu tax		458,462		458,462	604,045
Other taxes		17,735		17,735	21,848
Investment income		12,881	20,444	33,325	40,301
<b>Total general revenues</b>		<b>1,242,614</b>	<b>20,444</b>	<b>1,263,058</b>	<b>1,556,302</b>
Change in net position		(60,317)	163,512	103,195	567,182
Net position - beginning		37,185,250	10,860,217	48,045,467	47,742,755
Prior Period Adjustment		(62,803)	(26,088)	(88,891)	(264,470)
<b>Net Position - ending</b>		<b>\$ 37,062,130</b>	<b>\$ 10,997,641</b>	<b>\$ 48,059,771</b>	<b>\$ 48,045,467</b>

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

**CITY OF IONE**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014**

**(With comparative total as of June 30, 2013)**

	General	Measure M	Public Safety	Governmental	Local Traffic	Fire Services	Other	Total Governmental	
			Maintenance				Nonmajor	2014	2013
			District	Impact Fees	Mitigation	Impact Fees	Funds		
<u>Assets</u>									
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,311	\$ 12,311	\$ 10,911
Due from other funds					419,555		487,867	907,422	697,463
Receivables									
Accounts (net of allowance)	383,838	80,704	208,476		233,708		54,098	960,824	502,171
Taxes	213,098							213,098	364,357
Interest	742							742	947
Due from other governments	61,187							61,187	61,187
Deposits with others	71,018							71,018	50,099
Prepaid items							25,000	25,000	862
Restricted cash and investments		59,986	59,886	6,117	243,258		741,862	1,111,109	1,527,402
<b>Total Current Assets</b>	<b>729,883</b>	<b>140,690</b>	<b>268,362</b>	<b>6,117</b>	<b>896,521</b>	<b>-</b>	<b>1,321,138</b>	<b>3,362,711</b>	<b>3,215,399</b>
Advances to other funds	662,454	360,623		25,000	-		1,606,080	2,654,157	2,636,253
Interest receivable							275,108	275,108	225,803
Loans receivable (net of allowance for uncollectible)							1,924,002	1,924,002	2,038,002
<b>Total Long-Term Assets</b>	<b>662,454</b>	<b>360,623</b>		<b>25,000</b>			<b>3,805,190</b>	<b>4,853,267</b>	<b>6,427,460</b>
<b>Total Assets</b>	<b>\$ 1,392,337</b>	<b>\$ 501,313</b>	<b>\$ 268,362</b>	<b>\$ 31,117</b>	<b>\$ 896,521</b>	<b>\$ -</b>	<b>\$ 5,126,328</b>	<b>\$ 8,215,978</b>	<b>\$ 8,115,457</b>
<u>Liabilities and Fund Balances</u>									
<u>Liabilities</u>									
Accounts payable	\$ 117,620	\$ -	\$ 15,069	\$ -	\$ -	\$ -	\$ 17,638	\$ 150,327	\$ 80,236
Accrued payroll	50,418						2,281	52,699	58,077
Deposits from others	80,938					359,352		440,290	489,270
Due to other funds	607,940			106,621			167,861	882,422	697,463
Deferred revenue	597,927	31,042			233,708		296,285	1,158,962	964,155
<b>Total Current Liabilities</b>	<b>1,454,843</b>	<b>31,042</b>	<b>15,069</b>	<b>106,621</b>	<b>233,708</b>	<b>359,352</b>	<b>484,065</b>	<b>2,684,700</b>	<b>2,289,201</b>
Long-term Liabilities									
Advances from other funds	1,371,700			598,000		929,257		2,898,957	2,881,053
<b>Total Liabilities</b>	<b>2,826,543</b>	<b>31,042</b>	<b>15,069</b>	<b>704,621</b>	<b>233,708</b>	<b>1,288,609</b>	<b>484,065</b>	<b>5,583,657</b>	<b>5,170,254</b>
<u>Fund Balances</u>									
Restricted for loans receivable							1,902,956	1,902,956	2,016,956
Non-spendable for advances	662,454	360,623		25,000			1,606,080	2,654,157	2,636,253
Assigned for public safety		109,648	253,293				2,748	365,689	417,082
Assigned for community development							375,594	375,594	376,041
Assigned for streets and roads							716,297	716,297	633,550
Assigned for capital projects				(698,504)	662,813	(1,288,609)	38,588	(1,285,712)	(1,239,803)
Unassigned, reported in									
General fund	(2,096,660)							(2,096,660)	(1,894,876)
<b>Total Fund Balances</b>	<b>(1,434,206)</b>	<b>470,271</b>	<b>253,293</b>	<b>(673,504)</b>	<b>662,813</b>	<b>(1,288,609)</b>	<b>4,642,263</b>	<b>2,632,321</b>	<b>2,945,203</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,392,337</b>	<b>\$ 501,313</b>	<b>\$ 268,362</b>	<b>\$ 31,117</b>	<b>\$ 896,521</b>	<b>\$ -</b>	<b>\$ 5,126,328</b>	<b>\$ 8,215,978</b>	<b>\$ 8,115,457</b>

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, 2014  
(With comparative total as of June 30, 2013)**

	<u>2014</u>	<u>2013</u>
Fund Balances of Governmental Funds	\$ 2,632,321	\$ 2,945,203
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.	34,737,934	34,702,451
Some liabilities, including long-term debt, compensated absences, OPEB and deferred revenue are not due and payable in the current period and therefore are not reported in the funds.	<u>(308,125)</u>	<u>(462,404)</u>
Net position of governmental activities	<u>\$ 37,062,130</u>	<u>\$ 37,185,250</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, 2014  
(With comparative total as of June 30, 2013)**

	General	Measure M	Public Safety			Fire Services Impact Fees	Other Nonmajor Funds	Total Governmental	
			Maintenance District	Governmental Impact Fees	Local Traffic Mitigation			2014	2013
<b>Revenues</b>									
Taxes	\$ 680,063	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 680,063	\$ 799,539
Special assessment/impact fees		296,364	165,306	2,453		701	27,914	492,738	447,536
Licenses and permits	119,093							119,093	207,817
Use of money and property	75,495	3,484					5,308	84,287	97,615
Intergovernmental	655,334		242,104				354,235	1,251,673	1,208,060
Fines, forfeitures and penalties	9,515							9,515	8,411
Charges for current services	57,993							57,993	84,275
Other	(9,332)	27,451	16,000				-	34,119	39,524
<b>Total Revenues</b>	<b>1,588,161</b>	<b>327,299</b>	<b>423,410</b>	<b>2,453</b>		<b>701</b>	<b>387,457</b>	<b>2,729,481</b>	<b>2,892,777</b>
<b>Expenditures</b>									
<b>Current:</b>									
General government	551,903							551,903	519,185
Public ways and facilities/ transportation	193,374				3,000		187,610	383,984	264,059
Public safety	791,619	298,324	182,111			10,500	100,000	1,382,553	1,427,015
Community development	235,822						78,922	314,744	247,422
Capital Outlay	5,070		287,525				52,657	345,252	113,333
<b>Debt service</b>									
Principal						22,076		22,076	18,948
Interest						17,223		17,223	28,811
<b>Total Expenditures</b>	<b>1,777,788</b>	<b>298,324</b>	<b>469,636</b>	<b>-</b>	<b>3,000</b>	<b>49,799</b>	<b>419,189</b>	<b>3,017,736</b>	<b>2,618,773</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>(189,627)</b>	<b>28,975</b>	<b>(46,226)</b>	<b>2,453</b>	<b>(3,000)</b>	<b>(49,098)</b>	<b>(31,732)</b>	<b>(288,255)</b>	<b>274,004</b>
<b>Other Financing Sources (Uses)</b>									
Operating transfers in							20,710	20,710	31,111
Operating transfers out	(10,357)						(10,353)	(20,710)	(31,111)
<b>Total Other Financing Sources (Uses)</b>	<b>(10,357)</b>						<b>10,357</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</b>	<b>(199,984)</b>	<b>28,975</b>	<b>(46,226)</b>	<b>2,453</b>	<b>(3,000)</b>	<b>(49,098)</b>	<b>(21,375)</b>	<b>(288,255)</b>	<b>274,004</b>
Fund Balances, July 1	(1,241,534)	441,296	330,177	(673,829)	665,813	(1,239,511)	4,662,791	2,945,203	2,763,195
Prior period adjustments	7,312		(30,658)	(2,128)			847	(24,627)	(91,996)
<b>Fund Balances, June 30</b>	<b>\$ (1,434,206)</b>	<b>\$ 470,271</b>	<b>\$ 253,293</b>	<b>\$ (673,504)</b>	<b>\$ 662,813</b>	<b>\$ (1,288,609)</b>	<b>\$ 4,642,263</b>	<b>\$ 2,632,321</b>	<b>\$ 2,945,203</b>

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, 2014  
(With comparative total as of June 30, 2013)**

	2014	2013
Net Change in Fund Balances - Total Governmental Funds	\$ (288,255)	\$ 274,004
<p>Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities. The costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. The net activity is reconciled as follows:</p>		
Cost of assets capitalized	345,252	113,333
Capital contributions	-	80,000
Depreciation expense	(309,768)	(327,355)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	224,655	52,472
<p>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</p>		
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.	22,076	47,919
Changes in the PARS 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.	(57,435)	(44,614)
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.	3,158	17,306
Change in net position of governmental activities	\$ (60,317)	\$ 213,065

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, 2014  
(With comparative total as of June 30, 2013)**

	Sewer O & M	Sewer Capital	Nonmajor Sewer Tertiary Plant	Totals	
				2014	2013
<b>Current assets:</b>					
Cash and investments	\$ 828,059	\$ -	\$ -	\$ 828,059	\$ 742,612
Receivables					
Accounts	72,241		7,200	79,441	127,280
Due from others		222,803		222,803	297,070
Due from other funds	1,437,226			1,437,226	1,437,226
Restricted cash and investments	2,016,680	-		2,016,680	-
<b>Total current assets</b>	<b>4,354,206</b>	<b>222,803</b>	<b>7,200</b>	<b>4,584,209</b>	<b>2,604,188</b>
<b>Non Current Assets</b>					
Advances to other funds		244,800		244,800	244,800
<b>Capital assets</b>					
Land	3,873,444			3,873,444	3,873,444
Construction in progress	3,224,639			3,224,639	2,733,255
Structures	1,460,112			1,460,112	1,460,112
Site improvements	446,396			446,396	446,396
Vehicles and equipment	629,636			629,636	559,198
Infrastructure	5,354,019			5,354,019	4,025,063
Accumulated depreciation	(3,509,506)			(3,509,506)	(3,317,836)
<b>Total capital assets</b>	<b>11,478,740</b>			<b>11,478,740</b>	<b>9,779,632</b>
<b>Total Assets</b>	<b>\$ 15,832,946</b>	<b>467,603</b>	<b>\$ 7,200</b>	<b>\$ 16,307,749</b>	<b>\$ 12,628,620</b>
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 39,590	\$ 418,795	\$ 23,684	\$ 482,069	\$ 264,597
Accrued payroll	11,999			11,999	6,598
Due to other funds	25,000	1,008,329	428,897	1,462,226	1,437,226
Interest payable	28,595			28,595	
Customer deposits	4,559			4,559	2,972
<b>Total current liabilities</b>	<b>109,743</b>	<b>1,427,124</b>	<b>452,581</b>	<b>1,989,448</b>	<b>1,711,393</b>
<b>Noncurrent liabilities:</b>					
OPEB-retiree health	52,652			52,652	37,539
Termination benefit-PARS	-			-	7,610
Note payable	3,250,000			3,250,000	
Compensated absences	18,008			18,008	57,010
<b>Total noncurrent liabilities</b>	<b>3,320,660</b>			<b>3,320,660</b>	<b>57,010</b>
<b>Total Liabilities</b>	<b>3,430,403</b>	<b>1,427,124</b>	<b>452,581</b>	<b>5,310,108</b>	<b>1,768,403</b>
<b>Net position:</b>					
Net investment in capital assets.	10,245,420			10,245,420	9,779,632
Restricted for capital replacement		(959,521)		(959,521)	(621,710)
Unrestricted	2,157,123		(445,381)	1,711,742	1,702,295
<b>Total Net Position (Accumulated Deficit)</b>	<b>\$ 12,402,543</b>	<b>\$ (959,521)</b>	<b>\$ (445,381)</b>	<b>\$ 10,997,641</b>	<b>\$ 10,860,217</b>

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, 2014  
(With comparative total as of June 30, 2013)**

	Sewer	Sewer	Nonmajor	Totals	
	O & M	Capital	Sewer Tertiary Plant	2014	2013
Operating Revenues					
Charges for services	\$ 1,040,144	\$ -	\$ 136,800	\$ 1,176,944	\$ 1,109,152
Connection fees		223,212		223,212	444,502
Other	(2,287)			(2,287)	(2,170)
<b>Total Operating Revenues</b>	<b>1,037,857</b>	<b>223,212</b>	<b>136,800</b>	<b>1,397,869</b>	<b>1,551,484</b>
Operating Expenses					
Salaries and benefits	262,648	-		262,648	175,252
Services and supplies	413,261	56,819	251,155	721,235	852,824
Depreciation expense	191,670			191,670	187,814
<b>Total Operating Expenses</b>	<b>867,579</b>	<b>56,819</b>	<b>251,155</b>	<b>1,175,553</b>	<b>1,215,890</b>
<b>Operating Income</b>	<b>170,278</b>	<b>166,393</b>	<b>(114,355)</b>	<b>222,316</b>	<b>335,594</b>
Non-Operating Revenues (Expenses)					
Interest expense	(79,248)			(79,248)	-
Interest income	20,444			20,444	18,523
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(58,804)</b>			<b>(58,804)</b>	<b>18,523</b>
<b>Income (Loss) Before Transfers</b>	<b>111,474</b>	<b>166,393</b>	<b>(114,355)</b>	<b>163,512</b>	<b>354,117</b>
Operating Transfers					
Operating transfers in	1,857,938	1,353,734	119,994	3,331,666	966,756
Operating transfers out	(1,473,728)	(1,857,938)		(3,331,666)	(966,756)
<b>Net Operating Transfers</b>	<b>384,210</b>	<b>(504,204)</b>	<b>119,994</b>	<b>-</b>	<b>-</b>
<b>Net Income (Loss)</b>	<b>495,684</b>	<b>(337,811)</b>	<b>5,639</b>	<b>163,512</b>	<b>354,117</b>
<b>Net Position (Accumulated Deficit), July 1</b>	<b>11,911,880</b>	<b>(621,710)</b>	<b>(429,953)</b>	<b>10,860,217</b>	<b>10,555,422</b>
<b>Prior Period Adjustments</b>	<b>(5,021)</b>		<b>(21,067)</b>	<b>(26,088)</b>	<b>(49,322)</b>
<b>Net Position (Accumulated Deficit), June 30</b>	<b>\$ 12,402,543</b>	<b>\$ (959,521)</b>	<b>\$ (445,381)</b>	<b>\$ 10,997,641</b>	<b>\$ 10,860,217</b>

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

**CITY OF IONE**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**JUNE 30, 2014**

**(With comparative total as of June 30, 2013)**

	Sewer	Sewer	Nonmajor	Totals	
	O & M	Capital	Sewer Tertiary Plant	2014	2013
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 1,040,475	\$ 297,479	\$ 157,520	\$ 1,495,474	\$ 1,503,419
Cash payments to suppliers	(432,974)	206,725	(277,514)	(503,763)	(653,663)
Cash payments to employees	(243,598)			(243,598)	(163,155)
Net Cash Provided By (Used For) Operating Activities	<u>363,904</u>	<u>504,204</u>	<u>(119,994)</u>	<u>748,114</u>	<u>686,601</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Purchase of fixed assets	(1,890,778)			(1,890,778)	(966,756)
Proceeds of debt	3,250,000			3,250,000	
Interest paid on debt	(50,653)			(50,653)	-
Interfund lending	25,000			25,000	-
Net transfers from other funds	384,210		119,994	504,204	966,756
Net transfer to other funds		(504,204)		(504,204)	(966,756)
Net Cash Provided by (Used For) Capital and Related Financing Activities	<u>1,717,779</u>	<u>(504,204)</u>	<u>119,994</u>	<u>1,333,569</u>	<u>(966,756)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest income	20,444			20,444	18,523
Net Cash Provided By Investing Activities	<u>20,444</u>			<u>20,444</u>	<u>18,523</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,102,127	-	-	2,102,127	(261,632)
Cash and Cash Equivalents, July 1	<u>742,612</u>			<u>742,612</u>	<u>1,004,244</u>
Cash and Cash Equivalents, June 30	<u>\$ 2,844,739</u>	<u>-</u>	<u>-</u>	<u>\$ 2,844,739</u>	<u>\$ 742,612</u>
<b>Reconciliation of Cash and Cash Equivalents:</b>					
Cash and investments	\$ 828,059	\$ -	\$ -	\$ 828,059	\$ 742,612
Restricted cash and investments	2,016,680	-		2,016,680	-
Total Cash and Cash Equivalents, June 30	<u>\$ 2,844,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,844,739</u>	<u>\$ 742,612</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities</b>					
Operating income (loss)	\$ 170,278	\$ 166,393	\$ (114,355)	\$ 222,316	335,594
Adjustments to operating income:					
Depreciation expense	191,670			191,670	187,814
(Increase) decrease in accounts receivable	1,031	74,267	20,720	96,018	(47,740)
Increase (decrease) in accounts payable	(19,713)	263,544	(26,359)	217,472	199,161
Increase in accrued payroll	5,401			5,401	(653)
Increase in customer deposits	1,587			1,587	(325)
Increase in OPEB	15,113			15,113	11,224
Decrease in termination benefits-PARS	(7,610)			(7,610)	(2,536)
Change in compensated absences	6,147			6,147	4,062
Net Cash Provided By (Used For) Operating Activities	<u>\$ 363,904</u>	<u>\$ 504,204</u>	<u>\$ (119,994)</u>	<u>\$ 748,114</u>	<u>\$ 686,601</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, 2014  
(With comparative total as of June 30, 2013)**

	<b>Agency Funds</b>		Totals	
	Community	Regional Traffic		
	Facilities Districts	Mitigation	2014	2013
<u>Assets</u>				
Cash and investments	\$ -	\$ 1,146	\$ 1,146	\$ (18,635)
Cash with fiscal agent	1,530,370		1,530,370	2,056,549
Due from others		504,000	504,000	504,000
Due from other government	3,518		3,518	5,864
	<u>\$ 1,533,888</u>	<u>\$ 505,146</u>	<u>\$ 2,039,034</u>	<u>\$ 2,547,778</u>
<u>Liabilities</u>				
Due to others	<u>\$ 1,533,888</u>	<u>\$ 505,146</u>	<u>\$ 2,039,034</u>	<u>\$ 2,547,778</u>
	<u>\$ 1,533,888</u>	<u>\$ 505,146</u>	<u>\$ 2,039,034</u>	<u>\$ 2,547,778</u>

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

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2014**

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 nonmajor 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, 2014**

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 nonmajor funds.

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

The City reports the following major governmental funds:

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

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2014**

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 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, 2014**

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, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

I. Proprietary Fund Accounting

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

J. Fund Equity

The 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 appropriate for future expenditures.

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

K. Compensated Absences

City employees are granted vacation in varying amounts based on classification and length of service. Upon termination or retirement, the City is to pay 100% of the vacation time accrued. 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, 2014, because the City does not believe any of the available year-end resources will be required to fund the year-end compensated absences liability.

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

L. Intergovernmental Revenues

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

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

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2014**

Note 2: Cash and Investments

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

Cash and investments	\$ 840,370	
Restricted cash and investments	3,127,789	
Cash and investments, statement of net assets	3,968,159	
Cash and investments, statement of fiduciary assets	1,531,516	
Total cash and investments	\$ 5,499,675	
Checking and saving accounts	\$ 606,368	
Imprest cash	100	
Local agency investment fund	1,346,157	
Money market accounts	3,547,050	
Total cash and investments	\$ 5,499,675	

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

B. Disclosures Relating to Interest Rate Risk

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

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2014**

Note 2: Cash and Investments (Continued)

B. Disclosures Relating to Interest Rate Risk (Continued)

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

<u>Investment Type</u>	<u>Totals</u>	<u>12 Months or Less</u>	<u>Remaining 13-48 Months</u>
State Investment Pool*	\$ 1,346,157	\$ 1,346,157	\$ -
Held by Trustee			
Money Market I-Bank*	2,016,680	\$ 2,016,680	-
Money Market*	1,530,370	1,530,370	-
Totals	<u>\$ 4,893,207</u>	<u>\$ 4,893,207</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, 2014, the City's deposits balance was \$660,025 and the carrying amount was \$606,367. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance, \$500,000 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 \$64.85 billion. Of the \$64.85 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 3.72% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute.

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

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2014**

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 29,696,609	\$ -	\$ -	\$ 29,696,609
Construction in progress	41,347	39,979		81,326
Capital assets, being depreciated:				
Buildings and improvements	3,329,120			3,329,120
Site improvements	929,993			929,993
Vehicles and equipment	1,698,006	305,273		2,003,279
Infrastructure	2,594,098			2,594,098
Total capital assets, being depreciated	8,551,217	305,273	-	8,856,490
Less accumulated depreciation for:				
Buildings and improvements	(1,056,512)	(78,335)		(1,134,847)
Site Improvements	(423,356)	(45,929)		(469,285)
Vehicles and Equipment	(1,519,078)	(29,936)		(1,549,014)
Infrastructure	(587,777)	(155,568)		(743,345)
Total accumulated depreciation	(3,586,723)	(309,768)	-	(3,896,491)
Total capital assets, being depreciated, net	4,964,494	(4,495)	-	4,959,999
Governmental activities capital assets, net	\$ 34,702,449	\$ 35,484	\$ -	\$ 34,737,934
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 3,873,444	\$ -	\$ -	\$ 3,873,444
Construction in progress	2,733,255	491,384		3,224,639
Capital assets, being depreciated:				
Buildings and improvements	1,460,112			1,460,112
Site improvements	446,396			446,396
Vehicle and equipment	559,198	70,438		629,636
Infrastructure	4,025,063	1,328,956		5,354,019
Total capital assets, being depreciated	6,490,769	1,399,394	-	7,890,163
Less accumulated depreciation for:				
Buildings and improvements	(693,531)	(35,757)		(729,288)
Site improvements	(365,376)	(6,221)		(371,597)
Vehicle and equipment	(439,229)	(23,909)		(463,138)
Infrastructure	(1,819,701)	(125,783)		(1,945,484)
Total accumulated depreciation	(3,317,836)	(191,670)	-	(3,509,506)
Total capital assets, being depreciated, net	3,172,933	1,207,724	-	4,380,657
Business- type activities capital assets, net	\$ 9,779,632	\$ 1,699,108	\$ -	\$ 11,478,740

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2014**

Note 3: Capital Assets (Continued)

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

Governmental Activities	
General government	\$ 44,665
Public safety	65,479
Public works	10,699
Streets and roads	99,742
Community development	14,035
Parks	75,148
Total	<u>\$ 309,768</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, 2014:

	Balance July 1, 2013	Additions/ Adjustments	Retirements	Balance June 30, 2014	Due Within One Year
Compensated absences-Note 1K	\$ 114,592	\$ 100,197	\$ (103,715)	\$ 111,075	\$ 51,857
Net OPEB Obligation Note 7	539,022	107,940		646,962	-
Termination Benefits-Pars Note 8	151,516		(50,506)	101,010	50,506
Amador County loan	98,718		(29,702)	69,016	30,301
Train Depot loan	45,000			45,000	-
S.C.O.R.E. insurance liability		38,176		38,176	3,818
Capital lease	477,924		(22,076)	455,848	22,076
Total	<u>\$ 1,426,772</u>	<u>\$ 246,313</u>	<u>\$ (205,999)</u>	<u>\$ 1,467,087</u>	<u>\$ 158,558</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>	
2015	\$ 41,932
2016	41,932
2017	41,932
2018	41,932
2019	41,932
2020-2024	209,660
2025-2029	174,717
Total minimum lease payments	<u>594,036</u>
Less: Amount representing interest	<u>(138,188)</u>
Present value of minimum lease payments	<u>\$ 455,848</u>

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2014**

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 4<sup>th</sup> quarter of 2008 and the 1<sup>st</sup> 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
2015	\$	30,301	\$ 1,154	\$ 31,455
2016		30,911	544	31,455
2017		7,804	39	7,843
Totals	\$	69,016	\$ 1,737	\$ 70,753

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, 2014 there was no formal repayment agreement. The intent of the City is to repay Jackson Rancheria. There is no amortization schedule for the loan.

Business-Type Activities:

A summary of changes in the City's business-type activities long-term liabilities for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Compensated absences	\$ 11,791	\$ 15,504	\$ (9,287)	\$ 18,008	\$ -
Termination Benefits	7,610		(7,610)	-	-
I-Bank Installment Loan		3,250,000		3,250,000	76,175
Total	\$ 19,401	\$ 3,265,504	\$ (16,897)	\$ 3,268,008	\$ 76,175

Installment Sale Agreement

Effective September 1, 2013 the City entered into an installment sale agreement with the California Infrastructure and Economic Development Bank to borrow \$3,250,000 for use on the City's Wastewater Compliance Project. The interest rate is 2.07% and principal payments will commence on August 1, 2014 with final payment date of August 1, 2043. The following is the amortization schedule for this loan:

Fiscal Year Ended	June 30,	Principal	Interest	Total
2015	\$	76,175	\$ 67,164	\$ 143,339
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
2020-2024		447,440	272,353	719,793
2025-2029		501,806	223,283	725,089
2030-2034		562,780	168,247	731,027
2035-2039		631,162	106,525	737,687
2040-2044		707,851	37,302	745,153
Totals	\$	3,250,000	\$ 1,124,493	\$ 4,374,493

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2014**

Note 5: Defined Benefit Pension Plan

CalPERS

A. Plan Description

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

B. Funding Policy

Active miscellaneous plan members in the City's defined pension plan are required to contribute 8% of their annual covered salary for tier 1, 7% for tier 2 and 6.25% for PEPRA new members. Active safety-police plan members in the City's defined benefit pension plan are required to contribute 9% of their annual covered salary for tier 1, 9% for tier 2 and 11.5% for PEPRA new members. Active safety-fire plan members in the City's defined benefit pension plan are required to contribute 7% and 9.5% for PEPRA new members. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS' Board of Administration. The required employer contribution rate for fiscal 2013/14 was 16.392% for miscellaneous tier 1, 8.049% for miscellaneous tier 2, 6.25% for PEPRA new members, 15.312% for safety-fire members tier 1, 9.5% for PEPRA new safety-fire members, 50.949% for safety-police tier 1, 20.774% for safety-police tier 2 and 11.5% for PEPRA new safety-police members. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

C. Annual Pension Cost

For fiscal year 2013/2014, the City's annual pension cost was \$227,917 and the City actually contributed \$227,917. As a benefit to employees, the City contributes ½ of the employee portion for safety employees and all of employee portion for miscellaneous employees. The required contribution for fiscal year 2013/2014 was determined as part of the June 30, 2011, actuarial valuation using entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.55% to 14.45% for miscellaneous members (from 3.55% to 14.45% for safety members), and (c) .25% salary adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the plan's assets was determined using a technique that smooths the effect of short-term volatility in the market value of investments over a three year period (smoothed market value). The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was 18 years for miscellaneous members and 18 years for safety members as of the valuation date.

Fiscal Year Ending	Three – Year Trend Information for the City		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/12	\$ 282,952	100%	\$ -
06/30/13	\$ 309,656	100%	\$ -
06/30/14	\$ 227,917	100%	\$ -

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2014**

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 2013/2014 fiscal year was \$26,377. As of June 30, 2014, 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. 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, 2014 the City Council had not established a funding policy. The 2013-2014 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, 2014 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, 2014. The City made the net contribution for fiscal year end June 30, 2014 directly to health insurance providers totalling \$26,377.

*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	\$ 141,993
Interest on beginning OPEB obligation	* 27,386
ARC adjustment	(19,950)
Less: Unreimbursed retiree premium payments made to plan provider	<u>(26,377)</u>
Increase (decrease) in net OPEB obligation	123,052
Net OPEB obligation - beginning of year	576,562
Net OPEB obligation - end of year	<u><u>\$ 699,614</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.

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2014**

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

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, 2012	\$ 164,618.00	8%	\$ (470,217.00)
June 30, 2013	\$ 134,286.00	21%	\$ (576,562.00)
June 30, 2014	\$ 149,429.00	18%	\$ (699,614.00)

*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, 2014, 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 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, 2014, is:

Community Facilities District 2005-1	\$ 820,000
Community Facilities District 2005-21A1	3,615,000
Community Facilities District 2005-21A2	180,000
Community Facilities District 2005-21A3	6,605,000
Total	\$ 11,220,000

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2014**

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.

(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 2013-2014 is presented below.

	June 30, 2013
Annual required contribution	\$ 53,042
Contributions made	(53,042)
Increase (decrease) in pension obligation (asset)	(53,042)
Net pension obligation (asset), beginning of year	159,126
Net pension obligation (asset), end of year	\$ 106,084

For fiscal year 2013-2014, 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, 2012	\$ 53,042	\$ 53,042	100%
Year ended June 30, 2013	\$ 53,042	\$ 53,042	100%
Year ended June 30, 2014	\$ 53,042	\$ 53,042	100%

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2014**

Note 9: Risk Management

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

Note 10: Lease Income

On July 30<sup>th</sup>, 1990 the City entered into an agreement with Portlock International to lease the City owned property for the operation of a public golf course. The term of the lease is fifty five years commencing in June 1994. The rent is due as follows: years 6 to 10 is 1%, years 11 to 15 is 2% , years 16 to 20 is 3% and years 21 to 55 is 4% of gross revenue from the operation of the golf course, clubhouse, pro shop, driving range and other golf course facilities. The rent is due before the 20<sup>th</sup> day following each December 31<sup>st</sup>. Under this agreement the City received, \$43,000 in the 2011-2012, \$43,000 in the 2012-2013 fiscal year and accrued an estimated receivable at June 30, 2014 of \$43,000 for the 2013-14 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.

Interfund transactions for the fiscal year ended June 30, 2014 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	\$ 662,454	\$ 1,371,700	\$ 607,940	\$ -	\$ -	\$ 10,357
Enterprise	244,800	-	1,462,226	1,437,226	-	-
Special Revenue	1,126,899	-	47,311	487,867	-	10,353
Capital Projects	864,804	1,527,257	227,171	419,555	20,710	0
Total	<u>\$ 2,898,957</u>	<u>\$ 2,898,957</u>	<u>\$ 2,344,648</u>	<u>\$ 2,344,648</u>	<u>\$ 20,710</u>	<u>\$ 20,710</u>

**City of Ione**  
**Notes to Financial Statements**  
**June 30, 2014**

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
<b>General Fund</b>			
General Government			
City Clerk	\$ 60,223	\$ 63,009	\$ (2,786)
Legal	90,000	114,259	(24,259)
Public Ways and Facilities/Transportation			
Planning	18,538	89,643	(71,105)
Building inspection	42,471	44,649	(2,178)
Engineering	10,000	24,649	(14,649)
Corporate yard	32,928	34,433	(1,505)
Public Safety			
Police	730,222	737,354	(7,132)
Fire	42,873	54,265	(11,392)
Community Development			
Parks and recreation	210,936	235,822	(24,886)
Capital outlay	-	5,070	(5,070)
Operating transfers out	-	10,357	(10,357)
<b>Measure M Fund</b>			
Public Safety	273,753	298,324	(24,571)
<b>Public Safety Maintenance Assesemnt Fund</b>			
Public safety	39,188	182,111	(142,923)
Capital outlay	\$ -	\$ 287,525	\$ (287,525)

B. Deficit Fund Balances

Three major funds have deficit fund balances at June 30, 2014. The general fund had a deficit fund balance of \$1,425,457 the fire impact fee fund has a deficit fund balance of \$1,288,609, the governmental impact fee fund had a deficit fund balance of \$673,504. The Sewer Capital enterprise fund had a deficit net position of \$959,521 and the Nonmajor Sewer Tertiary Plant fund had a deficit net position of \$445,381. Non-major capital project funds had one fund with a deficit fund balance and non-major special revenue funds had one fund with a deficit fund balance at June 30, 2014. 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. The General fund deficit fund balance is expected to be eliminated with approximately \$600,000 reimbursement of vehicle license fees and other charges that currently are recorded as deferred revenue and by reducing expenditures.

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, 2014**

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, 2013	\$ 37,185,250	\$ 10,860,217
Adjustments for:		
Reclassify from trust fund	(24,961)	
Correct prior year receivables	334	(26,088)
Record prior year long-term insurance liability	(38,176)	
Total adjustment	<u>(62,803)</u>	<u>(26,088)</u>
Net Position, July 1, 2013 as restated	<u>\$ 37,122,447</u>	<u>\$ 10,834,129</u>

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

	General Fund	Public Safety Maintenance District	Governmental Impact	Other Governmental Funds
Fund Balance, June 30, 2013	\$ (1,241,534)	\$ 330,177	\$ (673,829)	\$ 4,662,791
Adjustments for:				
Reclassify to proper fund	1,533			(1,533)
Reclassify revenue to/from trust fund	5,697	(30,658)		
Correct prior year receivables	82		(2,128)	2,380
Total adjustment	<u>7,312</u>	<u>(30,658)</u>	<u>(2,128)</u>	<u>847</u>
Fund Balance, July 1, 2013 as restated	<u>\$ (1,234,222)</u>	<u>\$ 299,519</u>	<u>\$ (675,957)</u>	<u>\$ 4,663,638</u>

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, 2014**

Note 15: Gann Limit

Proceeds subject to the limit for 2013-14	\$ 2,246,571
Amount of limit for 2013-14	3,001,799
Amount (under)/over the limit	<u>\$ (755,228)</u>
Per Capita Percentage Change	5.12%
Population Change*	3.58%

\* 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 unfavorable 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.

Note 17: Subsequent Events

- A. On September 1, 2014 the City entered into an unsecured short term promissory note with the Jackson Rancheria. In 2012, Jackson Rancheria loaned the City \$45,000 with initial term of one year to be used in connection with the Ione Depot Restoration Project. This promissory note changes the terms with \$9,000 coming due within 10 days after the date of the Note and \$9,000 on the anniversary date of the first payment until the balance is paid in full. The Note carries a 0% interest rate.

**CITY OF IONE**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Original Budget	Final Original Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
<b>Taxes</b>				
Property tax	\$ 525,000	\$ 525,000	\$ 500,996	\$ (24,004)
Sales (including in lieu of property tax)	96,000	96,000	163,129	67,129
Transient occupancy	200	200		(200)
Sales tax - public safety	4,400	4,400	4,102	(298)
Real property transfer	10,000	10,000	11,836	1,836
<b>Total Taxes</b>	<u>635,600</u>	<u>635,600</u>	<u>680,063</u>	<u>44,463</u>
<b>Licenses and Permits</b>				
Franchise fee	90,000	90,000	92,503	2,503
Business license	5,000	5,000	5,899	899
Building permits and inspections	25,000	25,000	19,691	(5,309)
Burn permits	350	350	250	(100)
Encroachment permit	1,600	1,600	750	(850)
<b>Total Licenses and Permits</b>	<u>121,950</u>	<u>121,950</u>	<u>119,093</u>	<u>(2,857)</u>
<b>Intergovernmental</b>				
Motor vehicle in lieu (state)	526,000	526,000	613,080	87,080
HOPTR	6,000	6,000	8,128	2,128
Grants/reimbursements	62,985	62,985	34,126	(28,859)
<b>Total Intergovernmental</b>	<u>594,985</u>	<u>594,985</u>	<u>655,334</u>	<u>60,349</u>
<b>Fines, Forfeitures and Penalties</b>				
Parking citations and other fines	5,200	5,200	9,515	4,315
<b>Total Fines, Forfeitures and Penalties</b>	<u>5,200</u>	<u>5,200</u>	<u>9,515</u>	<u>4,315</u>
<b>Charges for Current Services</b>				
Planning fees	16,000	16,000	10,012	(5,988)
Engineering fees			(8,206)	(8,206)
Legal reimbursements	125,000	125,000	25,437	(99,564)
Developer reimbursements			7,754	7,754
Parks and recreation	8,000	8,000	6,159	(1,841)
Police department services	900	900	14,497	13,597
Fire department services	5,000	5,000	2,340	(2,660)
<b>Total Charges for Current Services</b>	<u>154,900</u>	<u>154,900</u>	<u>57,993</u>	<u>(96,908)</u>
<b>Use of Money and Property</b>				
Interest and investment income	7,000	7,000	4,088	(2,912)
Rent	83,000	83,000	71,407	(11,593)
<b>Total Use of Money and Property</b>	<u>90,000</u>	<u>90,000</u>	<u>75,495</u>	<u>(14,505)</u>
<b>Other</b>				
Insurance refunds and dividends			751	751
Miscellaneous - all others	11,500	11,500	(10,083)	(21,583)
<b>Total Other</b>	<u>11,500</u>	<u>11,500</u>	<u>(9,332)</u>	<u>(20,832)</u>
<b>Total Revenues</b>	<u>\$ 1,614,135</u>	<u>\$ 1,614,135</u>	<u>\$ 1,588,160</u>	<u>\$ (25,975)</u>

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

**CITY OF IONE**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule (Continued)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Original Budget	Final Original Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 1,614,135	\$ 1,614,135	\$ 1,588,160	\$ (25,975)
Expenditures				
General Government				
City Council	21,663	21,663	20,479	1,184
City Manager	49,420	49,420	45,432	3,988
City Clerk	60,223	60,223	63,009	(2,786)
Finance	119,291	119,291	115,034	4,257
City Treasurer	2,733	2,733	1,631	1,102
Legal	90,000	90,000	114,259	(24,259)
Administrative services	197,736	197,736	192,059	5,677
Total General Government	541,066	541,066	551,903	(10,837)
Public Ways and Facilities/Transportation				
Planning	18,538	18,538	89,643	(71,105)
Building inspection	42,471	42,471	44,649	(2,178)
Engineering	10,000	10,000	24,649	(14,649)
Corporate yard-vehicle	32,928	32,928	34,433	(1,505)
Total Public Ways and Facilities/Transportation	103,937	103,937	193,374	(89,437)
Public Safety				
Police	730,222	730,222	737,354	(7,132)
Fire	42,873	42,873	54,265	(11,392)
Total Public Safety	773,095	773,095	791,619	(18,524)
Community Development				
Parks and recreation	210,936	210,936	235,822	(24,886)
Total Community Development	210,936	210,936	235,822	(24,886)
Capital Outlay			5,070	(5,070)
Total Expenditures	1,629,034	1,629,034	1,777,787	(143,684)
Excess (Deficit) of Revenues Over Expenditures Before Other Financing Sources	(14,899)	(14,899)	(189,628)	(174,729)
Other Financing Sources				
Operating transfers out			(10,357)	(10,357)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ (14,899)	\$ (14,899)	(199,985)	\$ (185,086)
Fund Balance, July 1, 2013			(1,241,534)	
Prior Period Adjustment			7,312	
Fund Balance, June 30, 2014			\$ (1,434,207)	

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

**City of Ione**  
**Note to Required Supplementary Information**  
**June 30, 2014**

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 2013/14 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, 2014**

	Special Revenue Funds	Capital Projects Funds	Total
<u>Assets</u>			
Current Assets			
Cash and investments	\$ 12,311	\$ -	\$ 12,311
Due from other funds	487,867	-	487,867
Receivables			
Accounts	54,098	-	54,098
Prepaid expense	25,000		25,000
Total Current Assets	579,276	-	579,276
Long-Term Assets			
Advance to other funds	766,276	839,804	1,606,080
Interest receivable	275,108		275,108
Loans receivable (net of allowance for uncollectibles)	1,902,956	21,046	1,924,002
Restricted cash and investments	603,770	138,092	741,862
Total Long-Term Assets	3,548,110	998,942	4,547,052
 Total Assets	\$ 4,127,386	\$ 998,942	\$ 5,126,328
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 17,638	\$ -	\$ 17,638
Accrued payroll	2,281		2,281
Due to other funds	47,311	120,550	167,861
Deferred revenue	296,285	-	296,285
Total Liabilities	363,515	120,550	484,065
Fund Balances			
Restricted for loans receivable	1,902,956		1,902,956
Non-spendable for advances	766,276	839,804	1,606,080
Assigned for public safety	2,748		2,748
Assigned for community development	375,594		375,594
Assigned for streets and roads	716,297		716,297
Assigned for capital projects		38,588	38,588
Total Fund Balance	3,763,871	878,392	4,642,263
Total Liabilities and Fund Balances	\$ 4,127,386	\$ 998,942	\$ 5,126,328

**CITY OF IONE**

**Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2014**

	Special Revenue Funds	Capital Project Funds	Total
<b>Revenues</b>			
Use of money and property	\$ 5,308	\$ -	\$ 5,308
Intergovernmental	354,235		354,235
Special assessment/impact fees	27,233	681	27,914
Other	-		-
	<u>386,776</u>	<u>681</u>	<u>387,457</u>
<b>Expenditures</b>			
Current:			
General government			-
Public ways and facilities/ transportation	187,610		187,610
Public safety	100,000		100,000
Community development	78,922		78,922
Capital outlay	39,978	12,679	52,657
	<u>406,510</u>	<u>12,679</u>	<u>419,189</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>			
	<u>(19,734)</u>	<u>(11,998)</u>	<u>(31,732)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of debt	-		-
Operating transfers in		20,710	20,710
Operating transfers out	(10,353)	-	(10,353)
	<u>(10,353)</u>	<u>-</u>	<u>(10,353)</u>
<b>Total Other Financing Sources (Uses)</b>			
	<u>(10,353)</u>	<u>20,710</u>	<u>10,357</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</b>			
	<u>(30,087)</u>	<u>8,712</u>	<u>(21,375)</u>
<b>Fund Balances, July 1, 2013</b>			
	3,790,263	872,528	4,662,791
<b>Prior period adjustment</b>			
	<u>3,695</u>	<u>(2,848)</u>	<u>847</u>
<b>Fund Balances, June 30, 2014</b>			
	<u>\$ 3,763,871</u>	<u>\$ 878,392</u>	<u>\$ 4,642,263</u>

**CITY OF IONE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2014**

	TDA	Ione Dist 1 COIC	COPS SLESF AB3229	Gas Tax	Prop 172 Sales Tax Fire	Asset Seizure Fund	Conservation Fire Break Assessment	Railroad Depot
<u>Assets</u>								
Cash and investments	\$ 6,663	\$ -	\$ -	\$ -	\$ 2,748	\$ -	\$ -	\$ -
Due from other funds				483,607				
Accounts receivable		52	22,867	31,179				
Prepaid expense				-				25,000
Total Current Assets	6,663	52	22,867	514,786	2,748			25,000
Advances to other funds	558,046			208,230				
Interest receivable								
Loans receivable (net of allowance for uncollectibles)								
Restricted cash and investments		70,836		99,806		8,814	46,506	-
Total Long-Term Assets	558,046	70,836		308,036		8,814	46,506	
<b>Total Assets</b>	<b>\$ 564,709</b>	<b>\$ 70,888</b>	<b>\$ 22,867</b>	<b>\$ 822,822</b>	<b>\$ 2,748</b>	<b>\$ 8,814</b>	<b>\$ 46,506</b>	<b>\$ 25,000</b>
<u>Liabilities and Fund Balances</u>								
<u>Liabilities</u>								
Accounts payable	\$ -	\$ 4,512	\$ -	\$ 9,426	\$ -	\$ -	\$ -	\$ 3,700
Accrued payroll				2,281				
Due to other funds			16,637					26,414
Deferred revenue			6,230	6,133		8,814		
Total Liabilities		4,512	22,867	17,840		8,814		30,114
<u>Fund Balances</u>								
Restricted for loans receivable								
Non-spendable for advances	558,046			208,230				
Assigned for public safety					2,748			
Assigned for community development								(5,114)
Assigned for streets and roads	6,663	66,376		596,752			46,506	
Total Fund Balance	564,709	66,376	-	804,982	2,748		46,506	(5,114)
<b>Total Liabilities and Fund Balances</b>	<b>\$ 564,709</b>	<b>\$ 70,888</b>	<b>\$ 22,867</b>	<b>\$ 822,822</b>	<b>\$ 2,748</b>	<b>\$ 8,814</b>	<b>\$ 46,506</b>	<b>\$ 25,000</b>

Rehab Housing	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	\$ -	\$ 12,311
									4,260	487,867
										54,098
										25,000
								2,900	4,260	579,276
										766,276
11,717		36,073	9,747	19,364	85,526	23,774	81,743	7,164		275,108
38,115		169,606	60,961	109,533	452,417	287,883	648,641	135,800		1,902,956
43,372	84,675	770	160	36,669	-	-	-	-	212,162	603,770
93,204	84,675	206,449	70,868	165,566	537,943	311,657	730,384	142,964	212,162	3,548,110
<u>\$ 93,204</u>	<u>\$ 84,675</u>	<u>\$ 206,449</u>	<u>\$ 70,868</u>	<u>\$ 165,566</u>	<u>\$ 537,943</u>	<u>\$ 311,657</u>	<u>\$ 730,384</u>	<u>\$ 145,864</u>	<u>\$ 216,422</u>	<u>\$ 4,127,386</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,638
										2,281
					4,260			-		47,311
11,717		36,073	9,747	19,364	85,526	23,774	81,743	7,164		296,285
11,717		36,073	9,747	19,364	89,786	23,774	81,743	7,164		363,515
38,115		169,606	60,961	109,533	452,417	287,883	648,641	135,800		1,902,956
										766,276
										2,748
43,372	84,675	770	160	36,669	(4,260)			2,900	216,422	375,594
										716,297
81,487	84,675	170,376	61,121	146,202	448,157	287,883	648,641	138,700	216,422	3,763,871
<u>\$ 93,204</u>	<u>\$ 84,675</u>	<u>\$ 206,449</u>	<u>\$ 70,868</u>	<u>\$ 165,566</u>	<u>\$ 537,943</u>	<u>\$ 311,657</u>	<u>\$ 730,384</u>	<u>\$ 145,864</u>	<u>\$ 216,422</u>	<u>\$ 4,127,386</u>

**CITY OF IONE**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2014**

	TDA	Ione Dist 1 COIC	COPS SLESF AB3229	Gas Tax	Prop 172 Sales Tax Fire	Asset Seizure Fund	Conservation Fire Break Assessment	Railroad Depot
<b>Revenues</b>								
Use of money and property	\$ 5,308	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessment/impact fees		27,233						
Intergovernmental			94,147	259,988	-			100
Other								
<b>Total Revenues</b>	<b>5,308</b>	<b>27,233</b>	<b>94,147</b>	<b>259,988</b>				<b>100</b>
<b>Expenditures</b>								
Current:								
Public ways and facilities/ transportation		34,808		152,802				
Public safety			100,000					
Community development								6,197
Capital outlay				4,978				35,000
<b>Total Expenditures</b>		<b>34,808</b>	<b>100,000</b>	<b>157,780</b>				<b>41,197</b>
Excess (Deficit) of Revenues Over Expenditures	5,308	(7,575)	(5,853)	102,208				(41,097)
<b>Other Financing Sources (Uses)</b>								
Proceeds of debt								
Operating transfers in								
Operating transfers out				(10,353)				
<b>Total Other Financing Sources (Uses)</b>				<b>(10,353)</b>				
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	5,308	(7,575)	(5,853)	91,855				(41,097)
Fund Balances, July 1, 2013	559,401	73,951		714,660	2,748		46,506	35,983
Prior period adjustment			5,853	(1,533)				
<b>Fund Balances, June 30, 2014</b>	<b>\$ 564,709</b>	<b>\$ 66,376</b>	<b>\$ -</b>	<b>\$ 804,982</b>	<b>\$ 2,748</b>	<b>\$ -</b>	<b>\$ 46,506</b>	<b>\$ (5,114)</b>

Rehab Housing	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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,308
										27,233
										354,235
										-
										386,776
										187,610
										100,000
69,288		1,070	233	919					1,215	78,922
										39,978
69,288		1,070	233	919					1,215	406,510
(69,288)		(1,070)	(233)	(919)					(1,215)	(19,734)
										-
										-
									-	(10,353)
									-	(10,353)
(69,288)		(1,070)	(233)	(919)				-	(1,215)	(30,087)
150,775	84,675	171,446	61,354	147,121	448,157	287,883	648,641	139,325	217,637	3,790,263
								(625)		3,695
\$ 81,487	\$ 84,675	\$ 170,376	\$ 61,121	\$ 146,202	\$ 448,157	\$ 287,883	\$ 648,641	\$ 138,700	\$ 216,422	\$ 3,763,871

**CITY OF IONE**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**  
**June 30, 2014**

	Parks & Rec Fund	Energy Grant	Downtown Plan	Drainage Fund	Police Services Impact Fees	Park and Ride Grant	Totals
<u>Assets</u>							
Current Assets							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds							-
Accounts receivable		-			-	-	-
Interest receivable	-						-
Total Current Assets	-	-	-	-	-	-	-
Long-Term Assets							
Loans receivables	21,046						21,046
Advance to other funds	21,000			22,000	796,804		839,804
Restricted cash and investments	34,361			103,731	-		138,092
Total Long-Term Assets	76,407	-	-	125,731	796,804	-	998,942
Total Assets	<u>\$ 76,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,731</u>	<u>\$ 796,804</u>	<u>\$ -</u>	<u>\$ 998,942</u>
<u>Liabilities and Fund Balances</u>							
Current Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds		-	-		2,363	118,187	120,550
Deferred revenue							-
Total Liabilities					2,363	118,187	120,550
Fund Balances							
Non-spendable for advances	21,000			22,000	796,804		839,804
Assigned for capital projects	55,407			103,731	(2,363)	(118,187)	38,588
Total Fund Balances	76,407			125,731	794,441	(118,187)	878,392
Total Liabilities and Fund Balances	<u>\$ 76,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,731</u>	<u>\$ 796,804</u>	<u>\$ -</u>	<u>\$ 998,942</u>

**CITY OF IONE**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Nonmajor Capital Projects Funds**  
**For the Fiscal Year Ended June 30, 2014**

	Parks & Rec Impact Fund	Energy Grant	Downtown Plan	Drainage Fund	Police Services Impact Fees	Park and Ride Grant	Totals
<b>Revenues</b>							
Impact fees	\$ -	\$ -	\$ -	\$ -	681	\$ -	\$ 681
Use of money and property							-
Intergovernmental		-					-
<b>Total Revenues</b>					681		681
<b>Expenditures</b>							
Current:							
General government							-
Capital outlay	12,679					-	12,679
<b>Total Expenditures</b>	12,679						12,679
<b>Excess (Deficit) of Revenues Over Expenditures</b>	(12,679)				681		(11,998)
<b>Other Financing Sources (Uses)</b>							
Operating transfers in		10,357	10,353				20,710
Operating transfers out							-
<b>Total Other Financing Sources (Uses)</b>		10,357	10,353				20,710
<b>Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</b>	(12,679)	10,357	10,353	-	681	-	8,712
<b>Fund Balances, July 1, 2013</b>	91,934	(10,357)	(10,353)	125,731	793,760	(118,187)	872,528
<b>Prior period adjustment</b>	(2,848)						(2,848)
<b>Fund Balances, June 30, 2014</b>	<u>\$ 76,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,731</u>	<u>\$ 794,441</u>	<u>\$ (118,187)</u>	<u>\$ 878,392</u>

# LARRY BAIN, CPA

An Accounting Corporation

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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, 2014, 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 29, 2015.

### ***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 14-1 through FS 14-10.

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 14-11 through FS 14-20 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 and is not intended to be an should not be used by anyone other than these specified parties.

***Larry Bain, CPA,***  
***An Accounting Corporation***  
April 29, 2015

**City of Ione  
Schedule of Findings  
Fiscal Year Ended June 30, 2014**

**CURRENT YEAR INTERNAL CONTROL FINDINGS**

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

**FS 14-1:** 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.

**Current Year Follow up:** 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.

**Recommendation:** We recommend the City 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 Response:** The Tertiary Wastewater Treatment Plant (TWWTP) is owned and operated by the City of Ione. The TWWTP came into the City's possession after an arbitrator ordered the City to take possession of the facilities and operate the plant and the plant is an integral part of the City's sewer enterprise fund and is appropriately funded by the sewer operations fund. The effluent generated by the TWWTP is utilized on Castle Oaks Golf Course (COGC) which is located on land owned by the City. The City received yearly water fee payments up to \$129,200 from the operator of the COGC to help offset the cost of operating the TWWTP which will be reduced January 2015 to \$70,000 annually. In addition, the operation and maintenance of the TWWTP is subject to a three-party agreement between the Amador Regional Sanitation Authority (ARSA), California Department of Corrections and Rehabilitation (CDCR) and the City. This agreement entered into in 2007 ("the 2007 agreement") requires the City to operate and maintain the TWWTP at no cost to ARSA and CDCR until January 1, 2015. At that time ARSA and CDCR must pay their fair share of the operation costs of the TWWTP. The use of wastewater fees and/or general funds to pay for the TWWTP is an appropriate expenditure of City funds given that the water processed at the plant is partially paid for by the Golf course operator and directly benefits and increases the value of the land underlying the Golf Course which again, is owned by the City. Finally, because the 2007 agreement allows ARSA to withdraw its wastewater flows after appropriate notice, the City may need to send Ione wastewater flows to the TWWTP in the future to maintain adequate flows to the COGC, and is not obligated to reimburse the sewer operations fund for expenditures related to the TWWTP as the plant is an integral part of the City's enterprise operation.

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The City collects general plan impact fees when new construction permits are issued based on a rate times the square footage of the structure. The impact fees collected in the general plan impact fee fund were used to pay for costs incurred to update the City's General Plan (2009) which created a deficit fund balance. The General Plan update remains valid for at least a 20-year period and fees collected on new construction permits will pay down, and eventually payoff, the deficit fund balance as new construction begins at the various entitled developments in Ione. Additionally, the City is reviewing the current fee structure for the general impact fees imposed on development projects to ensure that the fee levels are appropriate.

Finally, City Staff is working with Council to develop means to increase revenue and decrease expenditures to reduce and eventually eliminate the General Fund deficit. The City's fee schedules have all been in place for decades and are currently being reviewed for potential revenue increases.

**FS 14-2 (Prior Year Finding 07-8):** During our testing of the general fund deposits liability accounts we noted the City collects deposits from developers and citizens of Ione to be spent on the behalf of developers and for the Capital Facility District Mello-Roos assessment revenue and limited obligation debt payments. The City is using the general fund deposit liability accounts to record this activity. Furthermore the City could not reconcile the individual or organization deposit liabilities to a subsidiary ledger at June 30, 2007. The risk of material misstatement to the financial statements resulting from this significant deficiency is high.

**2010/11 Fiscal Year Status:** The deposit reconciliation will be a major undertaking requiring substantial resources to complete the reconciliation. The City created an agency fund (fund 14) in FY 2006-2007 and has set up developer deposit accounts.

**2011/12 Fiscal Year Status:** Subsequent to fiscal year end the City retained a contract accountant to reconcile the developer deposit activity. The City is meeting with developers to determine the balances spent by the City and not reimbursed by developers. The final accounting of either the developer deposit liability or the amount due from developers is reflected in these financial statements.

**2012/13 Fiscal Year Status:** During the current year audit we noted that while the City is maintaining a schedule of developer receivables and payables the City had not billed all amounts considered due. The City general ledger also does not have a sub account under developer receivables or deposit liability accounts to track the activity of each individual developer or other customers doing business with the City. During our testing we requested documentation to support the amount owed by JTS. City staff was unable to provide us with the supporting documentation and had to consult with the City's attorney to provide us with the documentation.

**2013/14 Fiscal Year Status:** At June 30, 2014, the City was in the process of merging the old accounts into the new Financial Edge financial system. There was little change in the developer receivable balances during the 2013/14 fiscal year.

**Recommendation:** We recommend the City continue to monitor the developer receivable and liability accounts and bill for the amounts considered owing. The City should maintain a file for each developer with documentation to support the amounts owed from or the amounts due to developers. We also recommend City staff prepare a schedule of balances considered uncollectible and have City Council review and provide direction for either collection action or write-off.

**Management Response:** The City has identified all old receivable activity by developer, contractor, or individual and has merged the old accounts into the new Financial Edge financial system during FY 14-15. Developer files have been set up with documentation to support the amounts owed, however this task has been difficult since the majority of the receivables were generated as far back as 2006. All current receivable accounts are posted in the General Ledger and billed. Staff continues to work on old receivable accounts as time allows. A schedule of balances considered uncollectible will be compiled and given to City Council to provide direction for collection action or write-off prior to fiscal year end June 30, 2015.

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**FS 14-3 (Prior Year Finding 07-19):** During our testing of the Howard Park debt, we noted that the final balloon payment of \$244,800 will be applied against a credit from prior year sewer annexation fees incurred by the seller of Howard Park. To date we did not observe the \$244,800 paid to the sewer capital fund from the City.

**2007/08 Status:** Pending as of June 30, 2008. The City is exploring the use of fund 8 to pay the balloon payment for sewer connections as well as other options.

**Current Year Follow up:** No change during the 2013/2014 fiscal year. There is a due to other fund liability recorded in the general fund for \$244,800 with \$244,800 recorded in sewer capital due from other fund asset account.

**Management Response:** At the June 17, 2014 Council agreed to formally deem the \$244,800 as a credit against any future wastewater connections or annexation fees that would otherwise be due and payable from the Howard Property Trust. The City will use General Funds to credit the Wastewater Fund at such time as Howard Properties Trust redeems its sewer connection fee credits and/or annexation fee credits with the exception of those fees due the General Fund.

**FS 14-4 (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.

**Current Year Follow up:** No change during the 2013/14 fiscal year.

**Management Response:** The City Council voted to reopen the ARSA Fund at the June 17, 2014 City Council meeting. Council agreed to deposit \$14,000 that was erroneously used to pay for a parking lot capital lease payment and formally add \$69,155 to the list of cross-fund debt transfers.

**FS 14-5 (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.

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

**Current Year Follow up:** The financial and accounting policy is in draft form and needs to be finalized.

**Recommendation:** We recommend finalizing and having City Council approve the financial and accounting policy and procedures manual.

**Management Response:** Due to understaffing in the Finance department the financial and accounting policy and procedures manual was not finalized in the FY 13-14. However, staff has been making progress on the manual and will have this project finalized for Council approval prior to FY 2014-15 year end close.

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**FS 14-6 (Prior Year Finding 09-13):** During the current year audit we were originally provided with a trial balance with a new chart of accounts. Based on our analysis we observed several problems with the new chart of accounts and the City opted to revert to the old chart of accounts/general ledger. After setting up the working trial balance and after we began testing account balances we noted material errors with accounts payable and payroll. Based on City staff review it was determined that several journal entries had not been posted to the old general ledger. We were provided with journal entries to post the accounts payable and payroll activity. City staff did not review account balances for accuracy and reconcile to underlying supporting documentation for all account balances. Furthermore the transition to the new accounting chart of accounts was not properly planned and monitored to ensure accuracy in financial reporting in accordance with U.S. generally accepted accounting principles.

**2010/11 Fiscal Year Status:** During the current fiscal year audit we noted that many of the accounts had not been reconciled to the underlying support. While the City did perform many of the year end procedures the City finance staff was shorthanded and unable to complete all the reconciliations prior to the audit.

**2011/12 Fiscal Year Status:** Due to the circumstances requiring the City to begin the audit prior to all account balances being reconciled to the underlying support, the City provided the auditor with over 65 additional journal entries after starting the audit. The number of journal entries needed to reconcile the general ledger to the underlying support increases the risk of material misstatement and creates inefficiencies in performing the audit.

**Current Year Follow up:** No change. The City had not closed the books prior to our starting the audit. This condition creates a less efficient audit and increases the risk of material misstatement.

**Recommendation:** We recommend performing year end procedures and closing the books prior to starting the audit. The City should start the process soon after fiscal year end in order to meet the February 1 reporting deadline imposed by I-Bank.

**Management Response:** Finance staff was unable to have an early audit due to short staffing, and finalizing the implementation of the new financial system. After the City's books were closed additional reconciling items were found and journal entries were documented prior to start of the audit. Staff plans to start the year-end closing procedures soon after the new fiscal year-end to meet the February 1 reporting deadline imposed by I Bank.

**FS 14-7 (Prior Year Finding 10-30):** During our review of GASB 45 for other post-employment benefits (OPEB), we noted the City did not adopt a funding policy for the annual required contribution (ARC). A \$150,658 audit entry was proposed to record a liability for the current year unfunded ARC.

**2010/11 Fiscal Year Status:** During the 2010/11 fiscal year the funding policy had not been adopted. Furthermore the liability for the actuarial determined unfunded liability was not recorded in the financial statements during the current fiscal year audit.

**2011/12 Fiscal Year Status:** During the 2011/12 fiscal year the funding policy had not been adopted.

The liability for the actuarial determined unfunded liability was calculated by the contract accountant and recorded by the City. The actuarial report was dated November 2008. GASB 43/45 requires an actuarial valuation of the OPEB at least once every three years.

**Current Year Follow up:** No change. The funding policy had not been adopted.

**Recommendation:** We recommend the City Council adopt a funding policy for the OPEB.

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**Management Response:** City Council adopted an OPEB funding policy at the June 17, 2014 Council meeting. Council approved Resolution No. 1938-A implementing a policy for Pay-As-You-Go approach toward funding other post – employment benefits.

**FS 14-8 (Prior Year Finding 10-35):** During our review of the budget we noted the budget in the financial reporting system did not agree to the original budget plus all amendments to the budget approved by City Council. The amount used in the budget to actual statement for required supplementary information includes only the original budget and the final budget could be materially misstated by not including all budget amendments. Furthermore we noted in many instances the budget amendments approved by the City Council were vague on which specific budget accounts were to be increased or decreased.

**2010/11 Fiscal Year Status:** During the current year we noted the budget was not amended when the City became aware that revenue would not meet the budgeted amounts. By not changing the budgeted revenues and taking action to offset the loss in revenue the City overspent in the general fund resulting in a loss of \$1,737,188 and an ending general fund balance of negative \$442,777.

**2011/12 Fiscal Year Status:** During the current fiscal year we noted that a budget for the general fund and the gas tax fund were the only approved budgets adopted by City Council. The City spent from other funds without a legally approved budget.

**Current Year Follow up:** 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.

**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 also 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 will establish budgets for special revenue funds at the account level or by specific project. Budgets are monitored monthly to determine if expenditures are within the projected limits, however an anticipated significant revenue source was not received along with some unanticipated expenditures at the end of the fiscal year resulted in the large deficit.

**FS 14-9 (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 Follow up:** 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.

**Current Year Follow up:** 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.

**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.

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**Management Response:** Train Depot capital asset expenses will be booked once costs are incurred.

**FS 14-10 (Prior Year Finding 11-29):** During our audit we noted accounts receivables, accounts payables, deposit liabilities, OPEB liability, compensated absences, fixed assets, deferred revenue and accrued payroll were not reconciled to the underlying documentation resulting in a scope limitation that precluded us from issuing an opinion on the financial statements. This condition exists because the City finance staff was shorthanded and the workload for the finance manager was unreasonable in relation to tasks required for her to complete. We noted during the fieldwork that the finance manager, in addition to assisting us with the audit, was answering the phones, assisting customers at the front desk and completing the day to day operations of the finance department for processing receipts, payroll and disbursements as well as performing special projects for the City Manager and City Council.

**2011/12 Fiscal Year Status:** City management posted prior period adjustments to agree the June 30, 2011

beginning equity balances to the prior year support. The City then made entries to reconcile the June 30, 2012 general ledger balances to the underlying support. While the year-end work was not totally complete upon starting the 2011/12 fiscal year audit fieldwork the City made much improvement in closing the books. Over 65 adjusting entries were required to be posted after starting the audit.

**Current Year Follow up:** While the City retained the contract accountant to assist with year-end closing the process had not been completed prior to the start of our audit. Numerous journal entries were created by the City and by the auditor after the start of the audit.

**Recommendation:** We recommend the City complete the year-end close and reconcile the general ledger to the underlying documentation prior to starting the audit. We recommend cross training other City employees or continuing using the outside accounting contractor to assist the finance manager with year-end closing and day to day accounting functions.

**Management Response:** Finance department has limited staff and is continuing to cross-train in certain areas. Year-end close was again delayed due to staff time needed to complete the implementation of new financial software. As the City's budget improves, staffing levels should increase to meet the strategic needs of the City.

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

**Finding 14-11 (Prior Year Finding 11-4):** During the 2010/11 fiscal year while cash was being reconciled for the activity it was not reconciled to the general ledger (book) balance. Subsequent to fiscal year end the finance manager has started to reconcile to the general ledger balance.

**2012/13 Fiscal Year Status:** During the current fiscal year audit we noted that while reconciliations are being performed there is no line item on the treasurer's report for the general ledger balance to compare to the total reconciled balance. During our testing we noted a slight variance between the reconciled balance and the general ledger which was subsequently corrected by City staff.

**Current Year Follow Up:** No Change. We noted that cash did not reconcile to the general ledger and numerous entries were needed to reconcile cash after the audit was started.

**Recommendation:** Add a line item to the Treasurer's reconciliation report for the general ledger balance and agree this to the reconciled bank balance prior to the start of the audit.

**Management Response:** Finance staff reconciles cash in bank to the general ledger and attaches copies of the general ledger reports to the monthly treasurer's report that is presented monthly at the City Council meeting. A cash report in the new financial software is now being utilized monthly to assist in reconciling cash. The discrepancy between the bank balance and the general ledger occurred as a result of journal entries posted inaccurately during the year-end close process.

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**FS 14-12 (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.

**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:** City staff will research if all lending funds should be receiving interest on long-term advances and give recommendation to City Council by June 30, 2015.

**FS 14-13 (Finding 09-4):** During our audit we noted that no year-end accruals were made for governmental fund accounts receivables. We also noted the beginning governmental fund accounts receivable balances were not adjusted in many of the funds. City staff did not appear to have performed year end procedures to search for and accrue accounts receivables and adjust the general ledger to the underlying support. This is a condition that has an effect on our opinion of the fair presentation of the financial statements.

**2010/11 Follow Up:** During the 2010/11 fiscal year audit we noted the new finance manager performed year end procedures for accounts receivables at June 30, 2010 and prepared a prior period adjustment to correct that balance. The new finance manager then performed year end procedures to accrue accounts receivables at June 30, 2011, however the general ledger was not adjusted to agree to the underlying support.

**2011/12 Fiscal Year Status:** During the 2011/12 fiscal year the finance manager entered a prior period adjustment to agree the accounts receivable balance to the June 30, 2011 schedule and then prepared the accounts receivables schedule and adjusted each funds accounts receivable balance to agree to the underlying support at June 30, 2012.

During our search for unrecorded accounts receivables we discovered an additional \$43,000 unrecorded accounts receivable for the 2011/12 2% Golf Course revenue with payment received in October 2012. We also discovered \$15,878 unrecorded receivables from the CFD's cash with fiscal agent account to reimburse the City for Legal fees paid by the City on the CFD behalf.

The City also recorded a receivable for \$38,187.41 related to prior year water treatment reimbursement due from Portlock. The Finance Manager will send them an invoice to attempt collection.

**2012/13 Fiscal Year Status:** The \$38,187.41 receivable related to prior water treatment reimbursement has not been resolved. The City also recorded numerous accounts receivable journal entries after we started the audit. Furthermore, we noted Portlock had not submitted the Golf Course lease payment for the 2012/13 fiscal year by the due date.

**Current Year Follow up:** During the current fiscal year we noted the \$38,187.41 receivable related to prior water treatment reimbursement was written off by the City. We noted Portlock had not submitted the Golf Course lease payment for the 2013/14 fiscal year by the due date.

**Recommendation:** We recommend the City seek collection for the 2013/14 golf course lease payment and all subsequent payments by the July 20<sup>th</sup> due date.

**Management Response:** City staff will seek collection for future golf course lease payment prior to the due date.

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**FS 14-14:** 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:** Finance staff duties will be reviewed to determine if additional segregation of duties can be achieved with limited staff. Staff will review approval procedures for journal entries to be included in the City's financial policies and procedures.

**FS 14-15 (Prior Year Finding 11- 31):** The City did not implement the provisions of Government Accounting Standards Board Statement 54 as required by U.S. generally accepted accounting policies. This new standard went into effect for fiscal year ending June 30, 2011. The new requirement categorizes fund balances into five separate categories and sets a new definition for special revenue funds.

**Current Year Follow Up:** While the fund balances in the financial statements are classified into the required categories we did not observe a policy that is in compliance with GASB 54.

**Recommendation:** We recommend the City review the provisions of GASB 54 and take action to adopt the policy.

**Management Response:** City Council adopted their GASB 54 policy at the November 18, 2014 Council meeting.

**FS 14-16 (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.

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

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

**Current Year Follow up:** We noted two instances during our testing of "other institutions" commercial accounts where we were unable to recalculate the bill based on consumption.

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**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 or verify that the current charges are valid.

**Management Response:** City has a part-time contract building official and a small public works staff but will endeavor to perform a site inspection of all commercial properties to document the number of fixtures as time allows.

**FS 14-17 (Prior Year Finding 11-37):** During our testing of payroll we noted the salary schedule for the Police Department had not been updated to reflect the 2010-11 salary steps. We noted 2 out of 20 employees tested did

not have a completed W-4 form in their personnel folder. We noted 6 of 20 positions tested did not have a board approved salary schedule for the position and 6 of 20 employees tested where the salary did not agree to the salary schedule effective 7/1/10.

**2011/12 Fiscal Year Status:** During the current fiscal year we noted the City Finance Department did not have pay rate information on file to verify Fire Fighter salaries. We noted that not all job positions for the Fire Fighters were noted on the pay schedule. We noted two Fire Fighter pay rates that did not agree to the personnel action form in the employee file. We noted one employee where we could not locate a W-4. We noted one employee who did not have a personnel action form on file.

**Current Year Follow up:** No change from the prior year.

**Recommendation:** We recommend taking action to correct the weaknesses noted above.

**Management Response:** City Staff will review all current payroll files to ensure all necessary documentation is included. All pay rate schedules have been updated to reflect current year pay rates.

**14-18: (Prior Year Finding FS 12-40)** During our testing of sewer receivables we noted the sewer billing clerk was entering into sewer service charge delinquency repayment agreements with delinquent property owners who requested not to have their delinquent accounts put on the tax roll. During our testing we noted the payment agreements were not being monitored and some of the landowners had quit paying per the terms outlined in the agreement.

We also tested one account that had a credit balance of \$787.95 at June 30, 2012. This balance was created over a period of years by the customers' auto paying a few dollars more than owed each month (\$50 vs. \$40.70). Per review we noted there may be several accounts with large credit balances.

**Current Year Follow up:** In the 2013/14 fiscal year the City issued a check to the customer with the \$787.95 credit balance. We did not observe any additional service charge delinquent repayment agreements in the 2013/14 fiscal year.

**Recommendation:** None

**FS 14-19:** 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.

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**Current Year Follow Up:** 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.

**Recommendation:** We recommend that the City follow the policy and stop accruing vacation hours once an employee has reached the maximum vacation accumulation cap. We also recommend that if the City would like to offer employees the option to be paid vacation hours in lieu of taking the time off, and if the City will allow employees to continue accruing vacation hours after the maximum accrual is reached, then the City Council should amend the vacation policy.

**Management Response:** The City adopted a new Police Officer Association MOU effective July 1, 2014 which addresses vacation accruals where vacation hours will be capped to a maximum accrual level with no additional accruals to take place and no additional vacation credited. Also addressed in the MOU is a vacation buyout up to a maximum of 40 hours, and a payoff of employees over the maximum accrual limit.

**FS 14-20:** 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 staff will review TOT collections and give recommendation to City Council regarding a TOT audit by an independent auditor.