



Downtown Lone, 2026

2025-2026 Amador County Grand Jury

City Of Lone: Reading The Tea Leaves

June 23, 2026

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City Of Ione: Reading The Tea Leaves

2025-2026 Amador County Grand Jury

SUMMARY

The 2025-2026 Amador County Civil Grand Jury (Grand Jury) received multiple complaints with over 150 pages of supporting documentation related to the City of Ione's (City) government operations and leadership. This is the sixth time the Grand Jury has investigated Ione since 2010. Some of the complaints investigated this year are like those of previous Grand Jury investigations and include problems maintaining reliable financial records and failure to follow the City's adopted policies, procedures, and protocols. These issues are manifest in delays in adopting annual budgets, failures to complete financial audits on time, approval of expenses without proper backup or budget adjustments, and mounting legal expenses. They are worsened by the lack of decorum evident at city council (Council) meetings, which contributed to low staff morale, high staff turnover rates, and loss of residents' trust in their City's leadership (Council and city manager).

The current City leadership is actively addressing some of these issues by prioritizing reduction of the audit backlog and improving staff retention. These efforts include recognizing employees through verbal acknowledgement of staff contributions during public meetings and enhancing severance packages to discourage abrupt firings. Other problems persist, such as the city manager not following established bidding and purchasing protocols and councilmembers frequently violating codes of conduct.

The investigation focused on the actions of the City's councilmembers and city manager and their impact on current government operations. Through a lengthy investigation and material review, the Grand Jury identified opportunities to improve government operations, transparency, and fiscal management, as well as to foster more cooperative working relationships among the councilmembers, the city manager, and the public.

METHODOLOGY

The methodology the Grand Jury followed for this investigation began by verifying the complaints submitted. The Grand Jury conducted more than thirty interviews with community representatives and completed extensive research using the resources listed below:

Materials Reviewed

- California Government Codes 18700, 53234, 53891, 54950, 54952, 54953, and 54957.1
- Amador County Grand Jury Complaints and Attached documentation
- Lone City Council and Other Lone Committees' Agendas and Meeting Minutes
- City of Lone Debt Services and Financial Policies and Procedures Handbook
- City of Lone Purchasing and Bidding Policy
- City of Lone Employee Handbook
- City of Lone City Council Protocol Manual
- City of Lone Code of Ordinances
- City of Lone Code of Ethics for Lone City Council Members
- City of Lone Employment Contracts and Agreements
- Agreements and Payments for Attorney Services
- Censure Policy, Complaints, Emails, Memorandums, and Investigative Reports
- Amador County Grand Jury Reports, Responses, and Follow-Up Reports for the City between 2010 and 2014
- Other California Counties' Grand Jury Reports, Responses, and Follow up Reports
- Conflict of Interest Material
- The City's Adopted Budgets, Audit Reports, and Financial Reports between 2010 and 2025
- Organization Charts
- Administration, Finance, and Human Resources Duty Statements
- Hundreds of additional pages of information submitted voluntarily by interviewees or in response to specific information requests

Interviews Conducted

- Complainants
- Current and Former City Councilpersons and Committee Members
- Current and Former City Employees and Contractors
- Representatives of Other Agencies Providing Services in Lone
- Lone Community Residents

Websites/Digital Posts Consulted

- California State Controller's Office
- Live and Recorded Lone City Council, Commission, and Committee Meetings
- News: *Ledger Dispatch* and KVGCRadio.com
- Social Media Platforms: Facebook, Instagram, YouTube
- AmadorCounty.gov
- lone.ca.gov
- Fair Political Practices Commission
- California League of Cities
- Institute for Local Government
- California Grand Jury Association

BACKGROUND

lone served as a major supply center during the California Gold Rush and incorporated as a city in 1953. It retained its character as a small, rural community until the beginning of the 21st century. In recent decades, the construction of new subdivisions has



lone, 2026

substantially increased the population.

According to the Amador County 2021-2029 Housing Element (Countywide 6th Cycle Housing Element, DeNovo Planning Group, September 2024, Part 3, Annex to the Background Report–lone, p. 2), the number of households in Amador County increased by 23 percent from 2000 to 2021, while the number of households in lone increased by 83 percent during the same period. With this growth, lone has surpassed Jackson to become the biggest city in the county. The City’s current population hovers just above 5,000 people, not including the almost 4,000 inmates housed at Mule

Creek State Prison. Some friction between long-time residents and relative newcomers is evident in arguments that take place at public council meetings over doing things the old way, through volunteerism and community spirit, versus wanting clear policies and more transparency in local government.

It is no secret to the public that the City’s elected and appointed officials have been entangled in ongoing controversy in recent years. This is evident in media headlines and from readily accessible print and online sources. In this age of immediate access to information, anyone can observe public meetings by simply watching the City’s video broadcasts of its Council meetings or by reading community Facebook pages like “lone Politics” or “lone News and Safety” discussions of current events and local politics. Another indication of internal challenges is that, between 2010 and 2026, the City has appointed 12 interim and permanent city managers, while the next two largest cities in the county—Jackson and Sutter Creek—each had only 3 city managers during the same timeframe.

Council-Manager Form of Government

The City operates under the council-manager form of government (City of lone, City Council Protocol Manual 2008 (Protocol Manual), § 1.01, app. A). The council-manager form of government requires the election of a city council to guide local governance.

The mayor presides over meetings and suggests items for meeting agendas but otherwise has no more authority than any other councilmember. As stated in city code:

The city manager shall take his or her orders and instructions from the city council only when sitting in a duly held meeting of the city council and no individual council member shall give any orders or instructions to the city manager (Res. 1582 (2007) § 2 (part); Ord. 300 (1989) § 1 (part)).

The five-member Council is the governing body of the City, with the authority to establish policy, enact local laws, adopt an annual budget, and provide vision and goals to the city manager (Protocol Manual 2008 § 2.02, app. A). The Council establishes priorities for public services, approves contracts over \$15,000, and establishes boards, commissions, committees, and task forces. Committees and task forces are purely advisory to the Council. They give well-qualified, responsible, and willing citizens the opportunity to participate in the governance of their community and serve the City (Protocol Manual 2008 § 2.08, app. A). The Council appoints the city manager and city attorney, who serve at the pleasure of the Council.

The city manager is the chief executive of the City. The city manager enforces the City's laws and ordinances, makes recommendations to the Council, and implements the policies through daily operations, staff hiring and supervision, and managing budgets. City managers and city councils hold fiduciary duties to manage assets with loyalty, obedience, and care. Together, they must ensure transparency and act solely in the best interest of the public.

The council-manager form of government is depicted in Figure 1.

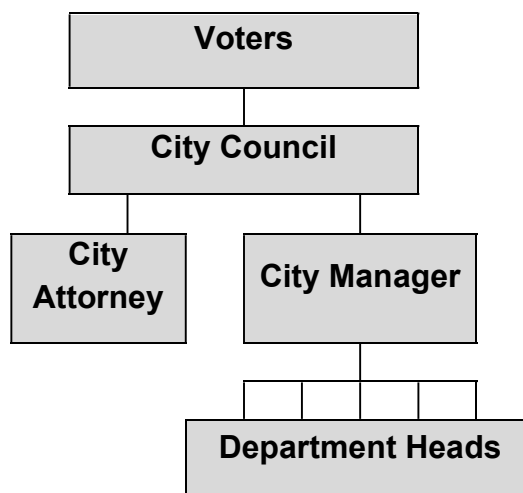


Figure 1: Council-Manager Form of Government

Councilmembers are elected for four-year terms, with staggered elections occurring every two years. The mayor and vice mayor are elected each year by fellow councilmembers. A current list of councilmembers, along with their terms and roles, is depicted in Table 1.

Councilmember	First Elected	Term Expires	Mayor	Vice Mayor
Jody Maita	2025	2028	2026	2025
Stacey Rhoades	2019	2028	2021, 2023, 2025	2020, 2026
Dominic Atlan	2015	2026		
Jack Mitchell	2023	2026		2023
Alison LaFayne	2023	2026	2024	

Table 1: Ione's Current City Councilmembers

Prior to taking office, councilmembers swear an oath of office as specified in California's Constitution. Once sworn in, they must comply not only with California laws, but also with local laws and adopted ordinances aimed at guiding Council authority and actions. Pertinent policy documents and laws that guide councilmember actions are described below.

Municipal Code

The Council's actions are guided by the municipal code, which is continuously updated to incorporate ordinances adopted by the Council. Much of the municipal code pertains to land use, zoning, and building standards but it also addresses city administration. Title 2 (2013) of the Municipal Code addresses the role of the Council, describing the organization of Council meetings and Council responsibilities, as well as rules of order.

Municipal Code 2013 section 2.04.120, app. B, contains rules of conduct for councilmembers:

Members of the council shall confine themselves to the question before the council and avoid personal or indecorous language. No discussion of a sectarian or political nature shall be allowed. No member shall interrupt another while speaking, except to make a point of order, the point to be briefly stated to the mayor or presiding officer. No member shall, while the council is sitting, interrupt or hinder its business by standing, moving about, talking, expressing approval or

disapproval of any of the proceedings, or by any conduct tending to disorder or confuse.

Municipal Code section 2.04.100 states, “The mayor shall enforce the rules of the council and preserve order and decorum,” placing the responsibility for maintaining decorum at Council meetings squarely on the mayor (Municipal Code 2013 § 2.04.100, app. B).

Rosenberg’s Rules of Order

Parliamentary procedures set the agreed-upon standard for conducting Council meetings. Municipal Code section 2.04.090 states that *Rosenberg’s Rules of Order* (2011) shall be used as a guideline to govern the proceedings of the Council (Municipal Code 2013 § 2.04.090, app. B; *Rosenberg’s Rules of Order* (2011), app. C). The Protocol Manual section 8.11 (discussed below) states the Council will follow *Rosenberg’s Rules of Order* to facilitate the orderly processing of the business of Council meetings (Protocol Manual 2008 § 8.11, app. A). The rules of order are meant to create an atmosphere of courtesy, decorum, and where all present can attend to business efficiently, fairly, and with full participation. The mayor is responsible for running Council meetings but can refer to the city attorney to act as the parliamentarian as needed.

Protocol Manual

Council adopted the Protocol Manual on August 5, 2008. [Note: this manual received only very minor updates until 2026, when the current Council completed its review of the entire document during two Council meetings and subsequently adopted a revised Protocol Manual on May 5, 2026. By that time, the Grand Jury had substantially completed their investigation. Thus, discussion of the Protocol Manual below is based on the 2008 policy document unless otherwise noted]. The purpose of the Protocol Manual is to assist the Council by documenting accepted practices and clarifying expectations. The agreement of Council and staff to be bound by these practices greatly enhances the administration of Council affairs. Expectations and practices are articulated to guide Council’s actions (Protocol Manual 2008 § 1.02, app. A).

As outlined in the Protocol Manual section 8.12, during the debate and decision-making, the Council will (Protocol Manual 2008 § 8.12, app. A):

- Fully participate in city council meetings and other public forums while demonstrating respect, trust, kindness, consideration, and courtesy of others;
- Prepare in advance of city council meetings and be familiar with the issues on the agenda;

- Be respectful of other people's time. Stay focused and act efficiently during public meetings;
- Serve as a role model of leadership and civility to the community;
- Inspire public confidence in the City of Lone government;
- Demonstrate honesty and integrity in every action statement; and
- Be responsible and accountable for your words and actions.

Code of Ethics

The Council adopted a Code of Ethics for members of the Council (Resolution 1383, (2003), app. D) to set forth standards as a means of reaching ethically sound decisions, with a commitment to conducting business according to the highest achievable ethical standards, based on the following:

- We shall serve equally all members of the community without prejudice or favoritism toward any individual, group, organization or economic interest;
- We shall promote and protect the health and safety of all members of the community;
- We shall serve with efficiency, respect legality and heed the commands of due diligence and morality;
- We shall recognize that we are agents of public purpose not owners of authority;
- We shall deal with all employees, fellow officers, and members of the public without regard to political partisanship;
- We shall promote and affirm equal opportunity for appointments and promotions of all persons without regard to race, color, religion, national origin, gender, age, or physical or mental disability;
- We shall recognize the obligation to participate fully and responsibly in matters and organizations concerned with the betterment of life in the City of Lone;
- We shall exercise our authority and prestige for the benefits of the City of Lone and all members of the community and never for personal or private advantage;
- We shall always consider how our official actions and personal behavior might be interpreted by the public; and
- We shall avoid personal invectives in public or closed forums.

Political Reform Act

California's Political Reform Act (Act) prohibits public officials from using their official position to influence any government decision that could affect any personal financial interest they may have (CA Government Code §18700). Financial interests can include

employment or other sources of income such as investments, real estate, and gifts. The Fair Political Practices Commission (FPPC), whose regulations prohibit officials from participating in such decisions, enforces the Act. Although individual City councilmembers typically make their own decision regarding whether they should recuse themselves from participating in particular deliberations, the city attorney may provide advice to a councilmember. Legal advice, however, may not provide a defense if the FPPC brings an enforcement action against the councilmember. A councilmember may seek a formal written opinion from the FPPC (Protocol Manual 2008 § 6.02(F), app. A); CA Government Code § 1097.1(c)(1)-(2)).

The Brown Act

The Ralph M. Brown Act mandates that public bodies such as councils, boards, and commissions conduct their business openly in public sessions, with adequate advance notice and opportunities for members of the public to witness and comment on deliberations and decision making (CA Government Code § 54950, app. E). The Brown Act requires that meeting agendas be posted in advance, discussion be limited only to those items on the agenda, and public be given opportunities to comment on matters on or off the agenda. Closed sessions are permitted but are limited to specific topics such as pending litigation, personnel matters, and real estate negotiations. A description of the items to be discussed shall be included in the published agenda (CA Government Code § 54954.2, app. E).

City Manager Turnover

According to a 2025 survey conducted by the California City Management Foundation, the average tenure of city managers in the State of California is approximately 4.5 years (Rose Institute of State and Local Government 2025, 14). As shown in Table 2 below, the City's tenure rate is far below average. The challenging nature of the job is reflected in the fact that the City has had five city managers since 2020.

Name	Title	Year
Lori McGraw	Interim City Manager	2020 - 2021
Michael Rock	Interim City Manager	2021 - 2022
Michael Rock	City Manager	2022 - 2023
John Alfred	Acting City Manager	2023
Amy Gedney	Interim City Manager	2023 - 2024
George Lee	City Manager	2024 - current

Table 2: City of Lone City Manager Turnover, 2020 to present

Budgetary Oversight

In addition to its general governance and policy making functions, the Council is responsible for ensuring the City's financial assets are properly managed. One of its most important functions is adopting an annual City budget to guide expenditures. The city manager presents the annual budget for the fiscal year beginning July 1 and ending June 30 to the Council for adoption in June. The annual budget is the City's primary fiscal guide, providing the necessary structure and funding to execute its core mission and provide for public services. By adopting the annual budget, the Council makes policy decisions, sets priorities, allocates resources, and provides the framework for government operations (Protocol Manual 2008 § 1.03(D), app. A).

The duty to prepare the City's budget is described in the City's Municipal Code, Title 2—Administration and Personnel (Municipal Code 1989, § 2.10.150, app. B):

It shall be the duty of the city manager to prepare and submit the proposed annual budget and the proposed annual salary plan to the city council for its approval.

Financial decisions made by Council and city manager about use of City funds are guided by policies approved by Council, as described below.

Financial Policies and Procedures Handbook

Council adopted the City's Financial Policies and Procedures Handbook (Financial Policies) on June 16, 2015, to achieve a long-term stable and positive financial condition. "The watchwords of the City's financial management include integrity, prudent stewardship, planning, accountability, and full disclosure" (Financial Policies 2015 § 1.I, app. F).

Amendments to the Financial Policies include Resolution 2015-25 (app. G), which establishes policies on interfund transfers, consolidating funds and eliminating funds, and Resolution 2018-18 (app. H), which establishes debt policies and other financing obligations.

Purchasing and Bidding Policy

The Purchasing and Bidding Policy (Purchasing Policy) provides a fair and equitable process for vendors to provide a bid to the City and for the City to make an award. Exceptions must be approved by Council as Council may, by majority vote and in accordance with its fiduciary responsibilities, approve expenditures of any amount, for any length of term, consistent with applicable laws (Purchasing Policy 2019, Ch. 2.44, app. I).

Pertinent Purchasing Policy guidelines in section 2.44 include:

2.44.130,1. Vendor Limit

Combined purchase orders without a formal bid cannot exceed \$50,000 per vendor, per fiscal year.

2.44.140D. Expenditures of \$10,001 to \$15,000

Authorized by the city manager, require a purchase order plus a city contract, and three informal bids (verbal, written, telephone or email).

2.44.140E. Expenditures over \$15,000

Authorized by City Council, require a purchase order, formal bids, and a city contract.

2.44.150 Procurement Procedures

Expenditures over \$50,000 require an invitation for bids or Requests for Proposals (RFP) or Requests for Qualifications (RFQ), a city contract, and city council approval.

2.44.150A.8.

When no bids are received, the City Council may accomplish the project in any manner it sees fit.

“The watchwords of the City’s financial management include integrity, prudent stewardship, planning, accountability, and full disclosure.”

Financial Policies 2025 § 1.I

The Council and city manager are assisted by a finance manager to maintain the City’s records of revenues and expenditures. The finance manager reports to the city manager and is assisted by additional staff as needed. Similar to the frequent turnover in the position of the city manager, the finance department has had five finance managers in recent years.

Table 3 below details recent staffing for the City’s finance manager position.

Name	Title	Year
Lori McGraw	Finance Manager	May 2017 – May 2021
Chris Hancock	Acting Finance Manager	August 2022 – June 2023
Jodi Steneck	Finance Manager	June 2023 – September 2024
Michael Ormsby	Finance Manager	October 2024 – March 25
Andrea Bonham	Interim Finance Manager	March 2025 – July 2025
Andrea Bonham	Finance Manager	August 2025 – current

Table 3: City of Ione Finance Manager Turnover, 2017 to Present

DISCUSSION

In this section, the Grand Jury provides further information about its observations and research findings regarding recent Council and city manager performance in two areas: financial management (fiduciary responsibilities) and general governance (including issues such as communications and meeting decorum). Since the Grand Jury received multiple complaints regarding excessive legal fees charged to the City and this has been a contentious topic at numerous Council meetings over the past year, the Grand Jury also presents information and findings on that topic below.

Financial Management

The Grand Jury initiated an investigation into the Council’s management of public funds and oversight responsibilities to ensure that the principles of integrity, prudent stewardship, planning, accountability, and full disclosure (Financial Policies 2015 § 1.I) guide budget decisions and resource allocation. These core principles are necessary to promote transparency, foster public trust, and ensure the City’s long-term financial sustainability.

Annual Budget

The annual budget, beginning on July 1 and ending June 30, aligns financial resources to complete the City's short-term and long-term goals set by Council. The Protocol Manual section 1.03(D) establishes study sessions or budget workshops "held in May and public hearings in June with adoption at the second Council meeting in June." The budgetary process is also described in the Financial Policies section 1.IV, Operating Budget (Financial Policies 2015 § 1.IV, app. F).

Adopting an annual city budget on time provides a clear, approved framework for spending to avoid making rushed financial decisions. An adopted budget is important for operational continuity and legal authority to spend money. Meeting fiscal deadlines builds public confidence by showing a city is organized, accountable, and transparent.

The city manager is charged with preparing and submitting an annual proposed budget, administering it upon adoption, and keeping Council fully advised of the financial condition of the City and its future needs (Protocol Manual 2008 § 7.02, app. A). This can be done through Council meeting reports and agenda packets, as well as through special workshops or study sessions to present more detailed information on important matters.

The City's Finance Committee is a two-member sub-committee of the Council responsible for providing fiscal oversight, guidance, and policy recommendations to the full Council. According to Financial Policies section 1.IV.3, the city manager and finance manager will present the draft preliminary budget to the Finance Committee for its review and recommendations (Financial Policies 2015 § 1.IV.3, app. F).

The Finance Committee met six times during fiscal year 2023-2024 to examine areas including the budget, financial reports, budget amendments, audits, salary schedule, and revenues/expenses. On June 18, 2024, the Council adopted the fiscal year 2024-2025 operating budget (Res. 2014-15, effective July 1, 2024).

Council discussed a draft fiscal year 2025-2026 budget plan at the April 1, 2025, Council meeting. On July 15, 2025, the Council approved to extend the fiscal year 2024-2025 budget (Res. 2025-20) until the fiscal year 2025-26 budget could be adopted.

Failure to present the draft preliminary budget to the Finance Committee violated Financial Policies section 1.IV.3. Failure to hold public hearings and adopt the budget in June violated Protocol Manual section 1.03(D). Council adopted the fiscal year 2025-2026 budget on September 30, 2025 (Resolution 2025-32). The Finance Committee

has not had a public meeting since July 25, 2024, nor has the City formed an ad-hoc committee to address major financial issues.

During the April 21, 2026, Council meeting, the proposed budget process and schedule for fiscal year 2026-2027 was presented and included budget workshops during regular Council meetings in June and July. The presentation, public hearing, and adoption of the proposed budget is scheduled for the July 21, 2026, Council meeting, violating timeframes required in policy. The finance manager explained the short timeframe for the budget workshops and adoption date is due to ongoing work on the outstanding financial audits.

Budget Amendment

At any time during the fiscal year, the city manager may recommend amendments to the adopted budget (Financial Policies 2015 § 1.IV.5, app. F). All budget adjustments that increase or decrease total appropriations must identify an equal offsetting increase/decrease. Proposed budget amendments are submitted with the Council meeting agenda to Council and the public and approved by Council. Once approved, a budget amendment resolution is used to increase or decrease estimated revenues or appropriations, establish new funds, enable access to new funds, and transfer funds (Financial Policies 2015 § 11, app. F).

On April 2, 2024, the Council unanimously selected Mr. George Lee as the new city manager. Mr. Lee was to be paid a salary of \$135,000 in line with the City's adopted 2023-2024 Salary Schedule. Less than a year later, Mr. Lee requested consideration of new contract terms for his appointment. On January 21, 2025, an agenda item with negotiated contract terms was presented to Council. Council voted 3-1 to increase Mr. Lee's salary to \$180,000, well beyond the maximum step allowed in the fiscal year 2024-2025 Salary Schedule, extend employment to 2029, increase severance pay to 18 months, and fully pay for his healthcare plan premiums. The Grand Jury recognizes the higher than maximum salary and generous benefit package may have been intended both to reward performance and to address the significant retention issue (i.e., high turnover in the city manager position). However, the salary increase exceeded the adopted budget without an approved budget amendment.

During the August 19, 2025, Council meeting, Council approved the purchase of property for its new police headquarters (contingent upon an appraisal). The cost was \$880,000, with \$150,000 down payment from the police budget. Improvements that were needed for the property were estimated at \$125,000 to \$150,000 with no identified source of funding other than potential grant funding and fundraisers. The purchase lacked an approved budget amendment.

During the September 2, 2025, Council meeting, Council approved a consulting services contract for building inspections, with Weber Ghio, without a budget amendment. Invoices totaling approximately \$25,000 were paid between July and October 2025.

During the last two years, two councilmembers vigorously protested repeated violations of the City's Financial Policies. Members of the public similarly reported these violations to Council during this same timeframe, but the Council majority continued to cast three votes to approve the contracts and monthly warrants (invoices to be paid) with little discussion. During its investigation, the Grand Jury found the Council consistently approved contracts and monthly warrants without an approved budget amendment, violating Financial Policies 2015, section 11.11 (app. F).



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Audits and Financial Statements

Outstanding financial audits or delayed financial statements may signify that financial information has not been verified for accuracy or compliance. This can result in loss of credibility, increased risk of misstatements of records, and the financial statements may not be fully relied upon.

“The biggest hurdle the City has right now is we can’t borrow money ... we can’t borrow money because the audits aren’t done.”

Mr. Lee, 8/19/2025 Council Meeting

The Grand Jury received complaints detailing a significant multi-year backlog of financial audits and financial statements. Requirements pertaining to the annual audit are contained in several policy documents:

- It is Council's responsibility to hire an independent auditor to perform the annual financial audit and prepare accurate financial statements of the City for the fiscal year (Protocol Manual 2008 § 1.03(E), app. A).
- The audits must be conducted by a Certified Public Accounting (CPA) firm and completed in accordance with Generally Accepted Auditing Standards within 180 days of end of the City's fiscal year (Financial Policies 2015 § 1.III.B, app. F).
- The City's basic financial statement shall be prepared in accordance with Generally Accepted Accountings Principles (GAAP) and the Governmental Accounting Standards Board and provided within 180 calendar days of the end of the City's fiscal year (Financial Policies 2015 § 1.III.C1, app. F).

The fiscal year 2020-2021 audit was completed by Richardson & Company, LLP, and the Independent Auditor's Report (app. J) was issued October 15, 2025, approximately 1,383 days overdue. Timely audit completion for the City has not been achieved since fiscal year 2016-2017. Audits are still outstanding for fiscal years 2021-2022, 2022-2023, 2023-2024, and 2024-2025.

Table 4 below shows the City's financial audit status and days overdue (as of March 31, 2026).

<u>Fiscal Year</u>	<u>Due Date</u>	<u>Date Completed</u>	<u>Days Overdue</u>
2016-17	1/1/2018	11/24/2017	0
2017-18	1/1/2019	3/2/2019	60
2018-19	1/1/2020	2/15/2022	776
2019-20	1/1/2021	5/11/2023	860
2020-21	1/1/2022	10/15/2025	1,383
2021-22	1/1/2023		1,185
2022-23	1/1/2024		820
2023-24	1/1/2025		454
2024-25	1/1/2026		89

Table 4: City of Ione's Annual Financial Audit Status and Days Overdue by Fiscal Year (As of March 31, 2026)

Grand Jury research, witness testimony, and Council meeting videos support evidence of prevalent late or incomplete audits. This has severely impacted the City financially over the years, both operationally and reputationally. At the August 19, 2025, Council meeting, while contemplating a property purchase, Mr. Lee informed the Council that the “biggest hurdle the City has right now is we can’t borrow money” and the City could not “borrow money because the audits are not done.”

California Government Code section 53891(a) (app. E) requires a Financial Transactions Report due to the State Controller’s Office (SCO) within seven months of end of fiscal year, based on audited financial statements in accordance with GAAP, if this data is available. The Grand Jury has determined the last seven years of the City’s data reported in the SCO’s Financial Transactions Reports contain unaudited financial data and is likely inaccurate.

In the past two years, the Council has made it a priority to resolve outstanding audits. During the December 2, 2025, Council meeting, Council approved Mr. Larry Bain, CPA, to complete bookkeeping services for fiscal years 2021-2022 and 2022-2023. Key points of the Engagement Letter, dated November 5, 2025, include:

- “Bookkeeping services will be performed based on the information” the City provides to them, they “will not verify or audit this information”, nor will they “perform an audit, review, or compilation” of the City’s financial statements;
- “No accountant’s report will be prepared or submitted.” The “engagement does not include any procedures to detect errors, fraud, or theft;” and
- They “have no responsibility to identify and communicate deficiencies or material weaknesses” in the internal control system as part of the engagement.

The substitution of bookkeeping for an independent external financial audit constitutes a material deviation from established municipal financial protocols. As a condition of the bookkeeping services, the City agreed they are responsible for the proper recording of transactions, accuracy of the financial data, and establishing and maintaining internal controls over the bookkeeping processes. Financial statements have become effectively useless for decision-making because the City’s data is unverified.

In the same December 2nd meeting, the Council also approved an engagement letter with Mr. Bain, CPA, for fiscal year 2023-2024 audit services. The Council agreed the audits were so far behind that it is in the City’s best interest to bring the backlog of audits current as quickly as possible. The current 4-year audit backlog is the direct result of unaddressed issues neglected by past Councils.

The Grand Jury reviewed correspondence during the previous one-year period between the City and the California Infrastructure and Economic Development Bank (IBank), the loan servicer for the City's Infrastructure State Revolving Fund Loan. IBank sent two dozen requests to check on the status of the outstanding annual comprehensive financial reports from fiscal years 2020-2021, 2021-2022, 2022-2023, along with a request to expedite completion of the report for fiscal year 2023-2024. One witness said IBank has consistently requested status updates for years; responses from City personnel have been limited to assurances of ongoing work with little progress evident.

During the last two audits, current financial staff spent much of their time researching and attempting to complete and correct prior-year records to the best of their ability so that auditors could attempt to bring the City current. City finance staff could not find important financial records and the records contained errors. It is challenging to correct years-old financial records when the staff who complete them are no longer on the City's payroll. As a result, less attention is paid to managing the current year budget and to providing the other vital services such as issuing payroll in a timely and accurate manner and processing personnel documentation. These problems and findings are discussed in detail below. The City fell far behind in completing required annual audits, unable to borrow funds from conventional lending sources and tarnishing the City's reputation for fiduciary responsibility.

Internal Controls

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

"I've never seen that many items not able to be found in an audit and I've been auditing for over 30 years."

Brian Nash, CPA,
10/21/2025

functions, to prevent, or detect and correct misstatements on a timely basis. (Richardson and Company, LLC, October 15, 2025, Management Letter, 1, app. J). To understand the long-term trends regarding weaknesses in internal controls, the Grand Jury conducted a comprehensive review of independent auditor reports, management discussions, and schedules of findings from 2010 through 2020. This review also included previous Grand Jury reports between 2010 and 2014 to evaluate the effectiveness of corrective actions over the past 15 years.

The independent auditor's recommendations in fiscal year 2018-2019 and 2019-2020 audit reports (app. K) include: post audit adjustments, reconcile to the 2019 (or 2020) financial statements, create a closing checklist and chart of accounts, maintain consistent evidence of the performance of the internal controls, label and document transactions, and organize and label electronic copies of financial records so they are easy to find. Many of these recommendations are included in

Financial Policies section 16 (app. F) but not implemented, resulting in a cascading effect, directly impacting the City's ability to close out subsequent outstanding audits.

The fiscal year 2020-2021 audit opinion (app. J) was modified, which means an auditor cannot issue a "clean" or unqualified audit because financial statements are materially misstated or sufficient evidence was unavailable.

In the October 21, 2025, Council meeting, Mr. Brian Nash, CPA, from Richardson and Company, LLC, presented the fiscal year 2020-2021 audit report and stated, in part, "The audit was difficult...the City was not ready for the scheduled audit dates...the scope of the audit changed...staff had difficulties finding and providing requested hard copies or digital copies of documents to the auditors."

Two material weaknesses in internal controls over financial reporting were identified: first, restatements and a significant number of audit adjustments and closing entries (33) were required to complete the financial statements, indicating ineffective year-end controls; second, there were a number of internal control exceptions and missing documentation in detailed testing (app. J). Mr. Nash said, "I think it's really significant to have that many items. I've never seen that many items not able to be found in an audit and I've been auditing for over 30 years."

Interfund Loans and Payments

Interfund loans are temporary, repayable cash advances from one fund to another designed to manage short-term cash flow needs. They often require interest and must have a defined repayment schedule.

The City took out several long-term interfund loans between 2001 and 2018, transferring money from restricted funds to the general fund. The loans were to be paid back within 10 years, but the

City failed to make a payment. Resolution 2015-25 established a formalized interfund loan repayment plan on June 2, 2015, with proposed annual payments of \$103,123 over 25 years. The City has not followed the repayment plan and to date less than 3% of the loans have been repaid. Page 35 and 36 in the Note C of the June 30, 2021, audit report, identify outstanding interfund advances of over \$3 million (app. J).

"It's really not appropriate to borrow restricted funds without a plan and ability to pay it back. Make sure you do return those funds back to the restricted funds where they were borrowed."

Brian Nash, CPA, 10/21/2025

During his October 21, 2025, presentation to Council, Mr. Nash stated, “It’s really not appropriate to borrow restricted funds without a plan and ability to pay it back. Make sure you do return those funds back to the restricted funds where they were borrowed.”

The interfund borrowing is complicated. Despite multiple inquiries from councilmembers and members of the public during 2024 and 2025 Council meetings, the City has not provided a status update or substantive response regarding the outstanding interfund loans. During its investigation, the Grand Jury requested, but the City could not provide, the status of the interfund loans, the need for them, or how some accounts will repay the loans if they do not have sufficient funds.

Retiree Healthcare Obligations

The Governmental Accounting Standards Board Statement No. 75 was implemented in fiscal year 2017-2018 and set new rules for state and local governments to report liabilities for Postemployment Benefits Other Than Pensions (OPEB), such as retiree health insurance. Many governments were shocked there was a large liability that existed and have since found ways to fund these benefits.

As required by law, the City began tracking and reporting its OPEB obligations in fiscal year 2017-2018. When they realized the size of this financial obligation, the City stopped offering these benefits to employees hired after July 1, 2019. According to Note I in the June 30, 2021, auditor’s report, the amount of City’s net OPEB liability was \$1.71 million, and 0% funded (app. J).

It is a policy goal of the City to reduce the unfunded liabilities for OPEB (Res. 2018-18, Financial Debt Issuance and Management Policy, § 8iii, app. H). During his October 21, 2025, presentation to Council, Mr. Nash recommended the City “take a look at retiree health insurance benefits they promised employees and how to fund it.” No further action has been taken by Council to address this unfunded obligation.

Finance Manager

The finance manager plans and manages the finance functions of the City, assists the city manager with the coordination and preparation of the City’s budget, manages payroll, accounting activities, purchasing, internal controls, ensures audit compliance, prepares financial reports, sensitive customer relations situations, and other fiscal officer duties (Job Announcement May 2025, Finance Manager, app. L).

In addition to the current duties of the finance manager, the Grand Jury investigation revealed the City’s current finance manager directly performs most of the daily transactional personnel functions which include maintaining employee files; keying pay, hours, and California Public Employees’ Retirement benefits; and performing other

personnel functions. The finance manager also prepares annual tax rolls and performs daily operational tasks related to accounts payables and receivables, audits, and finance. This workload is unsustainable and may lead to burnout and errors.

High turnover in the finance manager and city manager positions over many years has put the City in a very difficult situation. The Grand Jury found that this instability is reflected in years of outstanding audits and internal control weaknesses, missing and incomplete financial and administrative records, delayed budgets, outdated financial and purchasing policies, and other shortcomings described in this report.

Administration, Finance, and Human Resources

The City's Financial Policies section 1.XII, Staffing and Training, states in part, "Staffing levels will be adequate for the fiscal functions of the City to operate effectively" (Financial Policies 2015 § 1.XII, app. F).

The Grand Jury reviewed the City's organization chart, policy manuals, and duty statements. Administration, Finance, and Human Resources employees are responsible for the core operational, fiscal, and personnel functions supporting City services. Functions include, but are not limited to, budgeting, accounts payables and receivables, cash receipts, capital assets, grants, financial reporting, audits, utilities and licenses, special events, general administrative support, payroll, workers compensation, recruitment, and benefits.

Administration, Finance and Human Resources employees include the finance manager described above, two account clerks, one grant coordinator, and a retired annuitant.

Account Clerk – Finance. Key responsibilities of this position include accounts payable, accounts receivable, cash receipts, tracking and support.

Account Clerk – Front Desk. Key responsibilities of this position include customer service, sewer accounts and billing, intake, special events, cash receipts, and general administrative support.

Grant Administrator. This position was created about a year ago to manage and research various state and federal grants for the City to fund infrastructure, public safety, and community development.

Retired Annuitant. In 2017, the City hired a retired former City finance manager as a retired annuitant. Retired annuitants are allowed to work a maximum of 960 hours per calendar year. The City's retired annuitant continues to work for the City, and their current workload consists of audits, research, reports, accruals, journal entries, and special projects.

“I am respectfully asking the city to look closely at medical benefit costs, enrollment transparency, payroll accuracy, and how errors are handled...when these issues go unaddressed, they affect morale, retention, and the long-term health of this organization.”

Public Comment, 2/3/2026 Council Meeting

The Grand Jury investigation determined that long-term retired annuitants could fill critical gaps, providing specialized skills and institutional memory for addressing backlogs. They are best utilized for specific, intermittent project work rather than a permanent replacement for staffing needs. In this case, the retired annuitant is used for long-term audit and finance work. The City has no transition plan to

replace the services of the retired annuitant, nor is a permanent successor being trained.

To prevent recurrence of issues identified in this report related to internal controls, audits and financial statements, and missing or incomplete financial records, it is critical to transition knowledge, management oversight, records, and procedural continuity to an in-house City staff. This includes documentation of processes and key responsibilities and mentoring a successor.

Human Resources and Personnel Records. The City does not have a dedicated position for human resources, timekeeping, or staff training, resulting in the finance manager completing these functions. This includes tasks and assignments related to employee relations, return to work, benefits, and hiring. Witness testimony described many inaccuracies in deductions, payments, and delays in processing personnel documents, directly affecting employee morale and retention.

During public comment at the February 3, 2026, Council meeting, the wife of an lone Police Corporal said that errors with her husband’s paycheck have been a constant problem and is an issue that places stress on real families. While the City contributes \$1,700 a month for medical, their medical deduction is \$1,324.60 per month. His take home pay after deductions is \$1,656.43. On top of that, he was recently informed they were undercharged for medical insurance last year and expected to pay that money back, even though they did not make an error or process the payroll paperwork. She said if they were given the opportunity to review medical plan options or participate in open enrollment, they would have chosen medical coverage through her employer for only \$632 per month. She concluded by saying,

I am respectfully asking the City to look closely at medical benefit costs, enrollment transparency, payroll accuracy, and how errors are handled. Not just for my husband, but for all City employees. Because when these issues go unaddressed, they affect morale, retention, and the long-term health of this organization.

The City lacks a cohesive, formal personnel policy and does not maintain centralized personnel or recruitment files. Regarding the April 2, 2024, hiring of the current city manager, City staff were unable to provide fundamental documentation of the hiring process, other than a proposal from the headhunting firm. In response to requests from the Grand Jury, they could not produce copies of the job advertisement, information about where the advertisement was placed, the number of responses received, or any summary information as to findings and recommendations of the search firm or the two review committees.

Grand Jury interviews with City staff indicate a recent significant shift in organizational culture, specifically stating morale has greatly improved since the appointment of the current city manager and finance manager. While the current finance manager has not earned a Bachelor of Arts in Finance, she is actively working toward it, has extensive experience working for the City, served on the Council in the past, and appears to be well respected and praised for the job she is doing.

Adherence to Purchasing and Bidding Policy

Purchasing Policy section 2.44.010:

The City of Lone hereby establishes a purchasing and bidding policy under the direction of the city manager and finance office director. (Ord. No. 505, 11-16-2019)

Purchasing Policy section 2.44.020 - Intent:

The purchase and bidding policy provides a fair and equitable process for all interested and qualified vendors in providing a bid to the city. The city will make an award in a manner consistent with the city purchase and bidding policy. Any exceptions to this policy must be approved by the city council. The city council may, by majority vote and in accordance with its fiduciary responsibilities, approve expenditures of any amount, for any length of term, not otherwise inconsistent with any applicable law.

According to the Purchasing Policy section 2.44:

The City will make an award in a manner consistent with the Purchasing Policy. Any exceptions to this policy must be approved by Council.

The city manager makes and provides all purchases of materials and services for the City as required and requested in the regularly adopted budget and authorized by Council, whether or not in the budget.

Combined purchase orders without a formal bid cannot exceed \$50,000 per vendor per fiscal year. Expenditures over \$15,000 must be authorized by City Council and require a purchase order, formal bids, and a city contract. Expenditures over \$50,000 require an invitation for bids, RFP or RFQ, a city contract.

It is Council's responsibility to consider, reject, approve, and award contracts and bids over \$50,000; award or reject contracts negotiated by City staff; and approve exemptions to any procurement method.

Over the course of the investigation, the Grand Jury found there were violations of the City's adopted purchasing policies. Examples of purchasing policy violations are detailed below.

March 18, 2025, Council meeting. Councilmember Alison LaFayne questioned building inspection invoices for Weber Ghio when the City already had a contract for building inspections. Mr. Lee said it is under his purview of \$15,000. She asked, "When they go over \$15,000 are we going to see a contract?" Mr. Lee said he was "going to bring to the Council probably next month an RFP." An RFP was not issued.

During the September 2, 2025, Council meeting, the city attorney presented an agreement with Weber Ghio "based on previous comments it seems we're past the \$15,000 threshold, so Council has to approve the agreement at this stage." Councilmember LaFayne said the city attorney drafted the agreement in January, there were \$66,000 on the contract in invoices this year, and the only reason the contract was here for Council approval was because the warrants were questioned again, and "then we got a 9-month-old contract that had been in place for 9 months. You can see my issue with that. We did not put out an RFP, and we have two city engineers."

The vendor did in fact sign the Weber Ghio contract on January 13, 2025, and the current city attorney and city manager signed it on February 5, 2025, without Council approval or an RFP, in violation of Purchasing Policy section 2.44.150. The city manager exceeded his designated spending authority, in violation of Purchasing Policy sections 2.44.130 and 2.44.140. A staff report was not included in the agenda for the request for contract approval, despite repeated inquiries by councilmembers during the previous six months of Council meetings, and the Council majority approved \$66,000 in invoices along with the contract with little discussion about the failure to follow Purchasing Policies.

June 3, 2025, Council meeting. Mr. Lee attempted to allocate \$50,000 for a basketball court project without seeking input from the Parks and Recreation or Planning Commissions or discussing the project with direct neighbors. Defending his decision not to involve the Parks and Recreation Commission, he stated at a public Council meeting, “It was my decision to expedite things because summer’s coming up and so forth, so again I don’t think I have to bring anything to Parks and Rec, it is at my discretion, I’m trying to save some time and I am more interested in getting things done as opposed to spending a lot of time on the process.”

During the July 1, 2025, Council meeting. Mr. Lee requested that Council allocate \$50,000 for a horse arena improvement project. When asked if the Planning Commission was consulted. Mr. Lee said, “I did not take it to the Planning Commission primarily because I read the tea leaves...why should I waste the City’s time...to go through something that I knew was going to get turned down? I chose another route to save time and not lose out on the funds.”

October 7, 2025, Council meeting. Councilmember LaFayne asked if they put out an RFP for bid for Amador Tree Service \$35,000. Mr. Lee said, “We did not put out an RFP because we did not have time.”

December 2, 2025, Council meeting. Council debated contracting with the auditor to do limited, combined audit for fiscal years 2021-2022 and 2022-2023 to catch up on audits, rather than get further behind. Council discussion indicated that, “once again” they had not used the proper bidding process. The city attorney advised that, given lack of proper procedure, it might be possible that someone could sue to have the decision

“I did not take it to the Planning Commission primarily because I read the tea leaves...why should I waste the City’s time...to go through something that I knew was going to get turned down? I chose another route to save time and not lose out on the funds.”

Mr. Lee, 7/1/2025 Council Meeting

overturned, but in his opinion the likelihood of that happening was low. In the interest of moving forward quickly to catch up on audits, the Council voted 3-1 (with one abstention and one no vote due to not following adopted procedure) in favor of proceeding with the limited multi-year audit, allowing quicker completion of the fiscal year 2023-2024 full audit.

The Grand Jury found that throughout 2025 and 2026 Council meetings, two councilmembers, Councilmember LaFayne and Councilmember Dominic Atlan, regularly identified failures to follow the

City's Purchasing Policy and questioned the validity of warrants for those purchases. The three other councilmembers and the city manager largely ignored the issues raised.

At the April 21, 2026, Council meeting, Mr. Lee presented a staff report on improvements needed at the amphitheater in Howard Park. He requested Council's approval of two contracts—one for the installation of shade sails for \$25,750 and the other for the construction of Americans with Disabilities Act (ADA) parking improvements for \$26,870. However, Mr. Lee had already approved both contracts, and the work had been completed. Both contracts exceeded the \$15,000 limit specified in Purchasing Policy section 2.44.140. This resulted in a heated discussion, with councilmembers stating that the process had not been followed correctly and community residents complaining that the City does not enforce penalties for such administrative mistakes.

Nonetheless, community members expressed appreciation for recent improvements to Howard Park—including making parking and pathways more accessible and developing the Picnic Hill amphitheater—where a recent opening event featuring a music concert was well attended and enjoyed by residents.

Over the past two years, the Council majority voted to approve purchases despite two councilmembers' persistent protests of violations of the City's Purchasing Policy. Members of the public also notified the Council of the policy violations during this same timeframe, but the Council majority continued to cast three votes to approve the purchases with little discussion. Failure to address these policy violations creates an environment of deliberate indifference for the City's established rules.

During its investigation, the Grand Jury found the city manager repeatedly violated the City's Purchasing Policy section 2.44 when he exceeded the authorized expenditure limit, obtained retroactive approval from Council, requested the Council approve a contract that was already signed by City officials, failed to issue an RFP/RFQ, and failed to obtain proper bids.

Council and the city manager have failed to follow their own adopted purchasing policies and procedures, resulting in numerous material deviations from established municipal financial protocols.

Legal Expenses

The city attorney is the legal advisor for Council, its citizen commissions and committees, city manager, and City staff (Protocol Manual 2008 § 7.06, app. A). The city attorney provides routine legal services and specialized tasks like real property transactions, contract negotiations, and litigation matters.

The City has had four city attorneys since 2015, as shown in Table 5 below:

City Attorney	Law Firm	Date
James Maynard	Maynard Law	Ended Sept 2015
David Prentice	Prentice Long, LLC	Jan 2016-April 2023
Andy Pinasco	Neumiller & Beardslee	May 2023-Dec 2024
Josh Varinsky	White Brenner, LLC	Dec 2024-present

Table 5: Lone City Attorneys, 2015 to Present

The city attorney is a contract employee appointed by Council. The City entered into an agreement with White Brenner, LLP, for City Attorney Services on January 7, 2025, (effective December 17, 2024). Mr. Josh Varinsky was named the primary city attorney and Mr. Douglas White deputy city attorney for the City, with additional White Brenner, LLP, staff available to provide additional municipal support as needed.

In the past two years, legal expenses have risen substantially in part due to non-routine activities such as the sale of Castle Oaks Golf Course, censure proceedings, litigation, and redactions related to public records requests. The escalating legal fees have sparked significant community concern and questions over the lack of transparency and justification for mounting legal expenses.

The Grand Jury reviewed warrants for 2024, 2025, and 2026. From January 2024 through December 2024, the previous city attorney Neumiller and Beardslee's legal expense averaged \$15,000 per month. As of March 1, 2026, White Brenner's average monthly legal expense was \$31,000 for the previous 12 months, over twice the amount.

The authorized fiscal year 2024-2025 budget for legal services was \$157,500; the projected year-end legal expenditures were \$336,472, more than double the approved budget. A budget amendment to identify funding for these increased expenditures was never formally presented to or approved by Council, a violation of Financial Policies section 11.

The authorized fiscal year 2025-2026 budget for legal services is \$230,000: current year legal expenditures through April 2026 are over \$300,000. A budget amendment was not officially submitted or approved to cover these increased costs, violating Financial Policies section 11.

Over the past two years, councilmembers and members of the public have requested details for legal expenditures. The city attorney stated there would be a considerable redaction expense if invoices were made public by attaching them to the Council meeting agenda, but councilmembers could review the invoices in City Hall. The public could submit a public records request. The Grand Jury requested attorney invoices but withdrew the request when informed it would cost the City thousands of dollars to redact privileged information.

“If you think that attorney isn’t spending time trying to dig up trash on each other from members of this board, well, then you are sadly, sadly mistaken... Let’s break the Brown act on social media, let’s violate closed session, let’s run up a tab with an attorney. It’s sick. Sickening. And you disgust me.”

Councilman Mitchell, 2/17/26 Council Meeting

On March 4, 2025, Mr. Varinsky presented a Staff Report and formal policy for censure of councilmembers. The City’s Censure Policy states in addition to admonishment, informal warning, or formal resolution of censure, the Council is encouraged to take steps to de-escalate the behavior and consider addressing the complaint informally. The Grand Jury investigation found that the city attorney and Council bypassed informal de-escalation, warnings, or other lower-level actions in favor of jumping directly to a costly formal censure. The City spent \$28,038 to hire an attorney to investigate the censure allegations against Councilmember LaFayne. The City spent an additional \$17,000 over about a 3-month period for city attorney expenditures associated with the censure.

In the November 18, 2025, Council meeting, Councilmember Stacey Rhoades asserted that email correspondence from councilmembers to the city attorney were responsible for driving legal costs up. Mr. Varinsky prepared Resolution 2025-40 and an accompanying staff report proposing a new policy *Use of City Attorney and Communications Between the City Council and the City Attorney*. In summary, to save money, councilmembers were to cease direct communication with the city attorney, and his services were to be directed through the city manager. However, attorney invoices remained high and this policy failed to yield results months later.

At the January 6, 2026, Council meeting, the Council discussed potentially putting together a committee to update the Protocol Manual, last updated in 2008. Mayor Maita wanted a couple of councilmembers, “One of us three and one of them two, here together, to work towards this goal.” Council was encouraged to bring changes they would like to the next Council meeting. However, a special meeting was called by Mayor

Maita, held on January 28, 2026, to consider the city attorney’s proposed revisions to the Protocol Manual; two councilmembers and members of the public voiced concerns that the city attorney was not given authorization to update the Protocol Manual. On May 5, 2026, Council adopted the updated Protocol Manual, at which time several councilmembers mentioned that the city attorney had never been authorized to do this work himself, though the majority were generally pleased with the result. The estimated cost to the City for the city attorney to revise and update the Protocol Manual is \$8,500.

In the February 17, 2026, Council meeting, the city attorney explained that redactions required in response to public records requests were the reason for a huge spike in the prior month’s legal costs. Councilmember Jack Mitchell suggested that infighting among his fellow councilmembers was a major cause of legal expenditures, stating:

If you think that attorney isn’t spending time trying to dig up trash on each other from members of this board, well, then you are sadly, sadly mistaken. And you guys are a busy, busy group. Let’s break the Brown Act on social media, let’s violate closed session. Let’s run up a tab with an attorney. It’s sick. Sickening. And you disgust me.

Legal invoices are broken down by categories on the list of paid and unpaid warrants attached to Council agendas. Figure 2 (below) provides itemized categories of the City’s legal fees over the 12-month period from March 2025 through February 2026.

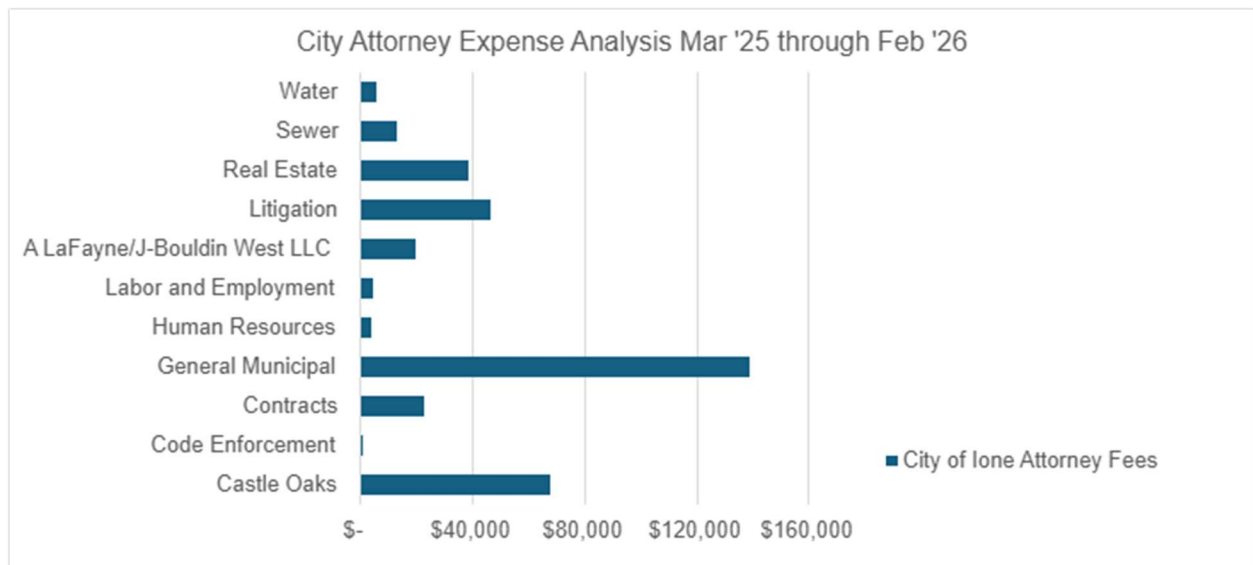


Figure 2: City of Lone Itemized Legal Fees

As Figure 2 shows, the largest percentage of legal expenditures was for general municipal legal services, with other smaller amounts for civic matters such sewer, water, human resources, etc. The second biggest expenditure category was Castle Oaks, related to renewing the management agreement. If, however, the litigation and censure categories were combined, these would exceed the amount spent on Castle Oaks golf course issues.

During the Grand Jury's investigation, it was determined the city attorney drafts administrative or operational documents such as third-party contracts, staff reports, and policy edits. It would be more cost effective for City staff to complete these administrative tasks and have the city attorney complete a legal review.

Members of the public have asked for transparency for attorney billing as legal costs rise and cost estimates and actual expenditures for new, nonroutine tasks are not provided. The Grand Jury found there is a lack of transparency with legal costs, there are no cost control measures in place, and increased oversight is needed to control legal expenses.

Governance and Decorum Issues



Lone City Hall

Council Meetings

The City's regular Council meetings take place on the first and third Tuesday of every month. They are streamed live via Zoom, and a recording is usually uploaded and available for replay from the City's website. The Council, city clerk, city manager, and city attorney sit at the U-shaped dais to face the public during meetings.

Early in each Council meeting, public comments are allowed (up to four minutes) on items that are not on the agenda. Members of the public may also address Council in person or via Zoom for up to four minutes following the conclusion of their discussion on each agenda item.

Developing Meeting Agendas

According to the Protocol Manual section 8.06(A) (app. A), items may be placed on the Council meeting agenda by any councilmember, advisory bodies and civic organizations, or members of the public, by submitting a written request to the city manager or city clerk. The written request must, at a minimum, contain all the following:

- a substantive outline or summary of the information that will be presented to the Council;
- specific actions the Council will be asked to take on the item; and
- a statement of the reasons why the requesting party believes it is appropriate and within the jurisdiction of the Council to consider the subject matter and take the requested action.

Members of the public may also request an item be placed on a future agenda while addressing the Council during a regular meeting.

Should two councilmembers request the same item, that item will automatically go on the next agenda. The councilmembers will provide the same written information as shown above (addendum to the Protocol Manual 2015 § 8.06, app. A). Ultimately, the mayor, city manager, and city attorney review and discuss potential agenda items and finalize Council meeting agendas.

A staff report is required for each topic of discussion on the Council agenda (Protocol Manual 2008 § 8.07, app. A). In addition, monthly budget-to-actual reports will be prepared for the city manager to monitor and control the budget as authorized by Council. These executive summary reports will be presented to Council at the second meeting of each month (Financial Policies 2015 § 1.IV.D, app. F).

“Per agenda policy, you are supposed to make a written request with some detail supporting the agenda item request. We don’t follow that policy too strictly.”

City Attorney, 3/4/26 Council Meeting

After reviewing dozens of online Council meetings, the Grand Jury determined the Council, city attorney, and the city manager often do not follow established City policy for agendizing items or providing staff reports, including financial status information. Witness testimony indicates Councilmember Rhoades, Councilmember Maita, and Councilmember Mitchell do not submit written agenda requests, in violation of current City policy, while Councilmember LaFayne and Councilmember Atlan are required to submit their agenda requests in writing, in accordance with adopted City policy. For example, at the end of the February 4, 2025, Council meeting, Councilmember Rhoades mentioned he would like to see dismissal of the Planning Commission Chair and potential censure of a councilmember considered in future. Both items appeared on the February 18, 2025, Council agenda with detailed staff reports prepared by the city attorney.

In contrast, during a discussion of future agenda items during the February 17, 2026, meeting, Councilmember Atlan asked why an item he had requested weeks earlier had not been included on the agenda. The city manager informed him that the request must be made by two councilmembers—in two separate written requests—to be considered for inclusion. [It should be noted that the Council adopted Protocol Manual revisions on May 5, 2026. The revised Protocol Manual clarifies rules about agenda setting, making this the responsibility of the city manager in consultation with the mayor].

At the March 4, 2025, Council meeting, an agenda item was included to consider adoption of a new policy for audio/video recordings of closed session meetings. When asked if a written agenda request with a justification was provided for this item, the city attorney replied, “not thoroughly in the beginning.” When asked to explain how the Council meeting agendas are developed and who writes them, the city attorney replied,

“I’d like this to go on record that the Council voted to violate City policy.”

Councilwoman LaFayne,
01/06/2026 Council Meeting

It is a team effort in a way but it’s the city manager that creates the agenda, the mayor has control over which items go and which are held back...Per agenda policy, you are supposed to make a written request with some detail supporting the agenda item request. We don’t follow that policy too strictly, the Council can take that up if they want to enforce that more, but generally if councilmembers have agenda item requests, we consider them the representatives of the City, and they have the right to bring those items up for discussion among the rest of the Council.

The September 2, 2025, Council meeting agenda includes items L.1. and L.2.—presentations and updates related to the Howard Park Master Plan and Wastewater/Tertiary Plant Operations. No written staff reports or presentation materials were included with the meeting agendas, although the meeting video shows that detailed information regarding these agenda items was presented during the meeting. Similarly, no staff report is provided for regular agenda item L.4., professional services agreement.

During the October 7, 2025, Council meeting, Councilmember LaFayne stated she received Weber Ghio invoices and requested (with support from a second councilmember) a priority agenda item, and to bring the invoices before the Council for discussion. This request was ignored and not acted upon.

On the January 6, 2026, Council meeting agenda, regular agenda items I. 1, 2, and 3—Review/Discussion of Protocol Manual and Rules of Order for Meetings, Discussion/Direction on Preparation and Adoption of Social Media for Elected Officials, and Consider Reducing Time Limit for Public Comments—did not include staff reports as required by Protocol Manual section 8.07. Councilmember Atlan requested these items be pulled from the agenda as they violated the City’s Protocol Policy. His motion failed 3-2. Councilmember LaFayne requested that “the record reflect the fact that the Council had just voted to violate City policy.”

The Grand Jury found failure to properly and consistently agendize items and provide supporting information not only violate elements of the Protocol Manual and Code of Ethics but are also a major cause of conflict in the Council meetings, leading to frustration, interruptions, personal invectives, and meeting disruption. It fosters an impression of unequal treatment among councilmembers, increases public distrust in city leadership, and often results in unproductive, inefficient, and combative public meetings. Failure to address these policy violations creates a culture where rules are treated as optional.

Transparency

There are a variety of ways information is shared with councilmembers. The City’s Protocol Manual section 7.08 (app. A) states that the city manager is to provide Council with regular, comprehensive memoranda concerning all aspects of City operations to assist them in their policymaking role. Pertinent information includes project status reports, executive summaries, and agendas of all weekly senior staff meetings—in addition to internal financial reports sufficient to plan, monitor and control the City’s financial affairs, including monthly budget-to-actual reports (Financial Policies 2015 §§ 1.III.C.2 and 1.IV.D, app. F).

The Protocol Manual section 7.07(B) (app. F) specifies that the city manager is the information liaison between the Council and City staff. Requests from councilmembers for information are to be directed to the city manager and will be responded to promptly. The information requested will be copied to all members of the Council so that each member may be equally informed. This sharing of information with the Council is one of the city manager’s highest priorities.

The Grand Jury observed in a number of Council meetings that Council and the city manager claim they are being transparent. However, evidence and witness testimony suggest otherwise:

- It is difficult to determine how some Council meeting items are agendized
- Staff reports are missing from many Council meeting agendas

- PowerPoint slides or other presentation materials are not consistently included in Council meeting agenda packets, making it difficult for attendees and online viewers to fully comprehend the presentation
- Hard copies of documents passed out during Council meetings are unavailable to Zoom participants or viewers who watch recorded meetings
- Information is not provided on the implementation status of approved motions
- Approved resolutions and City policies can be difficult to find online

Interviews and Council meeting recordings reveal that City information is not always provided to all members of the Council. Information gets to some the councilmembers but not all five equally. The Grand Jury observed Councilmembers LaFayne and Atlan consistently request status reports of projects approved by the Council, financial updates, and updates on pending items, yet received little to no response or follow-up information from the city manager. During final comments at the end of the April 21, 2026, Council meeting, both expressed their frustration. Councilmember LaFayne listed numerous requests for information pertaining to contracts, RFPs, and code violations she had requested. "I have asked for multiple items to come back on these agendas, using a second councilmember...All of those requests have been denied... for any agenda item, even with a second councilmember...all of which have been denied."

Similarly, Councilmember Atlan complained about having asked multiple times for a copy of Amador Water Agency's (AWA) agreement to send water to the City's wastewater plant for treatment. He was referring to recent discussions about granting an easement to AWA to send backwash wastewater across Howard Park to the US Mine property, claiming that if they did not grant the easement, AWA would send all the water they were permitted to under their current contract and that this would overwhelm plant capacity. "The first time I asked, I was told that I didn't get a second in writing. So, I got a second in writing. Okay? Then I was told it was going to be put on the next agenda, but it wasn't. Then it was going to be put on the next agenda, but it wasn't...I'm tired of asking for stuff and I never get it." Atlan admitted that he had filed an information request with AWA and learned that no such contract exists.

Transparency requires considerable effort and planning but is essential for fostering public trust as it makes the reasons for policy decisions and spending clear. Openness protects the public's right to know and helps citizens understand the actions of Council and the city manager. Proactive transparency reduces staff time spent managing public records requests by facilitating easy access to information.

Adherence to the Brown Act

As previously mentioned, the Brown Act requires councils to conduct their business openly. Prohibited serial meetings occur when a majority of councilmembers use a chain of communication to reach a consensus on City business outside of the Council meetings. The Grand Jury received several complaints regarding Brown Act violations.

The Grand Jury investigated allegations that councilmembers engaged in a number of Brown Act violations, including closed session leaks and "daisy-chain" violations. Serial meetings involve only a portion of the Council but eventually involve a majority and may occur by either a "daisy-chain" or a "hub-and-spoke" steps. A "daisy-chain" meeting is where Member A contacts Member B and Member B contacts Member C. Similarly, "hub-and-spoke" serial meetings is when a person acts as the hub of a wheel (Member A) and communicates individually with the various spokes (Members B and C). These meetings use "a series of communications of any kind, directly or through intermediaries, to discuss, deliberate, or take action on any item of business that is within the subject matter jurisdiction of the legislative body" (CA Government Code § 54952.2, app. E).

The investigation confirmed that three councilmembers were careful to avoid meeting together as a majority of Council but participated in serial meetings. They discussed issues or ideas individually in the "daisy-chain" manner described above. During the March 25, 2025, Special Council Meeting for the censure of Councilmember LaFayne, Councilmember Rhoades stated, "Myself, Vice Mayor Maita, and Councilmember Jack Mitchell have convened this meeting tonight to review what we think are important disclosures that we had to bring to the public's attention. We are here tonight for the censure of Alison LaFayne and what we think are absolute and indisputable breaches of her oath..." The Grand Jury confirmed separate discussions had occurred among the three councilmembers mentioned prior to the Special Council Meeting.

The Council did strengthen policy on confidential information. The recently updated Protocol Manual 2026 section 7.07(C) states:

Confidential issues, which may arise in closed session or in other conversations or communications with the City Manager or City Attorney, shall not be disclosed to any member of the public, including the press, without approval of the City Council. Confidential issues include but are not limited to anticipated or existing litigation, personnel matters, or other information relevant to City business that is confidential in nature. The release of any confidential information obtained or discussed in closed session may be subject to injunctive relief or referred to the grand jury or District Attorney's office as a Brown Act violation.

The Brown Act requires all votes, including closed session votes, to be recorded publicly (CA Government Code § 54953 and 54957.1). Meeting minutes outline the motions made and actions taken, so posting the meeting minutes makes it easy for the public to access Council meeting decision making and discussions. The Grand Jury reviewed agendas and meeting minutes for 2024, 2025, and 2026. Meeting minutes were not posted for September through December 2025. The Grand Jury commends the City for exceptional transparency in now publishing Council meeting audio/video to the City's YouTube channel within 24 hours of adjournment.

Training

The City's Protocol Manual section 1.04 (app. A) describes the orientation process for newly elected councilmembers. The city manager meets with them to acquaint them with the City's policies, procedures, and protocols. The city manager provides a tour of City facilities, key department heads brief them on current projects, and the city attorney meets with them to explain laws they must comply with and important legal matters the City is involved in currently.

Recent Brown Act revisions effective January 1, 2026, require that every newly elected councilmember and appointed commission or committee member be given a copy of the Brown Act. Additional training requirements currently in effect include:

- **AB 1234 Ethics Training:** Requires two hours of training every two years for local agency officials (CA Government Code 53234, app. E).
- **SB 827 Fiscal Training:** Approved in October 2025, this new legislation expands the ethics training requirement to include department heads and similar key administrators and requires mandatory two-hour fiscal and financial training every two years for these individuals (including elected councilmembers) (CA Government Code 53238, app. E).

The Grand Jury requested all training records for the Council and Mr. Lee. As of January 2026, there were no training records on file for Mr. Lee, Councilmember Atlan, or Councilmember Maita, nor were there any records of the Brown Act or financial management training for the councilmembers or the city manager.

Ethics (AB 1234)

Councilmember LaFayne 2023

Councilmember Mitchell Jan 2023, Oct 2024

Councilmember Rhoades Oct 2019, Sept 2022, Mar 2024

Harassment Prevention (AB 1825, AB 2053, AB 1661)

Councilmember LaFayne Jan 2023

Councilmember Mitchell Jan 2023

Harassment Prevention (AB 1661)

Councilmember Rhoades Sept 2022

New Mayor and Council Academy

Councilmember Maita Jan 2026

Mr. Lee Jan 2026

During Grand Jury interviews, witnesses stated training was not viewed as a priority and they could not recall taking any training except the mandatory Ethics. They opined that additional training could help everyone better understand roles and responsibilities, manage public funds, and improve Council decorum and fiscal accountability.

While there are some guidelines for training and orientation for newly elected councilmembers, the City does not have a formal training policy or an onboarding process for employees and Council. In addition, there is a lack of consistent tracking and documentation of completed training requirements. Councilmembers are less effective because they lack formal, ongoing training, do not follow established policies, protocols, and procedures, and ignore accepted professional codes of conduct, transparency, and accountable processes. An enhanced training plan for elected officials, department heads, and administrative officers could improve compliance and effective governance. Professional organizations such as the League of California Cities offer numerous relevant training and educational opportunities for elected and appointed officials.

“These meetings are frankly a circus because of what happens. You’re constantly interrupted. You’re constantly talked over.”

Councilman Atlan,
01/06/26 Council
Meeting

Behavior on the Dais

The powers of the Council are to be utilized for the good of the community and its residents. It is important the Council acts as a body (Protocol Manual 2008 § 2.01, app. A). Constituents generally expect their elected leaders to serve in a professional and honorable manner while in office deliberating on local government business and voting on policy issues. While the City does not have a dedicated “Code of Conduct” policy, Council conduct standards are incorporated into the City’s governing documents, including:

- Code of Ethics (2003)
- Protocol Manual (2008) section 8.12
- Municipal Code (2013) section 2.04.120

Despite the existence of these policy documents addressing conduct standards, the City has gained a reputation for the notable incivility of its Council meetings. Over the past five years, councilmembers have split into two (changing yet distinct) factions. There is obvious animosity between the majority and minority factions and among individual councilmembers, a situation worsened by ongoing lawsuits and recent calls for censure. As Councilmember Atlan stated in the January 6, 2026, Council meeting, “These meetings are frankly a circus because of what happens. You’re constantly interrupted. You’re constantly talked over.” The tensions and ill will evident on the dais impede the conduct of City business, to the point where recesses are sometimes needed to stop the infighting when the mayor loses control of the meeting.

The Grand Jury’s investigation focused on Council meetings, social media discussions, documented evidence, and witness testimony that took place in 2024, 2025, and the first four months of 2026. The Grand Jury observed and heard testimonies about numerous instances where professional disagreement escalated into a breakdown in decorum and violation of adopted protocols, as in the examples below.

During the August 19, 2025, Council meeting, Councilmember Rhoades said to Councilmember LaFayne, “Why don’t you just be quiet? ... you have no idea what you are talking about, as normal.”

During the October 7, 2025, Council meeting, Councilmember LaFayne asked several questions about the warrants that took about eight minutes. Councilmember Rhoades said, “Just so you know some of us do have questions on the warrants, but what I do is come down to City Hall and to get the answers, so I don’t waste an hour going over the warrants.” Councilmember Rhoades, Councilmember LaFayne, and eventually Mr. Lee argued for another few minutes with Councilmember Rhoades (serving as Mayor at that time) threatening to remove Councilmember LaFayne and others calling to restore order.

The November 18, 2025, Council meeting was a particularly raucous one, with discussion of mounting legal fees and a proposal to limit Council communication with City staff sparking particularly hostile, argumentative commentary. Mayor Rhoades called for brief recesses multiple times to stop the infighting among councilmembers. The number of recesses prompted one audience member to comment that this Council needed more timeouts than his daughter’s preschool. The recesses did seem to calm people down and lower the temperature of the debate, but at the cost of extending the evening meeting time, inconveniencing all participants.

During the February 17, 2026, Council meeting, two councilmembers violated *Rosenberg’s Rules of Order* for common courtesy and decorum. A contracted public

works employee made a presentation related to City business during public comments time. Councilmember LaFayne called for a Point of Order. The city attorney confirmed the public comment was not appropriate as it must be agendaized. Per *Rosenberg's Rules of Order*, the chair would ask the interrupter to "state your point." Instead, Mayor Maita said, "Everybody knows what the facts are. Okay, so let her do what she wants to do. Okay, say what you want, you made a Point of Order."

Councilmember Rhoades said, "We call it a tantrum."

Councilmember LaFayne said, "Excuse me Mr. Rhoades?"

Councilmember Rhoades said, "We call that a tantrum."

During the May 5, 2026, Council meeting, the Councilmember LaFayne repeatedly interrupted discussion of an agenda item pertaining to awarding a sewer and tertiary plant contract, prompting Mayor Maita to say, "I wish there was a way I could have you removed...You just disrupt every meeting." The city attorney admonished her for frequently interrupting the speaker. When she continued to criticize the action after the Council voted on the matter, the mayor asked the city attorney to intervene. Mr. Varinsky reprimanded her again, saying, "Councilmember LaFayne, you're out of order. The item's over, you haven't been recognized, I could go down the list. It's over!"

On occasion, the mayor made inappropriate comments to members of the public. During the February 18, 2025, Council meeting, for example, then-Mayor Rhoades rudely addressed a long-serving appointed commissioner who had just learned of her proposed dismissal on the radio on her way home from work. She was not given an opportunity to speak as part of the agenda, so taking four minutes during the routine public comment period was the only way she could address Council about the matter. The mayor interrupted her and told her to "Shut up and sit down."

During the June 3, 2025, Council meeting, Mayor Rhoades again disrupted public comment, from one of the more recently arrived residents, by blurting out, "The problem is you people move here and ruin our damn town is the damn problem."

The exchanges documented above fail to meet standards stated in the Protocol Manual that direct councilmembers to "be respectful," "serve as a role model of leadership and civility to the community," "inspire public confidence," and "demonstrate honesty and integrity." They also violate Code of Ethics provisions calling for the council to reach ethically sound decisions and by conducting business according to the "highest achievable ethical standards" by avoiding use of "personal invectives" in public forums and always considering "how official actions and personal behavior might be interpreted by the public."

These rude and hostile exchanges among elected councilmembers often inspire members of the public to use a similar tone in their remarks to Council or even shout remarks from the audience when it is not time for public comment. Most witnesses interviewed by the Grand Jury agreed the lack of decorum on the dais, constant bickering, and disrespectful language from councilmembers have turned public meetings into a public embarrassment.

The Grand Jury listened to recordings and watched videos of dozens of Council meetings during which public commentators implored the Council to “do better,” “stop bickering,” “set aside your personal differences” and “do the job you were elected to do.” Such pleas have not resulted in any noticeable improvement in councilmember interactions, affecting constituents’ respect for and trust in their elected leaders.

During public comments at the March 4, 2025, Council meeting, one community member voiced disappointment over a Council vote, stating:

This got out of hand by the spectacle of councilmembers on social media, the unprofessional hypocritical airing of dirty laundry on Facebook has been extremely embarrassing to lone for years. With all the crap going around how can anyone have confidence in our city council? It’s time for our city council to remain in City Hall and not on Facebook or social media.

Table 6 is a compilation of similar comments concerning the lack of civility at Council meetings the Grand Jury heard during the course of this investigation.

Community Member Comments Concerning Lack of Civility at Council Meetings

"The city is backsliding. People are giving up!"

"This is worse than it's ever been. It's got to stop."

"It's the city leadership culture that results in staff turnover and financial record keeping in a shambles."

"Their interpersonal hatred shows."

"Council behavior is shameful. It gets worse and worse."

"The city has a culture of intimidation and harassment."

"It's just sad. Some residents care so much..."

"We can do so much better than this."

"I hate to see what's happening in Council meetings. It's sickening."

"They are losing touch with the integrity they are tasked with."

"I'd like to see some stability and civility in City Council meetings. Snide comments and fighting don't help the town."

"It's always a majority/minority split."

"It's the Mayor's way or the highway."

"I come to a lot of the city council meetings, and I want to say that the Park & Rec is run very respectfully. And coming here and seeing the disrespect toward each other is very disheartening. You guys are leaders of this community, and it is hard to come here and hear the way you speak to each other the way you do."

"You're all elected. And I am for not electing any of you ever again. It's ridiculous."

"We have so many important matters in this city that need to be taken care of and need to be done in an accurate manner. and the fighting...doesn't help at all."

Table 6: Community Member Comments Concerning Lack of Civility at Council Meetings

Council meetings developed a combative and divisive style before the current Council was in place, as indicated by the photo below (used with permission of the Ledger Dispatch). This was printed as part of the Ledger Dispatch's coverage of a City Council meeting held on April 22, 2022, where the proposed censure of Councilmember



The shirt of an attendee at Tuesday's lone City Council meeting says it all!

Rhoades was on the agenda. At that time, the Council also had a majority of 3 members who often voted as a bloc, resulting in frequent 3-2 split votes on important policy issues.

A 3-2 split vote determines Council policy, as is clear under *Rosenberg's*

Rules of Order and the adopted Protocol Manual. When public commentators express dismay over the fact that only three councilmembers frequently decide on policy,

effectively silencing the other two voices, long-time residents of the City will remind everyone that this 3-2 split voting has been going on for years—as a member of the public did during the May 5, 2026, Council meeting. The frequent 3-2 votes are not a reflection of partisan loyalty, but rather a pattern of voting as a bloc. It is not this split voting but the behavior on the dais and the vengeful tone of Council deliberations over the past five years that clearly violates the City’s own adopted policies and procedures.

Local media coverage of the City’s public meetings regularly highlights the contentious relationships and lack of decorum among councilmembers. Local media coverage on the City is not entirely negative.

Some articles and news stories do highlight positive activities or civic events, but more often they report discouraging news, as illustrated in Table 7 below.

Media Headlines of Ione City Council Behavior (2025 and 2026)
<i>Amador Ledger Dispatch:</i> “Ione’s New Year, New Leadership, Same Quarrels”. January 20, 2026. “Ione City Council division continues despite pleas.” Nov 21, 2025. “City of Ione residents growing weary of council divisiveness.” Nov 10, 2025. “Ione Council Continues Confrontational Course.” June 4, 2025. “Accusations fly at special meeting to censure City of Ione Mayor Stacey Rhoades.” June 5, 2025. “Allegations fly, frustrations grow in City of Ione.” March 28, 2025.
<i>KVGC Radio:</i> “Hostility Continues Among Ione City Council.” May 19, 2026 “Litigation With Council Member Wafts Heavy Air in Ione’s Meeting.” April 21, 2026. “Legal Fees Scrutinized in Ione.” January 20, 2026. “Ione’s New Year, New Leadership, Same Quarrels.” January 6, 2026. “Ione Council Continues Clashing.” August 19, 2025. “Ione City Council Continues Confrontational Course.” June 4, 2025. “Tensions Mount at Ione City Council.” February 18, 2025.

Table 7: Recent media headlines concerning Ione Council Behavior.

These examples indicate that the Council's failure to follow the City's adopted policies and protocols governing communications and decorum not only inhibits the orderly conduct of city business but also affects constituents' respect for their elected leaders and their confidence in local government.

Throughout this report, the Grand Jury identified non-compliance related to financial, purchasing, decorum, and Council protocol and policies. The persistent lack of formal reprimands, or even constructive discussion, has effectively transformed adopted City policies into mere suggestions, where compliance is optional, rather than mandatory. Until the Council demands accountability for policy and protocol violations and establishes a transparent commitment to meaningful self-correction, the cycle of non-compliance and rude behavior will undoubtedly persist.

FINDINGS

F1: The Council failed to hold public hearings in May 2025 and ensure a timely fiscal year 2025-2026 budget was adopted in June 2025 (per adopted financial policy), highlighting a significant failure in governance, financial oversight, and attention to fiduciary responsibilities.

F2: The city manager and finance manager failed to present the draft preliminary fiscal year 2025-2026 budget to the Finance Committee for its review and recommendations, violating Financial Policies.

F3: The Council authorized expenditures and approved contracts without following adopted Financial Policies.

F4: After nine months of employment, Council approved a significant city manager pay increase and augmented benefits, substantially exceeding the City's adopted Fiscal Year 2024-2025 Salary Schedule with no proposed budget adjustment to cover this expenditure, violating the City's Financial Policies.

F5: Council approved an enhanced severance and benefit package for the city manager to minimize turnover.

F6: The Finance Committee has not met since July 2024, at a time when oversight and advice on the City's financial record keeping and budget matters have been critically needed.

F7: The City has experienced a multi-year breakdown in audits and resulting financial statements, with significant reporting delays from fiscal year 2018-2019 through fiscal

year 2021-2022 and a complete failure to report thereafter, violating its own financial policies and protocols.

F8: Years of Council failure to ensure the City's financial audits and financial statements are completed annually creates a critical vulnerability to waste, fraud, and abuse, indicating a severe systemic failure and breach of fiduciary duties.

F9: The Financial Transactions Report due to the State Controller's Office contains unaudited financial data.

F10: Incomplete implementation of recommendations from prior audits slowed the completion of subsequent audits and caused a number of internal control exceptions.

F11: Ongoing significant deficiency and/or material weakness in internal controls related to financial transactions resulted in the auditor issuing a fiscal year 2020-2021 modified audit opinion (financial statements may not be entirely accurate or reliable).

F12: Chronic delays and a failure to finalize financial audits since 2021 have severely compromised the City's fiscal transparency and its ability to borrow funds.

F13: Council approved expedited bookkeeping and audit services because it was in the City's best interest to bring the backlog of audits current as quickly as possible.

F14: Outstanding audit recommendations related to significant internal control weaknesses described in the fiscal year 2018-2019, 2019-2020, and 2020-2021 audit reports resulted in a decision to suspend formal audits for fiscal years 2021-2022 and 2022-2023, and replace with remedial, contracted bookkeeping services performed by an auditor, a material deviation from established municipal financial protocols.

F15: Neglect of interfund loan repayments since 2015 highlights a fundamental governance breakdown masking financial accuracy resulting in lack of transparency.

F16: Despite adopting a Debt Policy in 2018 with a policy goal to reduce the City's sizable unfunded liability for OPEB, no action has been taken to address the unfunded debt obligation.

F17: The finance manager performs current duties in addition to daily transactional personnel functions and other operational tasks, which may lead to burnout and errors.

F18: High turnover in the city manager and finance manager positions impacted fiscal transparency, delayed the completion of audits, and the City's ability to qualify for loans.

F19: High turnover in the city manager, finance manager, and other City staff positions leads to serious losses of institutional knowledge that hinders City operations.

F20: The Finance Department has relied upon a retired annuitant for multiple years to complete outstanding audits, indicating a failure to address the underlying staffing shortage that can significantly impact operations.

F21: Morale of City staff has greatly improved since the hire of the city manager and finance manager.

F22: The reliance on a retired annuitant to perform core functions over a multi-year period without a transition plan creates a dependency on one special hire, jeopardizing the retention of institutional knowledge.

F23: The City does not employ a dedicated Human Resource position to manage personnel paperwork, benefits, enrollment, and workers compensation, creating significant legal, financial, and liability risks for the City.

F24: The City lacks formal, written policies or procedures regarding recruitment, interview, selection, and centralized filing for personnel files.

F25: The City's recruitment and hiring process for the most recent city manager position was characterized by a lack of fundamental documentation of the hiring process.

F26: The lack of a hiring policy, a dedicated Human Resources position, and adequate filing system contributes to an absence of administrative oversight.

F27: Council updated its Protocol Manual, replacing the prior version dating back to 2008.

F28: The Council and city manager have frequently bypassed or inconsistently applied established administrative and operational policies.

F29: The city manager frequently made decisions based on expediency over adopted City protocols, bypassing necessary financial oversight and the intended role of advisory bodies.

F30: The city manager presented a contract previously signed by the city manager, city attorney, and city clerk without Council approval, eight months after services started, violating City policies.

F31: Failure by Council and the city manager to address documented policy violations fosters an attitude that compliance is optional rather than mandatory.

F32: The public appreciates the tangible results and overall progress of city projects such as improvements to Howard Park infrastructure and completion of the amphitheater at Picnic Hill.

F33: The city attorney performs tasks—without Council direction—that could be handled by internal staff or a Council subcommittee, i.e., revising the protocol manual.

F34: Despite public and councilmember criticisms of rising legal fees and requests to review itemized attorney invoices, Council failed to provide rigorous, consistent, proactive scrutiny of monthly invoices. This systemic failure in oversight allowed expenses to exceed budgeted amounts without appropriate authorization or adequate justification.

F35: There is a lack of transparency to the public and Council regarding spending on legal services, specifically general municipal and estimated cost vs actual.

F36: There are no cost control measures in place to preauthorize or closely track high legal expenditures, and increased oversight is needed to control these expenses.

F37: The city manager failed to uphold fairness and accountability by responding to verbal requests from some councilmembers to include items on future meeting agendas while requiring others to provide such requests in writing, in violation of agendaing rules contained in the 2008 Protocol Manual.

F38: Staff reports are missing from many Council meeting agenda packets, a violation of adopted policy.

F39: Information to be provided in staff reports, such as who requested the agenda item, fiscal impact, and the specific action the Council is asked to take, has not been consistently presented in the agenda.

F40: The city manager fails to provide current financial data to Council as required by policy as part of Council meeting agenda packets despite numerous requests from councilmembers and the public.

F41: A culture of non-responsiveness exists during Council meetings where the city manager and the mayor ignore repeated and frequent information requests from councilmembers and the public.

F42: Council meeting minutes were not posted or provided to the public for September, October, November, and December 2025 (as of March 31, 2026).

F43: The City demonstrates a high level of transparency by publishing Council meeting audio/video to the City's YouTube channel within 24 hours of adjournment.

F44: Oral presentations made during Council meetings typically do not include written presentation materials or staff reports. The absence of visual aids (e.g. PowerPoint slides or written handouts) makes it difficult for attendees and online viewers to fully comprehend, analyze, and retain presentation information and hampers transparency.

F45: The city manager does not provide regular, comprehensive reports concerning all aspects of City operations to Council as required in protocol manual.

F46: The Council lacks policy mechanisms and enforcement tools to detect or prevent serial "daisy-chain" violations.

F47: The City has no formal, mandatory onboarding or ongoing training program for elected officials.

F48: The absence of training, particularly on the code of conduct, meeting protocols, and financial management, contributes to continued lack of decorum on the dais and impacts City operations.

F49: The City has kept inconsistent and incomplete training records.

F50: The lack of financial training by elected officials and the city manager has contributed to a failure in exercising proper fiduciary control over City funds, exemplified by weak internal controls, poor file management, and inconsistent record keeping.

F51: During Council meetings, the mayor has ignored councilmember calls for a Point of Order, violating City policy and causing disruption and conflict among meeting participants.

F52: During Council meetings, the councilmembers frequently talk over each other, engage in arguments, use inappropriate language, or mutter asides that disrupt deliberations, without consequences, violating the adopted Protocol Manual and Code of Ethics.

F53: During public comments, the public has requested the Council "do better," "stop bickering," and "do the job you were elected to do," but the Council has failed to respond to these requests. The rampant lack of civility evident at most Council meetings undermines Council credibility and constituents' trust in their local government.

F54: Councilmembers have used print and social media to vent about alleged inappropriate Council activities instead of discussing the issues during public meetings, in part because the mayor cut short their opportunities to speak in public meetings.

F55: Council's open animosity, personal attacks, and demonstrated lack of decorum on social media and on the dais, fails to set an example of credible leadership and civility to the community.

F56: When addressed, breaches of protocol are often treated with the most extreme measures (censure or litigation) rather than a progressive, tiered approach to corrective action, i.e. first using verbal warnings, written warnings, fines, or reprimands that would be much less inflammatory and costly.

F57: A lack of decorum on the dais, constant bickering, and disrespectful language from councilmembers have turned public meetings into a public embarrassment, discouraging members of the public from engaging in City government.

F58: There is no consistent process for tracking and reporting to the public the implementation status of approved Council motions.

F59: Council and city manager do recognize employee and staff contributions during public meetings.

F60: Council approved invoices for contracts the city manager had signed that substantially exceeded his authorization limit of \$15,000 for non-emergency spending with no reprimand or consequences for the violation.

RECOMMENDATIONS

The Amador County Grand Jury recommends that:

R1: The Council direct the city manager to adopt an annual budget cycle calendar detailing key dates for departmental submissions, reviews, work sessions, public hearings, and adoption, by December 31, 2026. [F1, F2, F6, F41]

R2: The Council charge the Finance Committee with assisting the Council and city manager with fiscal oversight, transparency, and major financial transactions, by September 1, 2026. [F1, F2, F3, F4, F6, F7, F8, F10, F11, F12, F14, F15, F16, F28, F29, F30, F34, F35, F36, F41]

R3: The Council monitor non-essential spending pending adoption of a current year budget, beginning July 1, 2026. [F3, F4]

R4: The Council implement a detailed plan to address the observations, comments, areas for improvement, and the internal control findings discussed in the October 15, 2025, audit report and October 21, 2025, Council meeting presentation by Richardson and Company, LLC, and provide quarterly status updates until completed, by December 31, 2026. [F7, F8, F9, F10, F11, F12, F14, F15, F16]

R5: The Council ensure the completion of the fiscal year 2024-2025 and 2025-2026 financial audits within 12 months of completion of the 2023-2024 audit. [F7, F8, F10, F11, F12, F13, F41]

R6: The Council direct the city manager to address the outdated version of the Financial Policies and Procedures Handbook, strengthen internal controls and financial reporting compliance, and bring a plan to the Council for consideration, by December 31, 2026. [F11, F14, F41]

R7: The Council direct the city manager to develop a plan to repay all interfund loan agreements, with interest, proposing viable alternatives to repay the loans if there are

insufficient funds, and provide status reports to Council annually, beginning December 31, 2026. [F15, F41]

R8: The Council direct the city manager to establish a framework for recruitment and hiring to standardize documentation of outreach, advertising and vetting, and bring to the Council for consideration by December 31, 2026. [F24, F25, F26]

R9: The Council direct the city manager to establish a secure, centralized personnel filing system for all current employee files by October 1, 2026. [F24, F25, F26]

R10: The Council direct the city manager to investigate availability of resources to hire two additional administrative positions in the Finance Department; one dedicated Human Resources position and one position to perform audit and other duties completed by the retired annuitant, by December 31, 2026. [F17, F18, F19, F20, F22, F23, F24, F25, F26]

R11: The Council direct the city manager to ensure desk procedures are in place for all finance and administrative functions, by December 31, 2026. [F11, F15, F17, F19, F20, F22, F23, F24, F25]

R12: The Council direct the city manager to certify availability of funds or propose a budget amendment for every agenda item requiring a financial expenditure before it is presented to Council for vote, as required by existing Financial Policies, beginning September 1, 2026. [F3, F4, F6, F28, F29, F31, F34, F35, F36, F39, F41]

R13: The Council verify all city attorney invoices are reviewed for contractual compliance, identify any billing discrepancy or excessive charges prior to approval, and report findings at public meetings, beginning October 1, 2026. [F29, F30, F31, F33, F34, F35, F36, F37]

R14: The Council direct the city manager to review the Agreement for City Attorney Services and the Scope of Work—to ensure it clearly defines the desired general counsel services, explicitly lists tasks the attorney should not perform without Council approval, and sets budgetary controls for special counsel legal services—and report findings and any recommendations to Council for consideration by October 1, 2026. [F30, F31, F33, F34, F35, F36, F37, F56]

R15: The Council direct the Finance Committee to prepare a cost-benefit analysis of a contracted vs in-house city attorney and report to Council, by November 1, 2026. [F33, F34, F35, F36]

R16: The Council direct the city manager to improve future agenda packets by agendizing all informative staff presentations, providing staff reports for substantive items or a written explanation of why they are missing, and include copies of

presentation materials for all oral presentations, by October 1, 2026. [F28, F29, F30, F37, F38, F39, F41, F44]

R17: The Council direct the city clerk to ensure that any PowerPoint presentation or written materials handed out during the Council meetings are appropriately posted to comply with the Brown Act and increase transparency for the public, by September 1, 2026. [F44]

R18: The Council require the city manager to comply with the Protocol Manual section 7.08 and the Financial Policies section IV.D and provide regular written reports to the Council concerning all aspects of City operations and monthly financial reports, by October 1, 2026. [F1, F2, F3, F4, F7, F8, F10, F12, F14, F15, F16, F17, F18, F28, F29, F30, F31, F33, F34, F35, F36, F37, F38, F40, F41, F45]

R19: The Council direct the city manager to establish and maintain a process to provide regular status updates at a public meeting on all approved motions, to include actions taken, anticipated next steps, and any changes to timelines or funding, due by November 1, 2026, and quarterly thereafter. [F12, F15, F16, F28, F29, F30, F31, F33, F34, F35, F36, F41, F45, F52, F53, F55, F57, F58]

R20: The Council direct the city clerk to post meeting minutes on the City's website no later than 10 days of the Council meeting and provide a separate link to the minutes, so they are easily accessible, starting October 1, 2026. [F42]

R21: The Council establish a formal plan and framework for training, to include onboarding materials for elected officials, department heads, and administrative officers, to meet the requirements of AB 1234 and SB 827 (ethics, the Brown Act, conflict-of-interest, fiscal and financial training), by December 31, 2026. [F3, F7, F8, F11, F12, F14, F28, F29, F30, F31, F37, F39, F40, F41, F45, F46, F47, F48, F50, F51, F52, F53, F54, F55, F56, F57]

R22: The Council require the city manager to develop an enhanced training plan for elected officials, department heads, and administrative officers to build a strong, more effective leadership, and to comply with existing laws and adopted City policies, and make results available to the public, by December 31, 2026. [F3, F7, F8, F11, F12, F14, F28, F29, F30, F31, F37, F41, F45, F46, F47, F48, F50, F51, F52, F53, F54, F55, F56, F57]

R23: The Council direct the city manager to provide newly elected officials with onboarding materials within 30 days of hire so they are aware of existing laws and adopted City policies, and provide proof of completion to Council, beginning January 1, 2027. [F3, F7, F8, F11, F12, F14, F28, F29, F30, F31, F37, F41, F45, F46, F47, F48, F50, F51, F52, F53, F54, F55, F56, F57]

R24: The Council require the city manager to complete public purchasing, contracting, and municipal budget training now required by the Brown Act and provide proof of completion to Council, by October 1, 2026. [F1, F3, F5, F7, F8, F10, F11, F12, F14, F15, F16, F28, F29, F30, 31, F37, F40, F41, F45, F48, F50, F53, F54, F55, F56, F57]

R25: The Council direct the city manager to facilitate specialized training for all councilmembers on conflict resolution, professional decorum, Brown Act, financial management, Conflict of Interest, *Rosenberg's Rules of Order*, and procedural fairness, by October 1, 2026. [F28, F29, F30, F31, F37, F41, F46, F47, F48, F50, F51, F52, F53, F54, F55, F56, F57]

R26: The Council direct the city manager to identify and designate a staff person to establish and maintain a formal tracking system to log mandatory training, send reminders to councilmembers and officials with training deadlines and upcoming opportunities, and make results available to the public, by December 31, 2026. [F47, F48, F49, F50]

R27: The Council submit, upon completion, copies of all training certificates to a secure, centralized repository, to ensure accuracy and ease of retrieval, by October 1, 2026. [F48, F49, F50]

R28: The Council establish a plan to address the lack of a Code of Conduct policy, separate from the Code of Ethics, that clearly outlines acceptable interaction protocol, with specific consequences for violations, by December 31, 2026. [F52, F53, F54, F55, F57]

R29: The Council to follow *Rosenberg's Rules of Order* to preserve order and decorum at every Council meeting as specified in the municipal code, beginning September 1, 2026. [F52, F53, F54, F55, F57]

R30: The Council establish a plan for a progressive, tiered approach to corrective action before considering formal censure, by December 31, 2026. [F56]

R31: The Council establish a plan to hold staff accountable for policy and protocol violations, by December 31, 2026. [F60]

REQUIRED RESPONSES

Pursuant to Penal Code sections 933 and 933.05, the following response is *required*:

- The Lone City Council: respond to Findings F1 through F60 and Recommendations R1 through R31 within 90 days of receipt of this report.

INVITED RESPONSES

The Grand Jury *invites* the following individual to respond:

- The City Manager of Lone: respond to Findings F2, F6-F24, F26-F45, F47-F50, F52-F60, and Recommendations R1-R16, R18, R19, R21-R26, and R31, within 60 days of this report.

Mail or deliver a hard copy response to:

The Honorable J.S. Hermanson
Amador County Superior Court
500 Argonaut Lane
Jackson, CA 95642

Responses must be submitted to the presiding judge of the Amador County Superior Court in accordance with the provisions of Penal Code section 933.05. Responses must include the information required by Penal Code section 933.05.

DISCLAIMER

Two grand jurors recused themselves from all meetings and discussions regarding this investigation and abstained from voting for its approval.

Reports issued by the grand jury do not identify the individuals interviewed. Penal Code section 929 requires that reports of the Civil Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Civil Grand Jury.

Note: The APPENDIX prepared for this investigation is on page 106.