



**CITY OF GRIDLEY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

MUN CPAs, LLP
1760 Creekside Oaks Drive, Suite 160
Sacramento, California 95833

CITY OF GRIDLEY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the City Council of
the City of Gridley
Gridley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gridley (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gridley, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2021, the City adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2023, on our consideration of the City of Gridley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Gridley's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Gridley's internal control over financial reporting and compliance.

MUN CPAS, LLP

Sacramento, California
December 5, 2023

CITY OF GRIDLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

This section of the City's Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$38,019,416 (net position). Of this amount, the City has an unrestricted balance of \$14,333,655, \$3,204,997 is restricted for special revenue programs, and \$20,480,764 is the net investment in capital assets.
- The City's total net position increased by approximately \$3,799,604, from \$34,219,812 to \$38,019,416.
- The Governmental fund balance (comprising all governmental funds) is \$12,497,967 as of June 30, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of five parts:

- Independent Auditor's Report;
- Management's Discussion and Analysis (this section);
- Basic Financial Statements that include:
 - Government-Wide Financial Statements
 - Fund Financial Statements
 - Notes to Basic Financial Statements
- Required Supplementary Information
- Supplementary Information.

The basic financial statements include two kinds of statements that present different views of the City.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting.

The Statement of Net Position presents information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the components (assets and deferred outflows of resources, less liabilities and deferred inflows of resources) presented as "net position". Over time, increases or decreases in net position may serve as a useful indicator of the City's financial improvement or deterioration.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue, "governmental activities", from other functions that are intended to recover all or a significant portion of their costs through users fees and charges, "business-type activities". The governmental activities of the City of Gridley include general government, public safety, streets and public works, community development, and parks and recreation. The business-type activities of the city are the electric, water, sewer, drainage, solid waste, and transit operations.

CITY OF GRIDLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

FUND FINANCIAL STATEMENTS

A "fund" is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Gridley, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Gridley can be divided into three categories:

- Governmental Funds
- Proprietary Funds
- Fiduciary Funds

Governmental funds are used to account for essentially the same functions reported as "governmental activities" in the government-wide financial statements. However, unlike those statements, the focus in these statements is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Gridley maintains several individual governmental funds organized according to their type (special revenue, debt service, etc). The fund financial statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement No. 34 as amended and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all non-major funds summarized and presented in a single column. Supplementary schedules present the detail of these non-major funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues expenditures and changes in fund balances for the following major funds:

- General Fund
- 08-HOME-4987 Grant Fund
- Block Grants Fund
- Grant Related Funds

Data from the remaining nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of "combining statements" starting on page 68.

Proprietary funds are generally used to account for services for which the City charges customers. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains one type of proprietary fund, consisting of enterprise funds, as described below.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for electric, water, sewer, drainage, solid waste, and transit operations.

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

Notes to the financial statements.

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

CITY OF GRIDLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Required Supplementary Information

This report presents required supplementary information concerning the City of Gridley's progress in its obligation to provide pension and other post-employment benefits to its employees, and budgetary comparison information for the City's general fund and major special revenue funds.

Supplementary Information

This final section of the report includes combining and individual fund statements and schedules for the City's non-major funds, custodial funds, and general funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section of the Management Discussion and Analysis provides a comparison and review of governmental and business-type activities for two fiscal years.

ANALYSIS OF NET POSITION

For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$38.02 million in FY 2021.

Statement of Net Position
As of June 30, 2021 and 2020
(in thousands)

	Governmental Activities			Business-Type Activities			Total Government		
	2021	2020	Net Change	2021	2020	Net Change	2021	2020	Net Change
ASSETS									
Current and other assets	\$ 22,828	\$ 20,156	\$ 2,672	\$ 13,987	\$ 11,963	\$ 2,024	\$ 36,815	\$ 32,119	\$ 4,696
Capital assets	<u>10,115</u>	<u>9,906</u>	<u>209</u>	<u>13,578</u>	<u>12,728</u>	<u>850</u>	<u>23,693</u>	<u>22,634</u>	<u>1,059</u>
Total Assets	<u>32,943</u>	<u>30,062</u>	<u>2,881</u>	<u>27,565</u>	<u>24,691</u>	<u>2,874</u>	<u>60,508</u>	<u>54,753</u>	<u>5,755</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>3,002</u>	<u>3,606</u>	<u>(604)</u>	<u>2,113</u>	<u>2,596</u>	<u>(483)</u>	<u>5,115</u>	<u>6,202</u>	<u>(1,087)</u>
LIABILITIES									
Long-term liabilities	14,354	13,407	947	11,608	11,406	202	25,962	24,813	1,149
Other liabilities	<u>600</u>	<u>640</u>	<u>(40)</u>	<u>826</u>	<u>534</u>	<u>292</u>	<u>1,426</u>	<u>1,174</u>	<u>252</u>
Total Liabilities	<u>14,954</u>	<u>14,047</u>	<u>907</u>	<u>12,434</u>	<u>11,940</u>	<u>494</u>	<u>27,388</u>	<u>25,987</u>	<u>1,401</u>
DEFERRED INFLOWS OF RESOURCES	<u>(80)</u>	<u>261</u>	<u>(341)</u>	<u>296</u>	<u>365</u>	<u>(69)</u>	<u>216</u>	<u>626</u>	<u>(410)</u>
NET POSITION									
Net investment in capital assets	10,115	9,906	209	10,365	8,477	1,888	20,480	18,383	2,097
Restricted	<u>3,205</u>	<u>2,761</u>	<u>444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,205</u>	<u>2,761</u>	<u>444</u>
Unrestricted	<u>7,751</u>	<u>6,693</u>	<u>1,058</u>	<u>6,583</u>	<u>6,505</u>	<u>78</u>	<u>14,334</u>	<u>13,198</u>	<u>1,136</u>
Total Net Position	<u>\$ 21,071</u>	<u>\$ 19,360</u>	<u>\$ 1,711</u>	<u>\$ 16,948</u>	<u>\$ 14,982</u>	<u>\$ 1,966</u>	<u>\$ 38,019</u>	<u>\$ 34,342</u>	<u>\$ 3,677</u>

CITY OF GRIDLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

The City reported positive balances in all three categories of net position, as well as for its separate governmental and business-type activities. The primary components of the City's net position include:

The \$20.48 million (53.9%) in net investment in capital assets (e.g., land, buildings, other improvements, construction in progress and equipment), less any outstanding related debt used to acquire these assets. The City uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position is comprised of \$3.21 million (8.4%) in special revenue programs.

The remaining unrestricted balance is \$14.33 million (37.7%) and may be used to meet the government's ongoing obligations to citizens and creditors.

Statement of Activities
For the Years Ended June 30, 2021 and 2020
(in thousands)

	Governmental Activities			Business-type Activities			Total Government		
	2021	2020	Net Change	2021	2020	Net Change	2021	2020	Net Change
Revenues:									
Program revenues									
Charges for services	\$ 230	\$ 415	\$ (185)	\$ 13,165	\$ 11,508	\$ 1,657	\$ 13,395	\$ 11,923	\$ 1,472
Operating grants and contributions	2,444	1,602	842	96	230	(134)	2,540	1,832	708
Capital grants and contributions	-	104	(104)	-	-	-	-	104	(104)
Total program revenues	<u>2,674</u>	<u>2,121</u>	<u>553</u>	<u>13,261</u>	<u>11,738</u>	<u>1,523</u>	<u>15,935</u>	<u>13,859</u>	<u>2,076</u>
General revenues									
Property Taxes	667	517	150	-	-	-	667	517	150
Sales and use taxes	1,593	1,201	392	-	-	-	1,593	1,201	392
Motor vehicle and gas tax	275	294	(19)	-	-	-	275	294	(19)
Occupancy tax	43	36	7	-	-	-	43	36	7
Franchise tax	148	150	(2)	-	-	-	148	150	(2)
Other revenues	171	134	37	7	25	(18)	178	159	19
Rental income	1,942	1,574	368	-	-	-	1,942	1,574	368
Interest earnings	13	97	(84)	8	91	(83)	21	188	(167)
Total general revenues	<u>4,852</u>	<u>4,003</u>	<u>849</u>	<u>15</u>	<u>116</u>	<u>(101)</u>	<u>4,867</u>	<u>4,119</u>	<u>748</u>
Total Revenues	<u>\$ 7,526</u>	<u>\$ 6,124</u>	<u>\$ 1,402</u>	<u>\$ 13,276</u>	<u>\$ 11,854</u>	<u>\$ 1,422</u>	<u>\$ 20,802</u>	<u>\$ 17,978</u>	<u>\$ 2,824</u>

The governmental activities total revenues were \$7.53 million and business-type activity revenues were \$13.28 million for the year ended June 30, 2021. For governmental activities, this represented an increase of \$1.40 million and for business-type activities this represented an increase of \$1.42 million. The increase in governmental activities is due to additional grants earned and the FEMA site lease. The increase in business-type activities is due to higher usage and customer charges in the proprietary funds.

Program revenues include charges for services and grants and contributions. Program revenues provided \$2.67 million (35.5%) for governmental activities and \$13.26 million (99.9%) for business type activities.

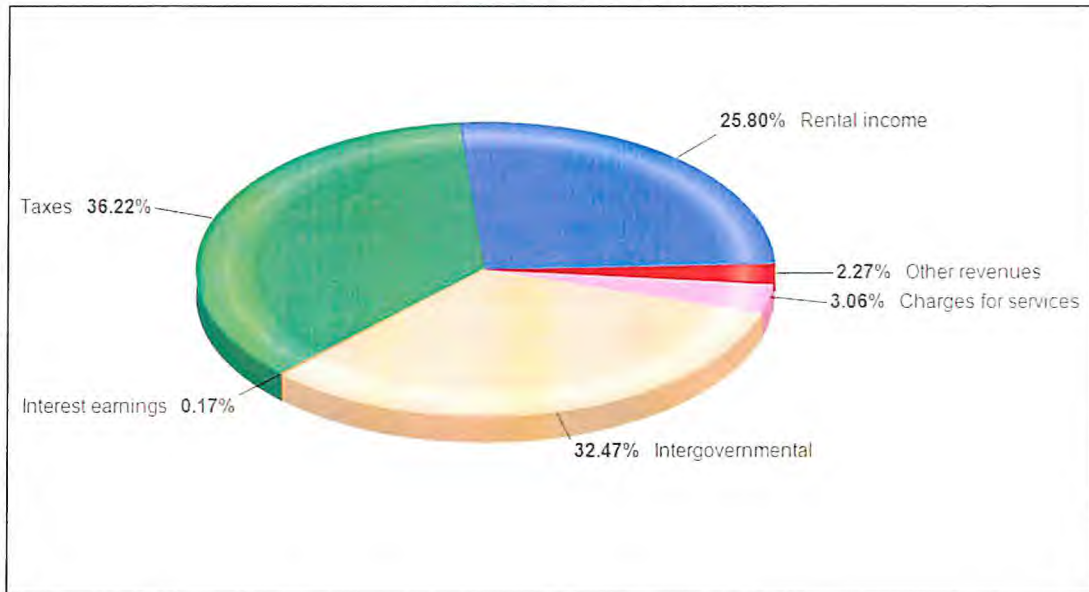
General revenues include, among other things, taxes and intergovernmental revenues. General revenues provided \$4.85 million (64.5%) for governmental activities and \$15 thousand (0.1%) for business-type activities. The majority of general revenues came from property, sales, and other taxes and rental income.

CITY OF GRIDLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

The fiscal year ended June 30, 2021 revenues are reflected graphically as follows:

2021 Governmental Revenues

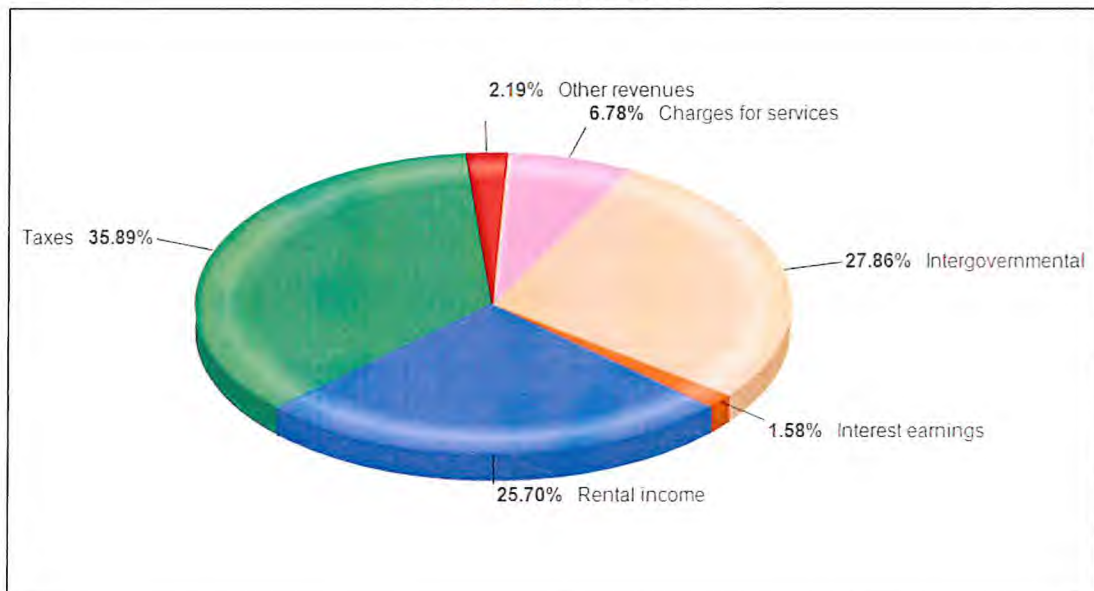
Governmental Funds FY 2020-21



The fiscal year ended June 30, 2020 revenues are reflected graphically as follows:

2020 Governmental Revenues

Governmental Funds FY 2019-20



CITY OF GRIDLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Statement of Activities
For the Years Ended June 30, 2021 and 2020
(in thousands)

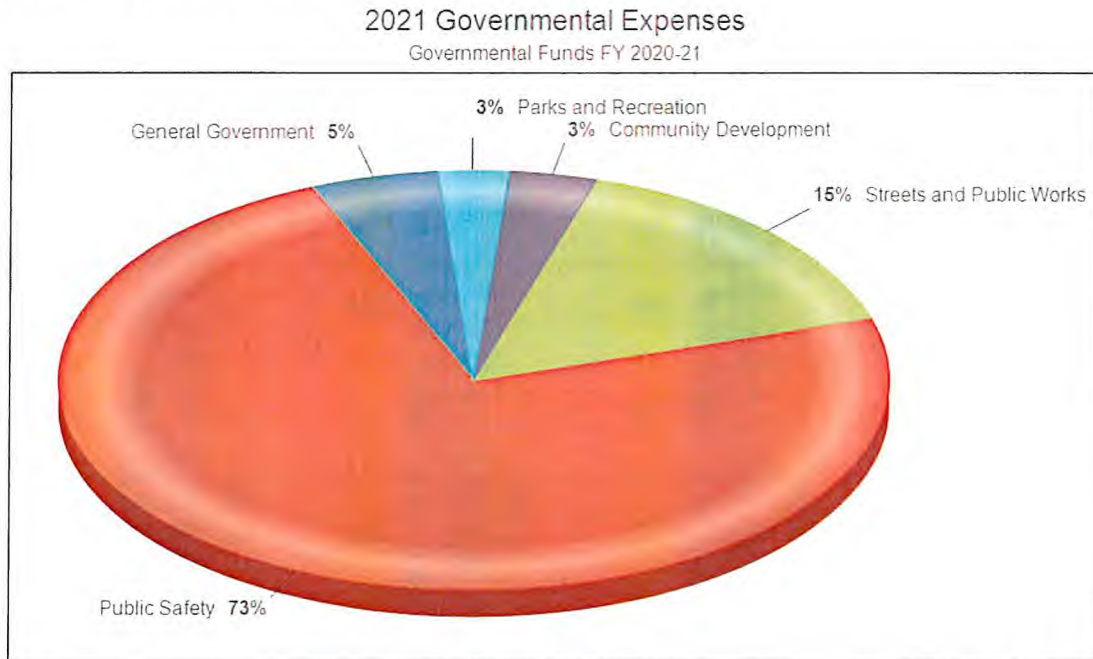
	<u>Governmental Activities</u>			<u>Business-type Activities</u>			<u>Total Government</u>		
	<u>2021</u>	<u>2020</u>	<u>Net Change</u>	<u>2021</u>	<u>2020</u>	<u>Net Change</u>	<u>2021</u>	<u>2020</u>	<u>Net Change</u>
Expenses:									
Governmental activities									
General government	\$ 351	\$ 382	\$ (31)	\$ -	\$ -	\$ -	\$ 351	\$ 382	\$ (31)
Public safety	5,132	5,497	(365)	-	-	-	5,132	5,497	(365)
Streets and public works	1,079	1,593	(514)	-	-	-	1,079	1,593	(514)
Community development	237	450	(213)	-	-	-	237	450	(213)
Parks and recreation	193	464	(271)	-	-	-	193	464	(271)
Business-type activities									
Electric	-	-	-	6,625	6,187	438	6,625	6,187	438
Water	-	-	-	1,272	1,168	104	1,272	1,168	104
Sewer	-	-	-	1,997	1,914	83	1,997	1,914	83
Other	-	-	-	117	230	(113)	117	230	(113)
Total Expenses	<u>6,992</u>	<u>8,386</u>	<u>(1,394)</u>	<u>10,011</u>	<u>9,499</u>	<u>512</u>	<u>17,003</u>	<u>17,885</u>	<u>(882)</u>
Excess (deficiency) before transfers	<u>534</u>	<u>(2,262)</u>	<u>2,796</u>	<u>3,265</u>	<u>2,355</u>	<u>910</u>	<u>3,799</u>	<u>93</u>	<u>3,706</u>
Transfers									
Transfers	<u>1,190</u>	<u>1,200</u>	<u>(10)</u>	<u>(1,190)</u>	<u>(1,200)</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>1,724</u>	<u>(1,062)</u>	<u>2,786</u>	<u>2,075</u>	<u>1,155</u>	<u>920</u>	<u>3,799</u>	<u>93</u>	<u>3,706</u>
Net position - beginning of year	19,360	11,061	8,299	14,982	13,827	1,155	34,342	24,888	9,454
Restatement	<u>(13)</u>	<u>9,361</u>	<u>(9,374)</u>	<u>(109)</u>	<u>-</u>	<u>(109)</u>	<u>(122)</u>	<u>9,361</u>	<u>(9,483)</u>
Net position - beginning of year, restated	<u>19,347</u>	<u>20,422</u>	<u>(1,075)</u>	<u>14,873</u>	<u>13,827</u>	<u>1,046</u>	<u>34,220</u>	<u>34,249</u>	<u>(29)</u>
Net position - end of year	<u>\$ 21,071</u>	<u>\$ 19,360</u>	<u>\$ 1,711</u>	<u>\$ 16,948</u>	<u>\$ 14,982</u>	<u>\$ 1,966</u>	<u>\$ 38,019</u>	<u>\$ 34,342</u>	<u>\$ 3,677</u>

EXPENSES

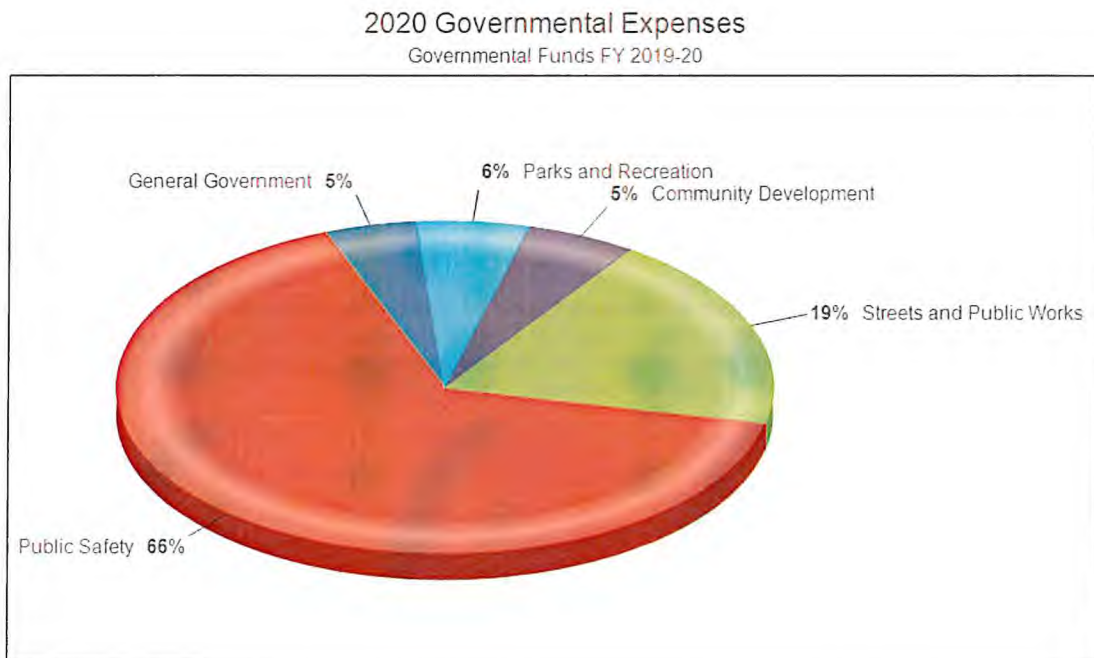
Expenses for the City totaled \$17.00 million for the year ended June 30, 2021. Governmental activities incurred \$6.99 million in expenses and business type activities incurred \$10.01 million in expenses during the year. Governmental activities expenses were 38.24% funded by program revenues, with the remainder of the funding from general revenues and transfers. Business type activities expenses were 100% funded by program revenue.

CITY OF GRIDLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

The fiscal year ended June 30, 2021 expenses are reflected graphically as follows:



The fiscal year ended June 30, 2020 expenses are reflected graphically as follows:



CITY OF GRIDLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City of Gridley uses fund accounting to segregate accounts for specific activities or objectives, including demonstrating finance-related legal compliance.

GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near term inflows, outflows and balances of resources that are available to provide services and capital project construction. In particular, unassigned fund balance may serve as a useful measure of a government's net spendable resources. At the end of FY 2020-21, the City's governmental funds reported combined fund balances of \$12.50 million, an increase of \$2.46 million in comparison with the prior fiscal year. The City has \$3.33 million fund balances in non-spendable, restricted or committed to indicate that it is not available for new spending because it has been earmarked for prior year commitments and other specific requirements in accordance with GASB 54. Further breakdown of these fund balances are found in Note 9 of the Financial Statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

General fund revenues were \$1.1 million higher than projected and expenditures were \$1.7 million lower than projected resulting in a net positive variance of \$2.8 million. The increase in revenues is primarily attributed to higher than projected taxes and assessments, intergovernmental revenues and charges for services. The decrease in expenditures is primarily attributed to savings in general government, streets and public works, and capital outlay expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

<u>Asset Type</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Capital assets, not being depreciated:						
Land	\$ 417,779	\$ 417,779	\$ 921,793	\$ 921,793	\$ 1,339,572	\$ 1,339,572
Construction in Progress	588,859	-	1,408,328	47,441	1,997,187	47,441
Depreciable capital assets, net:						
Infrastructure	4,227,212	4,497,728	3,787,267	3,949,331	8,014,479	8,447,059
Buildings and improvements	1,210,087	1,322,996	224,819	249,773	1,434,906	1,572,769
Improvements other than buildings	2,271,840	2,402,115	5,203,963	5,561,017	7,475,803	7,963,132
Vehicles and equipment	<u>1,399,661</u>	<u>1,265,030</u>	<u>2,032,156</u>	<u>1,998,946</u>	<u>3,431,817</u>	<u>3,263,976</u>
Capital assets, net	<u>\$ 10,115,438</u>	<u>\$ 9,905,648</u>	<u>\$ 13,578,326</u>	<u>\$ 12,728,301</u>	<u>\$ 23,693,764</u>	<u>\$ 22,633,949</u>

The City's investment in capital assets for its governmental and business type activities as of June 30, 2021, was \$23.69 million (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements other than buildings, equipment, and construction in progress. The City's investment in capital assets, net of accumulated depreciation as reported on the Statement of Net Position for the fiscal year ended June 30, 2021 decreased by \$(1.06) million.

For government wide financial statement presentation, all depreciable capital assets are depreciated from the acquisition date over their useful lives. Governmental fund financial statements record capital asset purchases as expenditures.

Additional information on the City of Gridley's capital assets can be found in Note 5 on pages 41 - 42 of this report.

CITY OF GRIDLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

DEBT ADMINISTRATION

At the end of FY 2020-21, the City had long term liabilities of \$0.32 million and \$3.42 million for governmental activities and business-type activities, respectively. Additional information about the City's long term obligations can be found in Note 6 on pages 43 - 44 of this report.

Long Term Liabilities Outstanding Balances As of June 30, 2021						
	Governmental Activities		Business-type Activities		Totals	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
USDA Rural Development Loan	\$ -	\$ -	\$ 974,000	\$ 1,008,000	\$ 974,000	\$ 1,008,000
USDA Rural Development Loan- Waste Water Treatment Plant	-	-	2,239,000	2,291,000	2,239,000	2,291,000
Compensated absences	<u>315,172</u>	<u>226,670</u>	<u>209,889</u>	<u>121,436</u>	<u>525,061</u>	<u>348,106</u>
Totals	<u>\$ 315,172</u>	<u>\$ 226,670</u>	<u>\$ 3,422,889</u>	<u>\$ 3,420,436</u>	<u>\$ 3,738,061</u>	<u>\$ 3,647,106</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City having witnessed and provided mutual aid during the unfortunate event of the 2018 Paradise Camp Fire, has continued to focus on effectively maintaining a hiring freeze, reducing discretionary spending, and working towards meeting the long-term goal of conservative spending in the General Fund. The City will continue to focus on long term goals as well as bring in infrastructure projects that provide funding mechanisms to further reduce costs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Gridley's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Gridley Finance Department at 685 Kentucky Street, Gridley, CA 95948, phone (530) 846-5695.

CITY OF GRIDLEY
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and investments (Note 2)	\$ 11,047,451	\$ 11,116,841	\$ 22,164,292
Accounts receivable, net	711,192	2,441,660	3,152,852
Interest receivable	3,099	2,352	5,451
Taxes receivable	320,639	-	320,639
Inventory	-	720,859	720,859
Loans receivable (Note 3)	9,793,668	-	9,793,668
Internal balances	329,029	(329,029)	-
Due from other governments	110,727	26,346	137,073
Prepaid items	84,534	7,765	92,299
Advances to fiduciary fund (Note 4)	426,868	-	426,868
Capital assets (Note 5)			
Non-depreciable	1,006,638	2,330,121	3,336,759
Depreciable, net	<u>9,108,800</u>	<u>11,248,205</u>	<u>20,357,005</u>
Total capital assets	<u>10,115,438</u>	<u>13,578,326</u>	<u>23,693,764</u>
Total Assets	<u>32,942,645</u>	<u>27,565,120</u>	<u>60,507,765</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Related to net pension liability (Note 7)	1,473,597	1,004,139	2,477,736
Related to total OPEB liability (Note 8)	<u>1,529,026</u>	<u>1,108,561</u>	<u>2,637,587</u>
Total Deferred Outflows of Resources	<u>3,002,623</u>	<u>2,112,700</u>	<u>5,115,323</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	412,978	432,767	845,745
Accrued payroll and benefits	32,756	-	32,756
Accrued interest payable	-	24,545	24,545
Unearned revenue	19,100	5,001	24,101
Deposits payable	350	202,699	203,049
Accrued compensated absences (Note 6):			
Due within one year	134,677	71,305	205,982
Due in more than one year	180,495	138,584	319,079
Long-term liabilities (Note 6):			
Due within one year	-	89,000	89,000
Due in more than one year	-	3,124,000	3,124,000
Net pension liability (Note 7):			
Due in more than one year	8,105,985	4,392,279	12,498,264
Total other postemployment benefits liability (Note 8):			
Due in more than one year	<u>6,067,921</u>	<u>3,953,153</u>	<u>10,021,074</u>
Total Liabilities	<u>14,954,262</u>	<u>12,433,333</u>	<u>27,387,595</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Related to net pension liability (Note 7)	<u>(79,844)</u>	<u>295,921</u>	<u>216,077</u>
<u>NET POSITION</u>			
Net investment in capital assets	10,115,438	10,365,326	20,480,764
Restricted for:			
Special revenue programs	3,204,997	-	3,204,997
Unrestricted	<u>7,750,415</u>	<u>6,583,240</u>	<u>14,333,655</u>
Total Net Position	<u>\$ 21,070,850</u>	<u>\$ 16,948,566</u>	<u>\$ 38,019,416</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 350,795	\$ 42,473	\$ 588,619	\$ -	\$ 280,297	\$ -	\$ 280,297
Public safety	5,132,261	26,509	774,404	-	(4,331,348)	-	(4,331,348)
Streets and public works	1,078,931	-	733,742	-	(345,189)	-	(345,189)
Community development	236,569	124,868	347,353	-	235,652	-	235,652
Parks and recreation	192,852	35,780	10	-	(157,062)	-	(157,062)
Total governmental activities	<u>6,991,408</u>	<u>229,630</u>	<u>2,444,128</u>	<u>-</u>	<u>(4,317,650)</u>	<u>-</u>	<u>(4,317,650)</u>
Business-type activities:							
Electric	6,625,352	10,112,044	-	-	-	3,486,692	3,486,692
Water	1,271,575	1,392,457	-	-	-	120,882	120,882
Sewer	1,997,584	1,655,717	-	-	-	(341,867)	(341,867)
Other proprietary	116,646	5,088	95,500	-	-	(16,058)	(16,058)
Total business-type activities	<u>10,011,157</u>	<u>13,165,306</u>	<u>95,500</u>	<u>-</u>	<u>-</u>	<u>3,249,649</u>	<u>3,249,649</u>
Total primary government	<u>\$ 17,002,565</u>	<u>\$ 13,394,936</u>	<u>\$ 2,539,628</u>	<u>\$ -</u>	<u>(4,317,650)</u>	<u>3,249,649</u>	<u>(1,068,001)</u>
General revenues:							
Property taxes					667,026	-	667,026
Sales and use taxes					1,592,896	-	1,592,896
Motor vehicle and gas taxes					274,650	-	274,650
Occupancy tax					43,082	-	43,082
Franchise tax					147,919	-	147,919
Other revenue					171,103	7,310	178,413
Rental income					1,941,865	-	1,941,865
Interest and investment earnings					13,499	8,255	21,754
Transfers (Note 4)					1,190,235	(1,190,235)	-
Total general revenues and transfers					<u>6,042,275</u>	<u>(1,174,670)</u>	<u>2,925,740</u>
Change in net position					1,724,625	2,074,979	3,799,604
Net position - July 1, 2020					19,359,517	14,982,217	34,341,734
Prior period restatement (Note 15)					(13,292)	(108,630)	(121,922)
Net position - July 1, 2020, restated					<u>19,346,225</u>	<u>14,873,587</u>	<u>34,219,812</u>
Net position - June 30, 2021					<u>\$ 21,070,850</u>	<u>\$ 16,948,566</u>	<u>\$ 38,019,416</u>

See accompanying notes to the basic financial statements.

**CITY OF GRIDLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General Fund</u>	<u>08-HOME- 4987 Grant Fund</u>	<u>Block Grants Fund</u>	<u>Grant Related Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash and investments	\$ 8,377,031	\$ 3,791	\$ 462,689	\$ 314,226	\$ 1,889,714	\$ 11,047,451
Accounts receivable	525,221	-	-	107,697	78,274	711,192
Interest receivable	2,146	1	169	154	629	3,099
Taxes receivable	310,367	-	-	-	10,272	320,639
Notes receivable	-	5,000,000	2,694,404	2,099,264	-	9,793,668
Due from other funds	3,129,294	-	-	-	200,627	3,329,921
Due from other governments	-	-	70,388	18,097	22,242	110,727
Prepaid items	84,534	-	-	-	-	84,534
Advances to fiduciary fund	176,868	-	250,000	-	-	426,868
Total Assets	<u>\$ 12,605,461</u>	<u>\$ 5,003,792</u>	<u>\$ 3,477,650</u>	<u>\$ 2,539,438</u>	<u>\$ 2,201,758</u>	<u>\$ 25,828,099</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</u>						
LIABILITIES						
Accounts payable and accrued liabilities	\$ 373,651	\$ -	\$ 783	\$ -	\$ 38,544	\$ 412,978
Accrued payroll and benefits	32,755	-	-	-	1	32,756
Unearned revenue	19,100	-	-	-	-	19,100
Deposits payable	350	-	-	-	-	350
Due to other funds	-	-	-	-	3,000,892	3,000,892
Total Liabilities	<u>425,856</u>	<u>-</u>	<u>783</u>	<u>-</u>	<u>3,039,437</u>	<u>3,466,076</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - housing loans/grants	-	5,000,000	2,764,792	2,099,264	-	9,864,056
FUND BALANCES (DEFICITS)						
Nonspendable	84,534	-	-	-	-	84,534
Restricted	-	3,792	712,075	440,174	2,048,956	3,204,997
Committed	40,519	-	-	-	-	40,519
Assigned	3,947,824	-	-	-	-	3,947,824
Unassigned	8,106,728	-	-	-	(2,886,635)	5,220,093
Total Fund Balances (Deficits)	<u>12,179,605</u>	<u>3,792</u>	<u>712,075</u>	<u>440,174</u>	<u>(837,679)</u>	<u>12,497,967</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 12,605,461</u>	<u>\$ 5,003,792</u>	<u>\$ 3,477,650</u>	<u>\$ 2,539,438</u>	<u>\$ 2,201,758</u>	<u>\$ 25,828,099</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balances of governmental funds	\$ 12,497,967
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds, net of accumulated depreciation of \$11,564,956.	10,115,438
Certain notes, loans, and interest receivables are not available to pay for current period expenditures and therefore are offset by deferred inflows of resources in the governmental funds.	9,793,668
Amounts due from other governments earned but not collected within the period of availability to pay for current period expenditures and therefore are offset by deferred inflows of resources in the governmental funds.	70,388
Deferred outflows of resources related to changes in the net pension liability are not applicable to the current period	1,473,597
Deferred outflows of resources related to changes in the OPEB liability are not applicable to the current period	1,529,026
Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.	
Compensated absences	(315,172)
Net pension liability	(8,105,985)
Total OPEB liability	(6,067,921)
Deferred inflows of resources related to changes in the net pension liability are not applicable to the current period	<u>79,844</u>
Net position of governmental activities	<u>\$ 21,070,850</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>08-HOME-4987 Grant Fund</u>	<u>Block Grants Fund</u>	<u>Grant Related Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>						
Taxes and assessments	\$ 3,015,986	\$ -	\$ -	\$ -	\$ 458,618	\$ 3,474,604
License, permits, and fees	69,996	-	-	-	70,127	140,123
Fines and forfeitures	7,226	-	-	-	12,037	19,263
Use of money and property	15,256	2	856	406	1,404	17,924
Program income	-	-	172,035	-	-	172,035
Intergovernmental	2,102,998	-	265,558	748,391	-	3,116,947
Charges for services	607,726	-	-	-	31,527	639,253
Recreation and event fees	17,075	-	-	-	1,080	18,155
Insurance proceeds	3,641	-	-	-	-	3,641
Other revenues	<u>23,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,591</u>	<u>25,500</u>
Total Revenues	<u>5,863,813</u>	<u>2</u>	<u>438,449</u>	<u>748,797</u>	<u>576,384</u>	<u>7,627,445</u>
<u>EXPENDITURES</u>						
Current:						
General administration	102,763	-	-	-	-	102,763
Public safety	4,015,101	-	-	-	2,325	4,017,426
Streets and public works	294,407	-	-	-	901,118	1,195,525
Community development	153,457	-	179,952	-	201,020	534,429
Parks and recreation	131,409	-	-	-	29,429	160,838
Capital outlay	<u>262,345</u>	<u>-</u>	<u>-</u>	<u>73,085</u>	<u>9,802</u>	<u>345,232</u>
Total Expenditures	<u>4,959,482</u>	<u>-</u>	<u>179,952</u>	<u>73,085</u>	<u>1,143,694</u>	<u>6,356,213</u>
Excess (Deficiency) of Revenues over Expenditures	<u>904,331</u>	<u>2</u>	<u>258,497</u>	<u>675,712</u>	<u>(567,310)</u>	<u>1,271,232</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers in	1,579,341	-	-	-	267	1,579,608
Transfers out	<u>(267)</u>	<u>-</u>	<u>-</u>	<u>(389,105)</u>	<u>(1)</u>	<u>(389,373)</u>
Total Other Financing Sources (Uses)	<u>1,579,074</u>	<u>-</u>	<u>-</u>	<u>(389,105)</u>	<u>266</u>	<u>1,190,235</u>
Net Change in Fund Balances (Deficits)	<u>2,483,405</u>	<u>2</u>	<u>258,497</u>	<u>286,607</u>	<u>(567,044)</u>	<u>2,461,467</u>
Fund Balances (Deficits) - July 1, 2020	9,754,680	3,790	453,578	153,567	(315,823)	10,049,792
Prior Period Adjustment (Note 15)	<u>(58,480)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,188</u>	<u>(13,292)</u>
Fund Balances (Deficits) - July 1, 2020, restated	<u>9,696,200</u>	<u>3,790</u>	<u>453,578</u>	<u>153,567</u>	<u>(270,635)</u>	<u>10,036,500</u>
Fund Balances (Deficits) - June 30, 2021	<u>\$ 12,179,605</u>	<u>\$ 3,792</u>	<u>\$ 712,075</u>	<u>\$ 440,174</u>	<u>\$ (837,679)</u>	<u>\$ 12,497,967</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities:

Net change in fund balances - total governmental funds	\$ 2,461,467
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital asset purchases	907,589
Depreciation expense	(697,799)
Some revenues reported in the Statement of Activities will not be collected for several months after the City's year-end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds.	70,388
Receipts of payments and disbursements of funds related to notes and loans receivable are reported as revenue and expenditures, respectively, in governmental funds, but an increase and decrease, respectively, in notes receivable in the Statement of Net Position.	
Loan program receipts	(118,217)
Loans made during the year	325,676
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Accrued compensated absences	(88,502)
Pension expense related to deferred outflows and inflows of resources	(929,952)
Other postemployment benefits	<u>(206,025)</u>
Change in net position of governmental activities	<u>\$ 1,724,625</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business-type Activities - Enterprise Funds				
	Electric	Water	Sewer	Other Enterprise Funds	Totals
<u>ASSETS</u>					
Current Assets					
Cash and investments	\$ 4,474,153	\$ 2,186,728	\$ 4,079,736	\$ 376,224	\$ 11,116,841
Accounts receivable, net	2,082,026	199,131	160,126	377	2,441,660
Interest receivable	790	533	997	32	2,352
Prepaid items	7,765	-	-	-	7,765
Inventory	650,096	68,779	1,984	-	720,859
Due from other governments	26,346	-	-	-	26,346
Total Current Assets	7,241,176	2,455,171	4,242,843	376,633	14,315,823
Capital Assets					
Non-depreciable	900,433	99,853	1,329,835	-	2,330,121
Depreciable, net	2,639,265	2,728,238	5,860,797	19,905	11,248,205
Total Capital Assets	3,539,698	2,828,091	7,190,632	19,905	13,578,326
Total Assets	10,780,874	5,283,262	11,433,475	396,538	27,894,149
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Related to net pension liability	520,393	215,837	219,158	48,751	1,004,139
Related to OPEB liability	538,799	289,500	280,262	-	1,108,561
Total Deferred Outflows of Resources	1,059,192	505,337	499,420	48,751	2,112,700
<u>LIABILITIES</u>					
Current Liabilities					
Accounts payable	97,464	74,725	153,995	378	326,562
Accrued expenses	62,149	16,605	24,045	3,406	106,205
Accrued interest payable	-	-	24,545	-	24,545
Deposits payable	202,699	-	-	-	202,699
Due to other funds	-	-	-	329,029	329,029
Unearned revenue	-	-	-	5,001	5,001
Compensated absences - current	41,217	13,071	17,017	-	71,305
Long-term liabilities - current	-	-	89,000	-	89,000
Total Current Liabilities	403,529	104,401	308,602	337,814	1,154,346
Non-Current Liabilities					
Compensated absences	5,601	45,906	55,951	31,126	138,584
Long-term liabilities - non-current	-	-	3,124,000	-	3,124,000
Net pension liability	2,305,472	917,711	937,773	231,323	4,392,279
Total OPEB obligation	1,684,484	1,134,333	1,134,336	-	3,953,153
Total Non-Current Liabilities	3,995,557	2,097,950	5,252,060	262,449	11,608,016
Total Liabilities	4,399,086	2,202,351	5,560,662	600,263	12,762,362
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Related to net pension liability	153,649	67,578	67,282	7,412	295,921
<u>NET POSITION:</u>					
Net investment in capital assets	3,539,698	2,828,091	3,977,632	19,905	10,365,326
Unrestricted	3,747,633	690,579	2,327,319	(182,291)	6,583,240
Total Net Position	\$ 7,287,331	\$ 3,518,670	\$ 6,304,951	\$ (162,386)	\$ 16,948,566

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds				
	Electric	Water	Sewer	Other Enterprise Funds	Totals
<u>OPERATING REVENUES</u>					
Charges for services	\$ 10,112,044	\$ 1,392,457	\$ 1,655,717	\$ 5,088	\$ 13,165,306
Intergovernmental revenues	-	-	-	95,500	95,500
Other revenue	330	2,735	366	3,879	7,310
Total Operating Revenue	10,112,374	1,395,192	1,656,083	104,467	13,268,116
<u>OPERATING EXPENSES</u>					
Salaries and benefits	1,785,605	643,631	759,660	103,095	3,291,991
Materials, supplies, and operational expenses	573,553	202,713	310,077	5,084	1,091,427
Repairs and maintenance	283,657	24,860	(28,235)	482	280,764
Power and utilities	3,373,812	432	76,776	-	3,451,020
Contractual services	52,614	21,918	95,039	443	170,014
Administration	360,075	173,633	168,365	906	702,979
Miscellaneous	-	-	26,570	-	26,570
Depreciation and amortization	196,036	204,388	500,543	6,636	907,603
Total Operating Expenses	6,625,352	1,271,575	1,908,795	116,646	9,922,368
Operating Income (Loss)	3,487,022	123,617	(252,712)	(12,179)	3,345,748
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Interest income	5,320	2,247	654	34	8,255
Interest expense	-	-	(88,789)	-	(88,789)
Total Non-Operating Revenues (Expenses)	5,320	2,247	(88,135)	34	(80,534)
Income (Loss) Before Transfers	3,492,342	125,864	(340,847)	(12,145)	3,265,214
<u>TRANSFERS</u>					
Transfers in	-	-	209,765	-	209,765
Transfers out	(1,400,000)	-	-	-	(1,400,000)
Total Transfers	(1,400,000)	-	209,765	-	(1,190,235)
Change in net position	2,092,342	125,864	(131,082)	(12,145)	2,074,979
Net Position - July 1, 2020	5,194,989	3,392,806	6,436,033	(41,611)	14,982,217
Prior Period Adjustment (Note 15)	-	-	-	(108,630)	(108,630)
Net Position - July 1, 2020, restated	5,194,989	3,392,806	6,436,033	(150,241)	14,873,587
Net Position - June 30, 2021	\$ 7,287,331	\$ 3,518,670	\$ 6,304,951	\$ (162,386)	\$ 16,948,566

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds				
	Electric	Water	Sewer	Other Enterprise Funds	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash received from customers	\$ 8,614,196	\$ 1,196,061	\$ 1,495,957	\$ 104,090	\$ 11,410,304
Cash paid to suppliers	(4,683,272)	(338,162)	(539,078)	(7,123)	(5,567,635)
Cash paid to employees	(1,463,451)	(449,981)	(562,934)	(74,507)	(2,550,873)
Net Cash Provided by Operating Activities	2,467,473	407,918	393,945	22,460	3,291,796
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
Due from (to) other funds	-	-	-	220,399	220,399
Transfers (to) from other funds	(1,400,000)	-	209,765	-	(1,190,235)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(1,400,000)	-	209,765	220,399	(969,836)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Gain on disposal of capital assets	-	-	(3,034)	-	(3,034)
Acquisition of capital assets	(348,176)	(145,422)	(1,260,996)	-	(1,754,594)
Principal paid on capital debt	-	-	(86,000)	-	(86,000)
Interest paid on capital debt	-	-	(89,483)	-	(89,483)
Net Cash Used for Capital and Related Financing Activities	(348,176)	(145,422)	(1,439,513)	-	(1,933,111)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Interest and dividends	6,449	3,989	6,555	208	17,201
Net Cash Provided by Investing Activities	6,449	3,989	6,555	208	17,201
Net Increase (Decrease) in Cash and Cash Equivalents	725,746	266,485	(829,248)	243,067	406,050
Cash and Cash Equivalents - July 1, 2020	3,748,407	1,920,243	4,908,984	133,157	10,710,791
Cash and Cash Equivalents - June 30, 2021	\$ 4,474,153	\$ 2,186,728	\$ 4,079,736	\$ 376,224	\$ 11,116,841

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds				
	Electric	Water	Sewer	Other Enterprise Funds	Totals
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>					
Operating Income (Loss)	\$ 3,487,022	\$ 123,617	\$ (252,712)	\$ (12,179)	\$ 3,345,748
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	196,036	204,388	500,543	6,636	907,603
Pension expense	10,764	3,624	4,200	4,231	22,819
OPEB expense	306,178	154,131	163,370	-	623,679
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(1,508,722)	(199,131)	(160,126)	(377)	(1,868,356)
Inventory	(100,187)	13,540	(78)	-	(86,725)
Prepaid expenses	(4,326)	3,439	-	-	(887)
Increase (decrease) in:					
Accounts payable	64,952	68,415	109,592	(208)	242,751
Deposits payable	10,544	-	-	-	10,544
Accrued expenses	(17,854)	5,175	21,038	(2,192)	6,167
Compensated absences	23,066	30,720	8,118	26,549	88,453
Net Cash Provided by Operating Activities	<u>\$ 2,467,473</u>	<u>\$ 407,918</u>	<u>\$ 393,945</u>	<u>\$ 22,460</u>	<u>\$ 3,291,796</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	<u>Private Purpose Trust Fund</u>	<u>Custodial Funds</u>
<u>ASSETS</u>		
Cash and investments	\$ 732,329	\$ 63
Restricted cash and investments	381,393	-
Interest receivable	4	-
Capital assets, non-depreciable	<u>1,302,116</u>	<u>-</u>
Total Assets	<u>2,415,842</u>	<u>63</u>
<u>LIABILITIES</u>		
Accounts payable and other liabilities	136	-
Interest payable	258,271	-
Advances from the City	426,868	-
Long-term liabilities	<u>4,230,242</u>	<u>-</u>
Total Liabilities	<u>4,915,517</u>	<u>-</u>
<u>NET POSITION</u>		
Held in trust for private purposes	(2,499,675)	-
Restricted for individuals, organizations, and other governments	<u>-</u>	<u>63</u>
Total Net Position	<u>\$ (2,499,675)</u>	<u>\$ 63</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Private Purpose Trust Fund</u>	<u>Custodial Funds</u>
<u>ADDITIONS</u>		
Property taxes	\$ 580,609	\$ -
Interest income	<u>6,816</u>	<u>2</u>
Total Additions	<u>587,425</u>	<u>2</u>
<u>DEDUCTIONS</u>		
Professional services	-	496
Administrative expense	36,037	-
Interest costs	<u>287,095</u>	<u>-</u>
Total Deductions	<u>323,132</u>	<u>496</u>
Changes in Fiduciary Net Position	264,293	(494)
Fiduciary Net Position - July 1, 2020, Restated	<u>(2,763,968)</u>	<u>557</u>
Fiduciary Net Position - June 30, 2021	<u>\$ (2,499,675)</u>	<u>\$ 63</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gridley (the "City") is a municipal corporation organized under the constitution and laws of the State of California. The City operates under a Council-Administrator form of government and provides the following services: public safety (police, fire, and animal regulation), street, sanitation, transportation and social services, recreation, public improvements, planning and zoning, water, sewer, electrical, and general administrative services.

The voters of the City give authority and responsibility for operations to the City Council. The City Council has the authority to employ administrative and support personnel to carry out its directives. The primary method used to monitor the performance of the City's management is the financial budget, which is adopted annually by the City Council.

A. The Reporting Entity

The accompanying basic financial statements present the financial activities of the City along with the financial activities of its blended component unit, which is an entity for which the City is financially accountable. Together these entities comprise the primary government for reporting purposes. Although it is a separate legal entity, the blended component unit is in substance part of the City's operations and is reported as an integral part of the City's financial statements. The City's component unit, which is described below, is blended.

Gridley Public Financing Authority

The Gridley Public Financing Authority (the "Authority"), established February 4, 2008, is a joint powers authority created by the City of Gridley and the former Gridley Redevelopment Agency. The creation of the Authority is authorized under the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the California Government Code. The City and the Authority are separate legal entities. For financial reporting purposes, the Authority is reported as a part of the City's operations because the five (5) members of the City Council also act as the governing body of the Authority. The purpose of the Authority is to assist in the financing of public capital improvements. No separate financial statements are issued for the Authority.

B. Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America. These standards require that the financial statements described below be presented.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include the activities of the overall City government except for fiduciary activities. Eliminations have been made to minimize the double counting of internal service activities. The City's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the program, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories with each major fund displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflow of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds in a single column, regardless of their fund type.

The fund types of the financial reporting entity are described below:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (not included in government-wide statements)

Private-Purpose Trust Funds - Private-Purpose Trust Funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Custodial Funds - Custodial Funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

The City reported the following major governmental funds in the accompanying financial statements:

General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. For the City, the general fund includes such activities such as public safety, public ways and facilities, parks and recreation services, and economic development services.

08-HOME-4987 Grant Fund - The 08-HOME-4987 Grant Fund is a special revenue fund used to account for the activities of the U.S. Department of Housing and Urban Development Block Grant.

Block Grants Fund - The block grants fund is a Community Development Block Grant (CDBG) Revolving Loan program and Economic Development Block Grant (EDBG) Program. The City participates in this federally funded program that is utilized to fund housing activities, community facilities and public service projects serving lower income private parties and businesses. Eligible activities include funding housing activities (single/multi-family) rehabilitation, rental housing acquisition, homeownership assistance, or new construction. Interest may vary depending on the loan terms and interest may be deferred until the related property is refinanced or sold. The repayment of the loans results in program income, which is deposited into the Housing Rehabilitation Revolving loan fund (RLF) program for public benefit projects, general administration, and program delivery functions (preapproved ratios to the funds loaned).

Grant Related Funds - These special revenue funds house grants which have requirements for their own tracking mechanisms. In the case of Fiscal Year 2020-21, approximately eighteen sub-funds fell into this category. They were mostly grants from the State of California (transportation, planning, and COPS grants). All funds in this category have requirements to remain segregated from other City funds.

The City reports the following major proprietary funds in the accompanying financial statements:

Electric Fund - The electric fund is used to account for the activities of the City's electric generation and distribution operations.

Water Fund - The water fund is used to account for the activities of the City's water treatment and distribution operations.

Sewer Fund - The sewer fund is used to account for the activities of the City's sewage collection and treatment operations.

The City also reports the following fund types:

Private-Purpose Trust Funds - These funds include the Main Trust and Successor Agency. The Main Trust Fund is used to account for trust arrangements where the balances and activity benefit individuals and organizations other than the City. The Successor Agency fund was created as a result of the State order to dissolve California Redevelopment Agencies. As the Successor Agency, this fund is used to track the activity by the Oversight Board and the Department of Finance to dissolve the Agency.

Custodial Funds - The City administers two custodial funds, the Gridley Bid fund and the Hospital JPA Administration fund.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item "b" below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources, generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and deferred outflows of resources, and all liabilities and deferred inflows of resources (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.
- c. Fiduciary funds use the "economic resources" measurement focus and the accrual basis of accounting.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City defines available to be within 60 days of year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from governmental long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services. Certain indirect costs are included in program expenses reported for individual functions and activities.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position are available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Property Taxes

The County of Butte levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year of levy, due to the adoption of the "alternate method of property tax distribution", known as the Teeter Plan, by the City and the County of Butte. The Teeter Plan authorizes the Auditor/Controller of the County of Butte to allocate 100% of the secured property taxes billed, but not yet paid. The County of Butte remits tax monies to the City in three installments as follows:

50% remitted in December
45% remitted in April
5% remitted in June

Tax collections are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments; the first is due November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the tax becomes delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payment.

Property valuations are established by the Assessor of the County of Butte for the secured and unsecured property tax rolls. Under the provisions of Article XIII A of the State Constitution, properties are assessed at 100% of purchase price or value in 1978 whichever is later. From this base assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax levy dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property, as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

E. Cash and Investments

The City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated monthly to the various funds based on month-end balances and is adjusted at fiscal year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

The City's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. LAIF determines the fair value of their portfolio quarterly and reports a factor to the City; the City applies that factor to convert its share of LAIF from amortized cost to fair value. This amount is included in cash and cash equivalents in the balance sheet of the governmental funds. Changes in fair value are allocated to each participating fund.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool, and restricted non-pooled investments with initial maturities of three months or less.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Accounts and Interest Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts if applicable, and estimated refunds due. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines and other fees. Federal and state grants are considered receivable and accrued as revenue when reimbursable costs are incurred. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are recorded as deferred inflows of resources in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Long-term loans in governmental funds are treated as expenditures in the year advanced and as revenues in the year repayment is measurable and available. Loans receivable are recorded in the fund statements, but are recorded as deferred inflows of resources to indicate they do not represent current financial resources. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables.

G. Prepaid Expenses and Inventory

Inventories are stated at cost (average cost per unit) for governmental and proprietary funds. The cost is recorded as an expenditure/expense in the funds at the time individual inventory items are consumed, rather than purchased. Inventories of governmental funds are offset by nonspendable fund balance to indicate they do not constitute resources available for future appropriation.

Prepaid items are also recognized under the consumption method. Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

H. Capital Assets

The accounting treatment over property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, infrastructure with an aggregate cost of \$25,000 or more and land, buildings, machinery, vehicles, and equipment with a cost of \$5,000 or more and a useful life of two years are capitalized. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Infrastructure and buildings	20 - 50 years
Improvements	10 - 30 years
Equipment and vehicles	3 - 20 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of debt financed capital assets of business-type activities is included as part of the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

I. Compensated Absences

Compensated absences comprise unused vacation leave and compensatory time off, which are accrued as earned. Employees may accumulate sick leave without limits. The City's liability for compensated absences is recorded in the government-wide Statement of Net Position for governmental funds and the Statement of Net Position for proprietary funds as appropriate. A liability is calculated for all the costs of compensated absences based upon benefits earned by employees in the current period for which there is a probability of payment at termination. The salary and related payroll costs are those in effect at June 30, 2021. Accumulated unpaid vacation and sick pay are accrued when earned. In addition, those employees who have reached the age of retirement may cash out sick leave upon retirement. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. In December of each year, management personnel are allowed to convert unused sick leave earned within the previous 12 months, in excess of 9 days, to vacation. The general fund and enterprise funds are used to liquidate compensated absences. The sick leave balance as of June 30, 2021 was \$232,823 and is included in the compensated absences liability.

J. Long Term Liabilities

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term liabilities, and other long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Initial issue bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs, except for insurance, are expensed in the period incurred. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding is included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Other Postemployment Benefits (OPEB)

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liabilities and asset information with certain defined timeframe's. For this report, the following timeframe's are used:

Valuation Date	July 1, 2019
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows/Inflow of Resources

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

N. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

O. Equity Classifications

Government-wide Statements

Net position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net position is divided into three categories. These categories apply only to net position, which is determined at the Government-wide level, and are described below:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- a. Nonspendable - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted - Amounts that are restricted for specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c. Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- d. Assigned - Amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted or committed.
- e. Unassigned - Amounts representing the residual classification for the general fund or any other fund with a negative fund balance.

Further detail about the City's fund balance classification is described in Note 9.

P. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Q. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2020, the City implemented the following accounting and financial reporting standards:

Governmental Accounting Standards Board Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Additionally, this Statement describes four fiduciary funds that should be reported, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The City adopted this accounting guidance for its June 30, 2021 year-end.

Governmental Accounting Standards Board Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and 61*. The purpose of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The new standard clarifies the difference between a majority equity interest reported as an investment and majority equity interest reported as a component unit of the governmental entity. The City adopted this accounting guidance for it June 30, 2021 year-end.

R. Future Governmental Accounting Standards Board Statements

These statements are not effective until July 1, 2021 or later. The City has not determined the effects on the financial statements.

Governmental Accounting Standards Board Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financing's of the right to use an underlying asset. Additionally, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2022.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Accounting Standards Board Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires interest costs incurred before the end of a construction period to be recorded as an expenditure in the applicable period. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2022.

Governmental Accounting Standards Board Statement No. 91

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2023.

Governmental Accounting Standards Board Statement No. 92

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2022.

Governmental Accounting Standards Board Statement No. 93

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The City has not determined what impact, if any, this pronouncement will have on the financial statements. The removal of LIBOR as an appropriate benchmark interest rate is effective for the City's fiscal year ending June 30, 2022. All other requirements of this statement are effective for the City's fiscal year ending June 30, 2022.

Governmental Accounting Standards Board Statement No. 94

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The City has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement are effective for the City's fiscal year ending June 30, 2023.

Governmental Accounting Standards Board Statement No. 96

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding a SBITA.. The City has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement are effective for the City's fiscal year ending June 30, 2023.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Accounting Standards Board Statement No. 97

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a partial component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The City has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement related to the accounting and financial reporting for Section 457 plans are effective for the City's fiscal year ending June 30, 2022.

Governmental Accounting Standards Board Statement No. 99

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The City has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement related to leases, PPPs and SBITAs are effective for the City's fiscal year ending June 30, 2023 and the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the City's fiscal year ending June 30, 2024.

Governmental Accounting Standards Board Statement No. 100

In June 2022, GASB issued Statement No. 100 *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for the City's fiscal year ending June 30, 2024.

Governmental Accounting Standards Board Statement No. 101

In June 2022, GASB issued Statement No. 101 *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for the City's fiscal year ending June 30, 2025.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2021 were classified in the accompanying financial statements as follows:

	Cash and Investments	Restricted Cash and Investments	Total
Governmental activities	\$ 11,047,451	\$ -	\$ 11,047,451
Business-type activities	<u>11,116,841</u>	<u>-</u>	<u>11,116,841</u>
Total government-wide cash and investments	<u>22,164,292</u>	<u>-</u>	<u>22,164,292</u>
Fiduciary activities	<u>732,392</u>	<u>381,393</u>	<u>1,113,785</u>
Total cash and investments	<u>\$ 22,896,684</u>	<u>\$ 381,393</u>	<u>\$ 23,278,077</u>

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Cash and investments were carried at fair value as of June 30, 2021 and consisted of the following:

Cash on hand	\$ 560
Cash in banks	<u>16,214,349</u>
Total cash	<u>16,214,909</u>
Local Agency Investment Fund (LAIF)	6,681,775
California Asset Management Program (CAMP)	<u>381,393</u>
Total investments	<u>7,063,168</u>
Total cash and investments	<u>\$ 23,278,077</u>

Authorized Investments of the City

The table below identifies the investment types that are authorized by the City's investment policy. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
Local Agency Bonds	5 years	None	10%
U.S. Treasury Obligations	5 years	None	None
State Obligations - CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper - Select Agencies	270 days	25%	10%
Commercial Paper - Other Agencies	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	30%
CD Placement Service	5 years	30%	30%
Repurchase Agreements	1 year	None	10%
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20%	10%
Medium-Term Notes	5 years	30%	10%
Mutual Funds and Money Market Mutual Funds	N/A	20%	10%
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass - Through Securities	5 years	20%	None
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75 million/account
Voluntary Investment Program Fund	N/A	None	None

The City complies with the provisions of California Government Code (or the City's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The City will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in one Issuer</u>
Local agency bonds	None	None	None
U.S. Treasury obligations	None	None	None
U.S. Agency securities	None	None	None
Banker's acceptances	365 days	None	None
Commercial paper	270 days	None	None
Federal Funds	365 days	None	None
Unsecured Certificates of Deposit	365 days	None	None
Time Deposits	365 days	None	None
Cash Sweep Accounts	None	None	None
Money market funds	N/A	None	None
Mortgage-backed securities	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75 million/account

Investment Valuation

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period.

The City's position in external investment pools is in itself regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate.

At June 30, 2021, the City had the following recurring fair value measurements:

<u>Investments</u>	<u>Fair Value Measurements Using</u>			<u>Fair Value</u>
	<u>Level 1 Inputs</u>	<u>Level 2 inputs</u>	<u>Level 3 inputs</u>	
Local Agency Investment Fund	\$ -	\$ -	\$ -	\$ 6,681,775
Held by bond trustee:				
Investment pool (CAMP)	-	-	-	381,393
Total Investments	\$ -	\$ -	\$ -	\$ 7,063,168

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity as of June 30, 2021:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Local Agency Investment Fund	\$ 6,681,775	\$ -	\$ 6,681,775
Held by bond trustee:			
Investment pool (CAMP)	<u>381,393</u>	<u>-</u>	<u>381,393</u>
	<u>\$ 7,063,168</u>	<u>\$ -</u>	<u>\$ 7,063,168</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City had no investments (including investments held by bond trustees) that were highly sensitive to interest rate fluctuations as of June 30, 2021.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year for each investment type.

	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
Local Agency Investment Fund	\$ 6,681,775			Not rated
Held by bond trustee:				
Investment pool (CAMP)	<u>381,393</u>	AAAm		
	<u>\$ 7,063,168</u>			

Custodial Credit Risk

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

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2021, the carrying amount of the City's deposits was \$16,214,349 and bank balances were \$16,056,395, of which \$750,000 was insured.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California Government Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members designated by State Statute. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis.

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated monthly based on the ending cash balances of the previous month in each fund receiving interest.

NOTE 3: LOANS RECEIVABLE

The following is a summary of loans receivable at June 30, 2021:

<u>Governmental Activities</u>	<u>Balance July 1, 2020</u>	<u>Additions/ Adjustments</u>	<u>Retirements</u>	<u>Balance June 30, 2021</u>
Governmental Funds				
Home program	\$ 7,791,817	\$ -	\$ (6,904)	\$ 7,784,913
CalHome program	19,264	-	-	19,264
CDBG program	<u>1,775,128</u>	<u>325,676</u>	<u>(111,313)</u>	<u>1,989,491</u>
Total Loans Receivable	<u>\$ 9,586,209</u>	<u>\$ 325,676</u>	<u>\$ (118,217)</u>	<u>\$ 9,793,668</u>

<u>Fiduciary</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2021</u>
Construction Loan	\$ 678,000	\$ -	\$ -	\$ 678,000
Less Allowance for Loans Receivable	<u>(678,000)</u>	<u>-</u>	<u>-</u>	<u>(678,000)</u>
Total Loans Receivable, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The City participates in the Home Investment Partnerships (HOME) program, the Community Development Block Grant (CDBG) Revolving Loan program and the CalHome program. Under these programs, grants or loans are provided under favorable terms to homeowners, developers, or businesses who agree to spend these funds in accordance with the City's terms.

The balance of the loans receivable have been offset in the governmental fund financial statements by deferred inflows of resources as they are not deemed measurable and available within 60 days. In the government-wide financial statements, the loans are not offset in accordance with the accrual basis of accounting.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4: INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund long-term advances due after one year at June 30, 2021 were as follows:

<u>Advances to</u>	<u>Advances from</u>	<u>Description</u>	<u>Amount</u>
Successor Agency	Block Grant Fund	Reimbursement agreement	\$ 250,000
Successor Agency	General Fund	RDA loan	<u>176,868</u>
Total Interfund Receivables/Payables			\$ <u>426,868</u>

Reimbursement agreement - Pursuant to Resolution No. 2003.RDA-05, the former Redevelopment Agency agreed to reimburse the City of Gridley for infrastructure improvements within the Agency's industrial park up to \$250,000. No interest accrues on the amount due to the City.

The Successor Agency agreed to reimburse the City's General Fund for the formation of the RDA in the amount of \$176,868. Repayment is to be made as funds are available. No interest accrues on the amount due to the City.

The composition of interfund balances as of June 30, 2021 was as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Description</u>	<u>Amount</u>
<u>Non-Major Governmental Funds</u>			
SB 325	General Fund	Temporary pooled cash adjustment	\$ 116,963
Recreation Related Fund	General Fund	Temporary pooled cash adjustment	1,410,503
Gas Tax Fund	General Fund	Temporary pooled cash adjustment	354,906
Traffic Safety Fund	General Fund	Temporary pooled cash adjustment	74,688
Planning and Development	General Fund	Temporary pooled cash adjustment	986,186
Solid Waste - Recreation	General Fund	Temporary pooled cash adjustment	<u>57,646</u>
Total Non-Major Governmental Funds			<u>3,000,892</u>
<u>Non-Major Proprietary Fund</u>			
Senior Taxi Fund	General Fund	Temporary borrowing	128,402
Senior Taxi Fund	SB 325 Fund	Temporary borrowing	<u>200,627</u>
Total Non-Major Proprietary Funds			<u>329,029</u>
Total Interfund Payables/Receivables			\$ <u>3,329,921</u>

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4: INTERFUND TRANSACTIONS (CONTINUED)

Interfund Transfers to/from Other Funds

Transfers between funds during the fiscal year ended June 30, 2021 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount</u>
<u>Governmental Funds</u>			
<u>Major Governmental Funds</u>			
General Fund	Public Financing Authority	To close fund	\$ 258
General Fund	04-STBG-1961	To close fund	9
Grant-Related Funds	Sewer Fund	Feather River Crossing	209,765
Grant-Related Funds	General Fund	City Operations	144,340
Grant-Related Funds	General Fund	Police Operations	<u>35,000</u>
Total Major Governmental Funds			<u>389,372</u>
<u>Non-Major Governmental Funds</u>			
05-PTAA-1446	General Fund	To close fund	<u>1</u>
Total Non-Major Governmental Funds			<u>1</u>
<u>Enterprise Funds</u>			
Electric fund	General Fund	Unfunded City operations	<u>1,400,000</u>
Total Enterprise Funds			<u>1,400,000</u>
Total Interfund Transfers			<u>\$ 1,789,373</u>

Intra-Fund Transfers between Funds

The following table represents intra-fund transfers made during the fiscal year ended June 30, 2021:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount</u>
General Fund	GF Reserve Fund	General fund reserve policy	\$ <u>855,917</u>
Total General Fund Intra-Fund Transfers			<u>\$ 855,917</u>

Intra-fund transfers are not presented on the Statement of Revenues, Expenses, and Changes in Net Position for the governmental funds as they are presented on a net basis. However, the Combining Schedule of Revenues, Expenditures, and Changes in Fun Balance for the General Fund on pages presents both intra-fund transfers and interfund transfers.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: CAPITAL ASSETS

Governmental activities:

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2021</u>
Capital assets not being depreciated				
Land	\$ 417,779	\$ -	\$ -	\$ 417,779
Construction-in-progress	<u>-</u>	<u>588,859</u>	<u>-</u>	<u>588,859</u>
Total capital assets not being depreciated	<u>417,779</u>	<u>588,859</u>	<u>-</u>	<u>1,006,638</u>
Capital assets being depreciated				
Infrastructure	7,999,087	-	-	7,999,087
Buildings and improvements	3,654,840	-	-	3,654,840
Improvements other than buildings	3,383,815	-	-	3,383,815
Vehicles and equipment	<u>5,455,725</u>	<u>318,730</u>	<u>(138,441)</u>	<u>5,636,014</u>
Total capital assets being depreciated	<u>20,493,467</u>	<u>318,730</u>	<u>(138,441)</u>	<u>20,673,756</u>
Less accumulated depreciation				
Infrastructure	(3,501,359)	(270,516)	-	(3,771,875)
Buildings and improvements	(2,331,844)	(112,909)	-	(2,444,753)
Improvements other than buildings	(981,700)	(130,275)	-	(1,111,975)
Vehicles and equipment	<u>(4,190,695)</u>	<u>(184,099)</u>	<u>138,441</u>	<u>(4,236,353)</u>
Total accumulated depreciation	<u>(11,005,598)</u>	<u>(697,799)</u>	<u>138,441</u>	<u>(11,564,956)</u>
Total capital assets being depreciated, net	<u>9,487,869</u>	<u>(379,069)</u>	<u>-</u>	<u>9,108,800</u>
Total capital assets, net	<u>\$ 9,905,648</u>	<u>\$ 209,790</u>	<u>\$ -</u>	<u>\$ 10,115,438</u>

Depreciation was charged to functions of the City's governmental activities based on their usage of the related assets as follows:

General Government	\$ 74,024
Public Safety	160,570
Streets and Public Works	340,586
Parks and Recreation	<u>122,619</u>
Total governmental activities depreciation expense	<u>\$ 697,799</u>

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: CAPITAL ASSETS (CONTINUED)

Business-type activities:

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ Adjustments</u>	<u>Balance at June 30, 2021</u>
Capital assets not being depreciated					
Land	\$ 921,793	\$ -	\$ -	\$ -	\$ 921,793
Construction-in-progress	<u>47,441</u>	<u>1,383,272</u>	<u>-</u>	<u>(22,385)</u>	<u>1,408,328</u>
Total capital assets not being depreciated	<u>969,234</u>	<u>1,383,272</u>	<u>-</u>	<u>(22,385)</u>	<u>2,330,121</u>
Capital assets being depreciated					
Infrastructure	6,340,384	-	-	-	6,340,384
Buildings and improvements	1,139,545	-	-	-	1,139,545
Improvements other than buildings	9,093,499	-	-	28,589	9,122,088
Vehicles and equipment	<u>7,331,604</u>	<u>371,322</u>	<u>(24,234)</u>	<u>20,925</u>	<u>7,699,617</u>
Total capital assets being depreciated	<u>23,905,032</u>	<u>371,322</u>	<u>(24,234)</u>	<u>49,514</u>	<u>24,301,634</u>
Less accumulated depreciation					
Infrastructure	(2,391,053)	(162,064)	-	-	(2,553,117)
Buildings and improvements	(889,772)	(24,954)	-	-	(914,726)
Improvements other than buildings	(3,532,482)	(385,643)	-	-	(3,918,125)
Vehicles and equipment	<u>(5,332,658)</u>	<u>(334,942)</u>	<u>21,949</u>	<u>(21,810)</u>	<u>(5,667,461)</u>
Total accumulated depreciation	<u>(12,145,965)</u>	<u>(907,603)</u>	<u>21,949</u>	<u>(21,810)</u>	<u>(13,053,429)</u>
Total capital assets being depreciated, net	<u>11,759,067</u>	<u>(536,281)</u>	<u>(2,285)</u>	<u>27,704</u>	<u>11,248,205</u>
Total capital assets, net	<u>\$ 12,728,301</u>	<u>\$ 846,991</u>	<u>\$ (2,285)</u>	<u>\$ 5,319</u>	<u>\$ 13,578,326</u>

Depreciation expense was charged to functions/programs of the City's business-type activities as follows:

Electricity	\$ 196,036
Water	204,388
Sewer	500,543
Other enterprise	<u>6,636</u>
Total business-type activities depreciation expense	<u>\$ 907,603</u>

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2021:

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Current Portion</u>
Governmental activities:					
Compensated absences	\$ 226,670	\$ 93,400	\$ (4,898)	\$ 315,172	\$ 134,677
Total Governmental activities	<u>\$ 226,670</u>	<u>\$ 93,400</u>	<u>\$ (4,898)</u>	<u>\$ 315,172</u>	<u>\$ 134,677</u>
 Business-type activities:					
USDA Rural Development Loan	\$ 1,008,000	\$ -	\$ (34,000)	\$ 974,000	\$ 35,000
USDA Rural Development Loan	2,291,000	-	(52,000)	2,239,000	54,000
Compensated Absences	<u>121,436</u>	<u>88,453</u>	<u>-</u>	<u>209,889</u>	<u>71,305</u>
Total Business-type activities	<u>\$ 3,420,436</u>	<u>\$ 88,453</u>	<u>\$ (86,000)</u>	<u>\$ 3,422,889</u>	<u>\$ 160,305</u>

A. Business-type Activities

USDA Rural Development Loans

On February 12, 2001, the City of Gridley executed a long-term loan agreement with the United States Department of Agriculture (USDA) Rural Development. The purpose of this loan was to repay the interim sewer project financing provided by U.S. Bank. The interim financing repayment total consisted of \$1,478,141 in principal and \$9,529 in accrued interest. Interest on the new loan, at the rate of 3.250%, is payable semiannually. Annual principal payments, ranging from \$18,670 to \$65,000, are also required. This loan will be completely repaid on September 1, 2040. This loan is secured by the revenues of the City's sewer fund. As of June 30, 2021, the balance on the loan is \$974,000.

On April 15, 2009, the City of Gridley entered into a loan/grant agreement with USDA Rural Development. The purpose of this agreement is for the rehabilitation and upgrade of the City's existing wastewater treatment plant. The agreement consists of a loan of \$3,100,000 with a subsequent grant of \$1,000,000. Interest, at the rate of 2.500%, is payable annually. This loan will be completely repaid on April 1, 2050. As of June 30, 2021, the balance on the loan is \$2,239,000.

Business-Type Long-Term Liabilities Amortization

USDA Rural Development Loan			
<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 35,000	\$ 31,086	\$ 66,086
2023	36,000	29,933	65,933
2024	38,000	28,730	66,730
2025	39,000	27,479	66,479
2026	40,000	26,195	66,195
2027 - 2031	221,000	110,256	331,256
2032 - 2036	260,000	71,208	331,208
2037 - 2041	<u>305,000</u>	<u>25,431</u>	<u>330,431</u>
Total	<u>\$ 974,000</u>	<u>\$ 350,318</u>	<u>\$ 1,324,318</u>

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

USDA Rural Development Loan			
For the Year Ending June 30	Principal	Interest	Total
2022	\$ 54,000	\$ 55,975	\$ 109,975
2023	55,000	54,625	109,625
2024	56,000	53,250	109,250
2025	58,000	51,850	109,850
2026	59,000	50,400	109,400
2027 - 2031	319,000	229,050	548,050
2032 - 2036	361,000	187,150	548,150
2037 - 2041	410,000	139,625	549,625
2042 - 2046	462,000	85,850	547,850
2047 - 2050	<u>405,000</u>	<u>25,375</u>	<u>430,375</u>
Total	\$ <u>2,239,000</u>	\$ <u>933,150</u>	\$ <u>3,172,150</u>

NOTE 7: DEFINED BENEFIT PENSION PLAN

A. General Information about the Pensions Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors five rate plans (three miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (age 52 for Miscellaneous Plan members if membership date is on or after January 1, 2013) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Special Death Benefit (Safety only), the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

Hire Date	Miscellaneous			Safety	
	Tier I	Tier II	PEPRA	Tier I	PEPRA
	Prior to January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit Formula	2% @ 55	2% @ 55	2% @ 62	3% @ 50	2.7% @ 57
Benefit Vesting Schedule	5 years service	5 years service	5 years service	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement Age	55	55	62	50	57
Monthly Benefits, as a % of Eligible Compensation	2%	2%	2%	3%	2%
Required Employee Contribution Rates	7.00%	7.00%	6.25%	9.00%	11.50%
Required Employer Contribution Rates*	53.00%	53.00%	8.12%	54.51%	14.72%

*The employer contribution rate is the sum of the Plan's employer normal cost rate plus the employer unfunded accrued liability.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The City's contributions to the Plan for the year ended June 30, 2021 were \$1,294,223.

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

As of June 30, 2021, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$12,498,264.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2020 was as follows:

Proportion - June 30, 2019	0.11476 %
Proportion - June 30, 2020	0.11478 %
Change - Increase (Decrease)	0.00002 %

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2021, the City recognized pension expense of \$1,635,130. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 1,294,223	\$ -
Difference between actual contributions made by employer and the employer's proportionate share of the risk pool's total contribution	39,912	(55,893)
Differences between actual and expected experience	769,578	-
Changes in assumptions	-	(70,659)
Adjustment due to differences in proportions	41,650	(89,525)
Net differences between projected and actual earnings on plan investments	<u>332,373</u>	<u>-</u>
Total	<u>\$ 2,477,736</u>	<u>\$ (216,077)</u>

\$1,294,223 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30,	
2022	\$ 116,234
2023	389,739
2024	293,226
2025	<u>168,237</u>
Total	<u>\$ 967,436</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% net of pension plan investment expenses; includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017 CalPERS Experience Study Report (based on CalPERS demographic data from 1997 to 2015) available on CalPERS website.

Other significant actuarial assumptions used in the June 30, 2019 valuation were based on the results of the actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality and retirement rates.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Assumptions

For the measurement period June 30, 2021, there were no changes in assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Using historical returns of all of the funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on December 19, 2017.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)
Total	100.0%		

(a) An expected inflation of 2.00% used for this period

(b) An expected inflation of 2.92% used for this period

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<u>Net Pension Liability</u>	<u>Discount Rate -1%</u> <u>(6.15%)</u>	<u>Current Discount Rate</u> <u>(7.15%)</u>	<u>Discount Rate +1%</u> <u>(8.15%)</u>
Net Pension Liability	\$ <u>17,385,503</u>	\$ <u>12,498,264</u>	\$ <u>8,453,938</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB)

Description of the Plan

The City sponsors and administers a single-employer health care plan for its employees. The plan provides medical, dental, and vision coverage. Medical coverage is provided through CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA), also referred to as PERS Health. The City sets its contribution rates for health insurance on behalf of active employees according to the PEMHCA statutory minimum. The amounts are indexed (increased) in all future years according to the rate of medical inflation. The excess of the designated City contribution for healthcare (the second highest premium available in the 95948 zip code area) over the PEMHCA statutory minimum is contributed to a Cafeteria Plan and the employee may elect to have some or all of this excess contributed on his or her behalf to CalPERS as an "employee contribution" towards healthcare benefits. As the City's OPEB benefits are administered by City personnel, no separate financial statements are issued.

Management employees are subject to PERS' "100/90 State Contribution Formula" under which the City's contribution is determined based upon the weighted average of the four most popular medical plan options under PEMHCA, as announced each year by CalPERS.

The City offers the same medical plans to its retirees as to its active employees, with the general exception that upon reaching age 65 and becoming eligible for Medicare, the retiree must join one of the Medicare Supplement coverage's offered under PEMHCA.

Employees become eligible to retire under PEMHCA and receive City-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by attaining qualifying disability retirement status. The City's contribution on behalf of all non-Management retirees is based on PERS' "Unequal Contribution Method" and equals 5% of the statutory minimum (\$40 per month for 2018) multiplied by the number of years the City has participated in PEMHCA.

Management retirees receive a City contribution according to a vested percentage of the "100/90 State Contribution Formula" applicable to Management employees (this is not available for Management employees hired after December 31, 2012). The percentage is 50% after 10 years of service, increased by 5% per year to 100% after 20 years of service. Management employees first hired or promoted to a management position after 2005 are automatically subject to this formula; those hired or promoted in 2005 or before may elect to be covered under this option.

The City pays a 0.45% of premium administrative charge on behalf of all active employees and retirees.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Employees covered

As of the July 1, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan.

Active employees	5
Inactive employees currently receiving benefits	<u>8</u>
Total	<u><u>13</u></u>

Contributions

The City's policy is to fully fund the annual required contribution, which is determined by an actuary. The City makes the contributions on behalf of the participants. For the fiscal year ended June 30, 2021, the City paid contributions of \$84,534. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

Total OPEB Liability

The City's total OPEB liability ("NOL") was measured as of June 30, 2021 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated July 1, 2019 based on the following actuarial methods and assumptions.

Discount Rate	2.21 %
Year 1 inflation	4.50 %
Year 2 inflation	9.50 %
Ultimate inflation rate	5.00 %
Salary increases per annum	2.00 %
Healthcare trend rates	
2020	4.50 %
2021	9.50 %
Decrement	0.50 %
Ultimate Trend	5.00 %
Year Ultimate Trend is Reached	2030
Mortality rates	SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Rate 2006)

Discount Rate

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20 year AA municipal bond rate as of June 30, 2020.

Changes in Assumptions

In 2021, there were no changes in assumptions.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB liability

	<u>Total OPEB Liability</u>
OPEB Liability Balance at July 1, 2020	\$ 9,654,441
Service cost	165,106
Interest	211,318
Adjustment	74,743
Benefit Payments	<u>(84,534)</u>
Net change during 2020-21	<u>366,633</u>
Balance at June 30, 2021	<u>\$ 10,021,074</u>

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

The following table presents the Total OPEB Liability of the City, calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate, for measurement period ended June 30, 2021:

	1% Decrease <u>1.21%</u>	Current Discount Rate <u>2.21%</u>	1% Increase <u>3.21%</u>
Total OPEB Liability	\$ <u>12,127,785</u>	\$ <u>10,021,074</u>	\$ <u>8,138,354</u>

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the City, calculated using the healthcare cost trend rate that is one percentage-point lower or one percentage-point higher than the current rate, for measurement period ended June 30, 2021:

	1% Decrease <u>3.50%</u>	Current Healthcare Cost Trend Rate <u>4.50%</u>	1% Increase <u>5.50%</u>
Total OPEB Liability	\$ <u>7,936,831</u>	\$ <u>10,021,074</u>	\$ <u>12,433,099</u>

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are recognized in future OPEB expense.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 1,266,034	\$ -
Changes in assumptions	<u>1,371,553</u>	<u>-</u>
Total	<u>\$ 2,637,587</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Measurement Period Ended June 30,	
2022	\$ 1,148,494
2023	1,148,494
2024	340,599

OPEB Expense

For the fiscal year ended June 30, 2021, the City recognized OPEB expense of \$1,524,918.

NOTE 9: FUND BALANCE

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: FUND BALANCE (CONTINUED)

As of June 30, 2021, fund balances were distributed as follows:

	<u>General Fund</u>	<u>08-HOME-4987 Grant Fund</u>	<u>Block Grants Fund</u>	<u>Grant Related Funds</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Nonspendable:						
Prepaid items	\$ 84,534	\$ -	\$ -	\$ -	\$ -	\$ 84,534
Restricted:						
Redevelopment	-	-	-	-	885,079	885,079
Grants	-	3,792	712,075	440,174	467,104	1,623,145
Taxes & fees	-	-	-	-	654,486	654,486
Capital projects	-	-	-	-	39,990	39,990
Contributions	-	-	-	-	2,297	2,297
Committed:						
Infrastructure reserve	40,519	-	-	-	-	40,519
Assigned:						
Bond reserve	1,140,514	-	-	-	-	1,140,514
Sick payout reserve	176,498	-	-	-	-	176,498
Equipment replacement	2,493,415	-	-	-	-	2,493,415
Building maintenance	137,397	-	-	-	-	137,397
Unassigned	<u>8,106,728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,886,635)</u>	<u>5,220,093</u>
Total	<u>\$ 12,179,605</u>	<u>\$ 3,792</u>	<u>\$ 712,075</u>	<u>\$ 440,174</u>	<u>\$ (837,679)</u>	<u>\$ 12,497,967</u>

Fund Balance/Net Position Deficits

As of June 30, 2021, the following funds had a deficit:

<u>Fund</u>	<u>Fund Balance Deficit</u>	<u>Net Position Deficit</u>
Traffic Safety	\$ 58,857	\$ -
Planning and Development	1,003,201	-
Solid Waste - Recreation	57,646	-
Gas Tax	355,430	-
Recreation Related	1,411,501	-
Senior Taxi Fund	-	166,077
	<u>\$ 2,886,635</u>	<u>\$ 166,077</u>

The fund deficits were a result of expenditures incurred in advance of receipt of revenue and will be eliminated through future revenues.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10: RISK MANAGEMENT

The City is a member of the Northern California Cities Self Insurance Fund (NCCSIF) along with twenty other northern California cities. The NCCSIF is a joint powers authority (JPA) organized in accordance with Article 1, Chapter 5, Division 7, Title 1 of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers' compensation benefits for their employees and to provide excess liability insurance. The NCCSIF provides claims processing, administrative services, risk management services, and actuarial studies. A member from each city governs the NCCSIF. The City Council members do not have significant oversight responsibility, since they evenly share all factors of responsibility with the other cities. The City does not retain the risk of loss. However, ultimate liability for payment of claims and insurance premiums resides with member cities. The NCCSIF is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If the JPA become insolvent, the City is responsible only to the extent of any deficiency in its equity balance. The audited financial statements of the JPA are available at the NCCSIF's office.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City provides property, liability, and worker's compensation insurance through Northern California Cities Self Insurance Fund a public entity risk pool currently operating as a common risk management and insurance program for several Northern California municipalities. Annual deposits are paid by member cities and are adjusted retrospectively to cover costs.

The NCCSIF establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not reported. Because actual claims costs depend on various factors, the claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision of inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The City's insurance coverage and the respective coverage providers are as follows:

Amount	Coverage Provider	Payment
General Liability:		
\$0 - \$50,000	Self-insured	Banking layer
\$50,001 - \$450,000	Northern California Cities Self Insurance Fund	Shared risk
\$450,001 - \$40,000,000	California Joint Powers Risk Management Authority	Shared risk (to \$5 mil, excess insurance after that)
Workers' Compensation		
\$0 - \$100,000	Self-insured	Banking layer
\$100,001 - \$400,000	Northern California Cities Self Insurance Fund	Shared risk
\$400,001 - statutory	CSAC-EIA	Shared risk and Excess Insurance

Property insurance - The City's standard deductible is \$5,000 for coverage. The coverage limit for fiscal year 2021 was \$1,000,000,000 blanket real and personal property.

Performance and Public Employee Dishonesty Bonds - The City has \$25,000 in performance bond coverage for the City Clerk, \$100,000 performance bond coverage for the City Treasurer, and \$3,000,000 in coverage for public employee dishonesty with a deductible of \$5,000.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11: EXCESS EXPENDITURES AND TRANSFERS OVER APPROPRIATIONS

The following funds incurred expenditures and/or transfers in excess of appropriations in the following amounts for the year ended June 30, 2021:

Fund	Excess Expenditures
Block Grant Funds	\$ 175,605
Grant Related Funds	\$ 372,539

These deficits were a result of expenditures incurred in advance of receipt of revenue and will be eliminated through future revenues and expenditure reductions.

NOTE 12: RELATED ORGANIZATIONS

The City is a member of various joint powers authorities that provide goods or services to the City and other authority members. The City does not have sufficient authority, influence or accountability over these entities to incorporate them in this annual report. Additionally, the City has determined that it has no ongoing financial interest or responsibility for any of these organizations. The names and general functions of these joint powers are as follows:

Northern California Power Agency (NCPA)

Membership consists of 12 municipal electric utilities, one Rural Electric Cooperative, an irrigation district, and a public utility district. The NCPA is generally empowered to purchase, generate, transmit, distribute, and sell electrical energy. Members participate in the projects of NCPA on an elective basis. A Commission comprised of one representative for each member governs the NCPA.

The City is currently involved in several hydroelectric, geothermal, and other energy-related projects as a member of this agency. The NCPA is financed by contributions from member cities, government grants, and debt. The City is committed to provide substantial additional financial support for its portion of the actions and projects of the NCPA.

The NCPA holds certain funds under a separate member custodial agreement - the general operating reserve. The purpose of the reserve is to allow members to fund all, or a portion, of the contingent liabilities that the NCPA faces at any given time, while providing the individual member with the flexibility to draw upon their part of the reserve, as each member individually deems appropriate. The NCPA requires agency members to maintain at least 90% of the annual general operating reserve. The calculated reserve amount for June 30, 2021 is \$143,884, 90% of the reserve amount totals \$129,496. The City has maintained the required reserve amount during the fiscal year ending 2021. Due to the nature of the reserve held by NCPA, payments made to the reserve are expensed as purchased power. The financial statements are available online at www.ncpa.com.

Transmission Agency of Northern California (TANC)

Members include eleven cities, one electric co-op, two irrigation districts, and one public utility district. The Agency was created to provide electric transmission or other facilities, including real property and rights of way, for the use of its members. A Commission comprised of one representative appointed by each member governs the Agency. The City has authorized its participation in the project up to 1% of the total. The financial statements are available online at <http://tanc.us/financials.html>.

NOTE 13: DEFERRED COMPENSATION

The City of Gridley offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees, permits employees to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The assets and liabilities of these plans have been excluded from the accompanying financial statements.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14: CONTINGENCIES AND COMMITMENTS

Litigation

The City is party to various claims, legal actions and complaints that arise in the normal operation of business. Management and the City's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the City. One of the pending lawsuits relates to transfers of funds from the City's utility enterprise fund to the City General fund.

Grants

The City participates in various federal and state assisted grant programs. These programs are subject to compliance audits by the grantors or their representatives. Such audits could result in a request for reimbursement for expenses disallowed under the terms and conditions of the agreements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Public Health Emergency

The World Health Organization declared the worldwide coronavirus (COVID-19) outbreak a public health emergency on January 30, 2020 and officially declared it as a pandemic as of March 11, 2020. Management has performed an evaluation of certain financial statement line items such as investments, accounts receivable, accounts payable, and accrued expenses to determine whether valuation or impairment adjustments should be made. Management has determined that the amounts reported on the financial statements are properly valued as of June 30, 2021.

NOTE 15: PRIOR PERIOD ADJUSTMENTS AND CHANGE IN ACCOUNTING PRINCIPLE

Change in Accounting Principle

As a result of implementing GASB Statement No. 84, *Fiduciary Activities*, beginning net position of custodial funds has been restated to \$557. Prior to GASB Statement No. 84, custodial funds (previously, agency funds) only reported assets and liabilities and reported no net position or measurement of results of operations.

Prior Period Adjustments

During the year ending June 30, 2021, the City restated beginning net position to correct an error in accounts receivable and interfund borrowing. The cumulative effect of the errors was recorded as an adjustment to beginning net position as follows:

<u>Opinion Unit</u>	<u>Account</u>	<u>As Previously Reported</u>	<u>Restatement</u>	<u>Restated</u>
Governmental Activities	Net Position	\$ 19,359,517	\$ (13,292)	\$ 19,346,225
Business-type Activities	Net Position	14,982,217	(108,630)	14,873,587

In addition, the City made the following prior period adjustments in the fund financial statements:

<u>Fund</u>	<u>Description of Restatement</u>	<u>Amount</u>
<u>Governmental Funds</u>		
General Fund	Correction of receivables	\$ (58,480)
Other Governmental Funds	Correction of receivables	(70,361)
Other Governmental Funds	Correction of interfund borrowing	115,549
	Total Governmental Fund Balance Restatement	\$ <u>(13,292)</u>
<u>Proprietary Funds</u>		
Other Enterprise Funds	Correction of interfund borrowing	\$ <u>(108,630)</u>
	Total Proprietary Fund Net Position Restatement	\$ <u>(108,630)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRIDLEY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	2020 - 2021 Budgeted Amounts			Variance with Final Budget Positive Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes and assessments	\$ 2,664,249	\$ 2,664,249	\$ 3,015,986	\$ 351,737
License, permits, and fees	43,942	43,942	69,996	26,054
Fines and forfeitures	14,723	14,723	7,226	(7,497)
Use of money and property	59,805	59,805	15,256	(44,549)
Program income	172	172	-	(172)
Intergovernmental	1,705,110	1,705,110	2,102,998	397,888
Charges for services	165,836	165,836	607,726	441,890
Recreation and event fees	70,090	70,090	17,075	(53,015)
Insurance proceeds	2,915	2,915	3,641	726
Other revenues	3,945	3,945	23,909	19,964
Total Revenues	4,730,787	4,730,787	5,863,813	1,133,026
EXPENDITURES				
Current:				
General administration	679,573	679,573	102,763	576,810
Public safety	4,028,903	4,028,903	4,015,101	13,802
Streets and public works	567,419	567,419	294,407	273,012
Community development	25,606	25,606	153,457	(127,851)
Parks and recreation	178,589	178,589	131,409	47,180
Capital Outlay	1,225,608	1,225,608	262,345	963,263
Total Expenditures	6,705,698	6,705,698	4,959,482	1,746,216
Excess (deficiency) of revenues over expenditures	(1,974,911)	(1,974,911)	904,331	2,879,242
OTHER FINANCING SOURCES (USES)				
Transfers in	1,435,000	1,435,000	1,579,341	144,341
Transfers out	-	-	(267)	(267)
Total Other Financing Sources (Uses)	1,435,000	1,435,000	1,579,074	144,074
Net change in fund balance	\$ (539,911)	\$ (539,911)	2,483,405	\$ 3,023,316
Fund balance - July 1, 2020			9,754,680	
Prior Period Adjustment (Note 15)			(58,480)	
Fund balance - July 1, 2020, restated			9,696,200	
Fund balance - June 30, 2021			\$ 12,179,605	

See notes to the required supplementary information.

CITY OF GRIDLEY
08-HOME-4987 GRANT - SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>2020 - 2021</u> <u>Budgeted Amounts</u>			<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original*</u>	<u>Final*</u>	<u>Actual</u> <u>Amounts</u>	
<u>REVENUES</u>				
Use of money and property	\$ _____ -	\$ _____ -	\$ _____ 2	\$ _____ 2
Total Revenues	\$ _____ -	\$ _____ -	\$ _____ 2	\$ _____ 2
<u>EXPENDITURES</u>				
Total Expenditures	_____ -	_____ -	_____ -	_____ -
Net change in fund balance	\$ _____ -	\$ _____ -	2	\$ _____ 2
Fund balance - July 1, 2020			_____ 3,790	
Fund balance - June 30, 2021			\$ _____ 3,792	

* The City did not adopt a budget for the 08-HOME-4987 Grant Fund for the year ended June 30, 2021.

See notes to the required supplementary information.

CITY OF GRIDLEY
BLOCK GRANT FUNDS - SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	2020 - 2021 <u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<u>REVENUES</u>				
Use of money and property	\$ -	\$ -	\$ 856	\$ 856
Program income	55,739	55,739	172,035	116,296
Intergovernmental	<u>-</u>	<u>-</u>	<u>265,558</u>	<u>265,558</u>
Total Revenues	<u>55,739</u>	<u>55,739</u>	<u>438,449</u>	<u>382,710</u>
<u>EXPENDITURES</u>				
Current:				
Community development	<u>4,347</u>	<u>4,347</u>	<u>179,952</u>	<u>(175,605)</u>
Total Expenditures	<u>4,347</u>	<u>4,347</u>	<u>179,952</u>	<u>(175,605)</u>
Net change in fund balance	<u>\$ 51,392</u>	<u>\$ 51,392</u>	258,497	<u>\$ 207,105</u>
Fund balance - July 1, 2020			<u>453,578</u>	
Fund balance - June 30, 2021			<u>\$ 712,075</u>	

See notes to the required supplementary information.

CITY OF GRIDLEY
GRANT RELATED FUNDS - SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	2020 - 2021 Budgeted Amounts			Variance with Final Budget Positive Negative
	Original	Final	Actual Amounts	
REVENUES				
Use of money and property	\$ 788	\$ 788	\$ 406	\$ (382)
Intergovernmental	130,743	130,743	748,391	617,648
Total Revenues	131,531	131,531	748,797	617,266
EXPENDITURES				
Current:				
Public safety	833	833	-	833
Capital outlay	53,818	53,818	73,085	(19,267)
Total Expenditures	54,651	54,651	73,085	(18,434)
Excess (deficiency) of revenues over expenditures	76,880	76,880	675,712	598,832
OTHER FINANCING SOURCES (USES)				
Transfers out	35,000	(35,000)	(389,105)	(354,105)
Total Other Financing Sources (Uses)	35,000	(35,000)	(389,105)	(354,105)
Net change in fund balance	\$ 111,880	\$ 41,880	286,607	\$ 244,727
Fund balance - July 1, 2020			153,567	
Fund balance - June 30, 2021			\$ 440,174	

See notes to the required supplementary information.

CITY OF GRIDLEY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY ACCOUNTING AND CONTROL
FOR THE YEAR ENDED JUNE 30, 2021

The City Council establishes budgets for all governmental funds on a basis consistent with Generally Accepted Accounting Principles, with the exception of capital projects which are budgeted on a project length basis. Appropriations, except open project appropriations and unexpended grant appropriations, lapse at the end of each fiscal year. The budgetary data is prepared on the modified accrual basis consistent with the related "actual" amounts.

Department heads submit a proposed budget to the City Administrator. The City Administrator submits a proposed budget to the City Council for the following year beginning July 1. The preliminary budget may or may not be amended by the City Council after public hearings are held and is adopted by City Council resolution prior to July 1 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. The City Administrator is authorized to transfer budgeted amounts within an object or purpose within any department. However, the City Council must approve revisions that alter the total expenditures of any department. Budgetary control is legally maintained at the fund level.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budgets during the year. Amounts represent the original budgeted amounts and all supplemental appropriations.

CITY OF GRIDLEY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Prepared for the City's Miscellaneous and Safety Plan, Cost Sharing Defined Benefit Pension Plan
As of June 30
Last 10 Years*

	Measurement Period			
	2020	2019	2018	2017
Proportion of the net pension liability	0.11478 %	0.11476 %	0.11472 %	0.11218 %
Proportionate share of the net pension liability	\$ 12,498,264	\$ 11,758,898	\$ 11,054,726	\$ 11,125,054
Covered payroll	\$ 4,428,698	\$ 3,112,973	\$ 3,406,797	\$ 3,365,579
Proportionate share of the net pension liability as a percentage of covered payroll	282.21 %	377.74 %	324.49 %	330.55 %
Plan fiduciary net position as a percentage of the total pension liability	75.10 %	75.30 %	73.69 %	73.29 %

Notes to Schedule:

Changes in assumptions - In 2020 and 2019, there were no changes in assumptions. In 2018, assumptions for individual salary increases and overall payroll growth are reduced from 3.00 percent to 2.75 percent. In 2017, the discount rate was lowered from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Schedule is intended to show information for ten years. Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown. Additional years' information will be displayed as it becomes available.

CITY OF GRIDLEY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)
Prepared for the City's Miscellaneous and Safety Plan, Cost Sharing Defined Benefit Pension Plan
As of June 30
Last 10 Years*

	Measurement Period		
	2016	2015	2014
Proportion of the net pension liability	0.11162 %	0.12004 %	0.12501 %
Proportionate share of the net pension liability	\$ 9,658,560	\$ 8,238,421	\$ 7,778,821
Covered payroll	\$ 3,283,720	\$ 3,173,477	\$ 3,173,477
Proportionate share of the net pension liability as a percentage of covered payroll	294.13 %	259.60 %	245.12 %
Plan fiduciary net position as a percentage of the total pension liability	74.06 %	78.40 %	79.82 %

CITY OF GRIDLEY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN
Prepared for the City's Miscellaneous and Cost Sharing Plan,
Cost Sharing Defined Benefit Pension Plan
As of June 30
Last 10 Years*

	Fiscal Year-End			
	2021	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ 1,294,223	\$ 1,128,141	\$ 1,023,639	\$ 947,355
Contributions in relation to the actuarially determined contributions	<u>1,294,223</u>	<u>1,128,141</u>	<u>1,023,639</u>	<u>947,355</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,042,512	\$ 4,428,698	\$ 3,112,973	\$ 3,406,797
Contributions as a percentage of covered payroll	32.02 %	25.47 %	32.88 %	27.81 %

* Schedule is intended to show information for ten years. Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown. Additional years' information will be displayed as it becomes available.

CITY OF GRIDLEY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN (CONTINUED)
 Prepared for the City's Miscellaneous and Cost Sharing Plan,
 Cost Sharing Defined Benefit Pension Plan
 As of June 30
 Last 10 Years*

	Fiscal Year-End		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 866,010	\$ 701,624	\$ 676,873
Contributions in relation to the actuarially determined contributions	<u>866,010</u>	<u>701,624</u>	<u>706,315</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(29,442)</u>
Covered payroll	\$ 3,365,579	\$ 3,283,720	\$ 3,173,477
Contributions as a percentage of covered payroll	25.73 %	21.37 %	22.26 %

CITY OF GRIDLEY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Measurement Periods Ended June 30

Last 10 Years*

	Measurement Period			
	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 165,106	\$ 171,325	\$ 12,650	\$ 12,401
Interest	211,318	206,796	159,756	158,069
Assumption changes	-	2,456,638	-	-
Difference between actual and expected experience	-	2,401,492	16,042	21,513
Adjustment	74,743	-	-	-
Benefit payments	<u>(84,534)</u>	<u>(161,908)</u>	<u>(141,637)</u>	<u>(148,050)</u>
Net change in total OPEB liability	366,633	5,074,343	46,811	43,933
Total OPEB liability, beginning	<u>9,654,441</u>	<u>4,580,098</u>	<u>4,533,287</u>	<u>4,489,354</u>
Total OPEB liability, ending	<u>\$ 10,021,074</u>	<u>\$ 9,654,441</u>	<u>\$ 4,580,098</u>	<u>\$ 4,533,287</u>
Covered employee payroll	\$ 842,742	\$ 826,218	\$ 2,780,632	\$ 2,726,110
City's total OPEB liability as a percentage of covered-employee payroll	11.89 %	11.69 %	1.65 %	1.66 %

Notes to Schedule:

Changes in assumptions - In 2021, there were no changes in assumptions. In 2020, the discount rate was changed from 3.58% to 2.21%, the trend rate was adjusted to reflect actual experience, mortality assumptions changed from SOA RP-2014 Total Dataset Mortality with Scale MP-2017 (Base Rate 2006) to SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Rate 2006) and retirement and termination assumptions were changed to reflect rates used by CalPERS.

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only four years are shown. Additional years' information will be displayed as it becomes available.

SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

The following funds are reported in total on the Governmental Fund Financial Statements under the column Other Governmental Funds.

SPECIAL REVENUE FUNDS

FEMA Reserve

This fund is used to account for the FEMA lease revenue.

General Impact Fee

The source of funding is a portion of the impact fees on new developments calculated in the City Fee Schedule. This fund is used for the CIP project per council approval.

Development Agreement Fee

The source of revenue is a portion of the impact fees on new developments calculated in a City fee schedule. The funds will be appropriated for CIP projects upon council approval.

M. Vierra Park

This fund is used to account for the grant funding for the development of M. Vierra Park.

Public Financing Authority

The Council members are the officers of the Public Financing Authority. It was established to review and authorize the issuance of bonds. The fund has de minimis activities.

SB 325

This fund is used to account for receipts and expenditures of monies apportioned for street and road sweeping, repairs, maintenance and other street projects under the street and highway code 2105, 2016, 2107 and 2107.5 of the State of California.

SB 1

This fund is used to account for receipts and expenditures of gas tax funds for road repair and maintenance under the California rehab program.

Traffic Safety

This fund is used to account for receipts of motor vehicle-fines and forfeitures expended for traffic projects.

Railroad Maintenance

This fund is used to account for expenses related to repairs for the railroad and intersecting streets.

Public Safety Augmentation

This fund is used to account for receipts and expenditure related to safety expenses.

Planning and Development

This fund is used to account for the City's participation in the Community Development Block Grant programs, which provides loans to rehab low income housing and First Time home buyers (generally low income).

Solid Waste - Recreation

This fund is used for purchasing beverage trash containers located throughout the City right-of-way and public parks.

Gas Tax

This fund is used to account for receipts and expenditures of monies apportioned for street and road sweeping, repairs, maintenance and other street projects under the street and highway code 2105, 2016, 2107 and 2107.5 of the State of California.

Butte Interagency Narcotics Task Force (BINTF)

This fund is used to account for the contribution of funds and service to BINTF.

NON-MAJOR GOVERNMENTAL FUNDS

Maintenance Districts

The funds are used to account for the receipts and expenditures of four districts within the City limit. The assessment of districts is the source of funding.

04-STBG-1961

This fund is used to account for CDBG rehab projects.

05-PTAA-1446

This fund is used to account for Planning and Technical Assistance Grant projects (Visitors Center and Electrical Distribution Studies).

Police Explorer

The fund is used to pay the expenditures related to youth program. Donations and fund raising is the source of funding.

K-9 - Donations & Expenses

The fund is used to account for City donation's and expenses.

Recreation Related

The fund is used to pay the expenditures related to recreational activities funded through the annual budget.

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	Special Revenue Funds				
	FEMA Reserve	General Impact Fee	Development Agreement Fee	M. Vierra Park	Public Financing Authority
<u>ASSETS</u>					
Cash and investments	\$ 466,971	\$ 734,801	\$ 11,932	\$ 28,934	\$ -
Accounts receivable	-	-	-	-	-
Interest receivable	133	208	3	7	-
Taxes receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total Assets	\$ 467,104	\$ 735,009	\$ 11,935	\$ 28,941	\$ -
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and benefits	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total Liabilities	-	-	-	-	-
FUND BALANCES (DEFICITS):					
Restricted	467,104	735,009	11,935	28,941	-
Unassigned	-	-	-	-	-
Total Fund Balances (Deficits)	467,104	735,009	11,935	28,941	-
Total Liabilities and Fund Balances (Deficits)	\$ 467,104	\$ 735,009	\$ 11,935	\$ 28,941	\$ -

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (continued)
JUNE 30, 2021

	Special Revenue Funds				
	<u>SB 325</u>	<u>SB 1</u>	<u>Traffic Safety</u>	<u>Railroad Maintenance</u>	<u>Public Safety Augmentation</u>
<u>ASSETS</u>					
Cash and investments	\$ -	\$ 357,886	\$ 17,347	\$ 11,046	\$ 114,197
Accounts receivable	76,387	-	1,887	-	-
Interest receivable	9	102	-	3	29
Taxes receivable	-	-	1,381	-	2,785
Due from other funds	200,627	-	-	-	-
Due from other governments	-	22,242	-	-	-
	<u>-</u>	<u>22,242</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 277,023</u>	<u>\$ 380,230</u>	<u>\$ 20,615</u>	<u>\$ 11,049</u>	<u>\$ 117,011</u>
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>					
LIABILITIES:					
Accounts payable	\$ 6,970	\$ -	\$ 4,784	\$ -	\$ -
Accrued payroll and benefits	-	-	-	-	-
Due to other funds	116,963	-	74,688	-	-
	<u>123,933</u>	<u>-</u>	<u>79,472</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>123,933</u>	<u>-</u>	<u>79,472</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS):					
Restricted	153,090	380,230	-	11,049	117,011
Unassigned	-	-	(58,857)	-	-
	<u>-</u>	<u>-</u>	<u>(58,857)</u>	<u>-</u>	<u>-</u>
Total Fund Balances (Deficits)	<u>153,090</u>	<u>380,230</u>	<u>(58,857)</u>	<u>11,049</u>	<u>117,011</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 277,023</u>	<u>\$ 380,230</u>	<u>\$ 20,615</u>	<u>\$ 11,049</u>	<u>\$ 117,011</u>

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (continued)
JUNE 30, 2021

	Special Revenue Funds				
	Planning and Development	Solid Waste - Recreation	Gas Tax	Butte Interagency Narcotics Task Force	Maintenance Districts
<u>ASSETS</u>					
Cash and investments	\$ -	\$ -	\$ -	\$ 4,155	\$ 140,149
Accounts receivable	-	-	-	-	-
Interest receivable	-	-	79	-	55
Taxes receivable	-	-	4,214	-	1,892
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total Assets	\$ -	\$ -	\$ 4,293	\$ 4,155	\$ 142,096
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>					
LIABILITIES:					
Accounts payable	\$ 17,015	\$ -	\$ 4,817	\$ -	\$ 3,960
Accrued payroll and benefits	-	-	-	-	1
Due to other funds	<u>986,186</u>	<u>57,646</u>	<u>354,906</u>	-	-
Total Liabilities	<u>1,003,201</u>	<u>57,646</u>	<u>359,723</u>	-	<u>3,961</u>
FUND BALANCES (DEFICITS):					
Restricted	-	-	-	4,155	138,135
Unassigned	<u>(1,003,201)</u>	<u>(57,646)</u>	<u>(355,430)</u>	-	-
Total Fund Balances (Deficits)	<u>(1,003,201)</u>	<u>(57,646)</u>	<u>(355,430)</u>	<u>4,155</u>	<u>138,135</u>
Total Liabilities and Fund Balances (Deficits)	\$ -	\$ -	\$ 4,293	\$ 4,155	\$ 142,096

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (continued)
JUNE 30, 2021

	Special Revenue Funds					Total Non-major Governmental Funds
	04-STBG- 1961	05-PTAA- 1446	Police Explorer	K-9 Donations & Expenses	Recreation Related	
ASSETS						
Cash and investments	\$ -	\$ -	\$ 653	\$ 1,643	\$ -	\$ 1,889,714
Accounts receivable	-	-	-	-	-	78,274
Interest receivable	-	-	-	1	-	629
Taxes receivable	-	-	-	-	-	10,272
Due from other funds	-	-	-	-	-	200,627
Due from other governments	-	-	-	-	-	22,242
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 653</u>	<u>\$ 1,644</u>	<u>\$ -</u>	<u>\$ 2,201,758</u>
LIABILITIES AND FUND BALANCES (DEFICITS)						
LIABILITIES:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 998	\$ 38,544
Accrued payroll and benefits	-	-	-	-	-	1
Due to other funds	-	-	-	-	1,410,503	3,000,892
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,411,501</u>	<u>3,039,437</u>
FUND BALANCES (DEFICITS):						
Restricted	-	-	653	1,644	-	2,048,956
Unassigned	-	-	-	-	(1,411,501)	(2,886,635)
Total Fund Balances (Deficits)	<u>-</u>	<u>-</u>	<u>653</u>	<u>1,644</u>	<u>(1,411,501)</u>	<u>(837,679)</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 653</u>	<u>\$ 1,644</u>	<u>\$ -</u>	<u>\$ 2,201,758</u>

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds				
	FEMA Reserve	General Impact Fee	Development Agreement Fee	M. Vierra Park	Public Financing Authority
<u>REVENUES</u>					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	354	626	8	19	-
Charges for services	-	32,460	-	-	-
Contributions	-	-	-	-	-
Other revenue	-	-	-	-	-
Total Revenues	354	33,086	8	19	-
<u>EXPENDITURES</u>					
Current:					
Public safety	-	-	-	-	-
Streets and public works	-	-	-	-	-
Community development	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	20	-	-	-
Total Expenditures	-	20	-	-	-
Excess (Deficiency) of Revenues over Expenditures	354	33,066	8	19	-
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	-	258
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	258
Net change in fund balances	354	33,066	8	19	258
Fund balances (deficits) -					
July 1, 2020	466,750	701,943	11,927	28,922	(258)
Prior period adjustment (Note 15)	-	-	-	-	-
Fund balances - July 1, 2020, restated	466,750	701,943	11,927	28,922	(258)
Fund balances (deficits) -					
June 30, 2021	\$ 467,104	\$ 735,009	\$ 11,935	\$ 28,941	\$ -

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds				
	SB 325	SB 1	Traffic Safety	Railroad Maintenance	Public Safety Augmentation
<u>REVENUES</u>					
Taxes and assessments	\$ 183,968	\$ 122,058	\$ -	\$ -	\$ -
Licenses, permits, and fees	-	-	-	-	24,442
Fines and forfeitures	-	-	12,037	-	-
Use of money and property	(816)	566	-	8	173
Charges for services	-	-	-	-	-
Contributions	-	-	-	-	-
Other revenue	-	-	-	-	-
Total Revenues	<u>183,152</u>	<u>122,624</u>	<u>12,037</u>	<u>8</u>	<u>24,615</u>
<u>EXPENDITURES</u>					
Current:					
Public safety	-	-	-	-	-
Streets and public works	449,720	-	20,989	-	-
Community development	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	<u>6,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>456,196</u>	<u>-</u>	<u>20,989</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(273,044)</u>	<u>122,624</u>	<u>(8,952)</u>	<u>8</u>	<u>24,615</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(273,044)</u>	<u>122,624</u>	<u>(8,952)</u>	<u>8</u>	<u>24,615</u>
Fund balances (deficits) -					
July 1, 2020	310,585	247,508	(49,905)	11,041	92,396
Prior period adjustment (Note 15)	<u>115,549</u>	<u>10,098</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - July 1, 2020, restated	<u>426,134</u>	<u>257,606</u>	<u>(49,905)</u>	<u>11,041</u>	<u>92,396</u>
Fund balances (deficits) -					
June 30, 2021	<u>\$ 153,090</u>	<u>\$ 380,230</u>	<u>\$ (58,857)</u>	<u>\$ 11,049</u>	<u>\$ 117,011</u>

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds				
	Planning and Development	Solid Waste - Recreation	Gas Tax	Butte Interagency Narcotics Task Force	Maintenance Districts
<u>REVENUES</u>					
Taxes and assessments	\$ -	\$ -	\$ 152,592	\$ -	\$ -
Licenses, permits, and fees	28,050	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	1	-	251	-	216
Charges for services	-	-	-	-	-
Contributions	-	-	-	-	-
Other revenue	-	-	-	-	-
Total Revenues	28,051	-	152,843	-	216
<u>EXPENDITURES</u>					
Current:					
Public safety	-	-	-	-	-
Streets and public works	-	-	297,506	-	132,903
Community development	201,020	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	3,306	-	-
Total Expenditures	201,020	-	300,812	-	132,903
Excess (Deficiency) of Revenues over Expenditures	(172,969)	-	(147,969)	-	(132,687)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net change in fund balances	(172,969)	-	(147,969)	-	(132,687)
Fund balances (deficits) - July 1, 2020	(830,232)	(57,646)	(127,002)	4,155	270,822
Prior period adjustment (Note 15)	-	-	(80,459)	-	-
Fund balances - July 1, 2020, restated	(830,232)	(57,646)	(207,461)	4,155	270,822
Fund balances (deficits) - June 30, 2021	<u>\$ (1,003,201)</u>	<u>\$ (57,646)</u>	<u>\$ (355,430)</u>	<u>\$ 4,155</u>	<u>\$ 138,135</u>

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds					Total Non-major Governmental Funds
	04-STBG- 1961	05-PTAA- 1446	Police Explorer	K-9 Donations & Expense	Recreation Related	
<u>REVENUES</u>						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 458,618
Licenses, permits, and fees	-	-	-	-	17,635	70,127
Fines and forfeitures	-	-	-	-	-	12,037
Use of money and property	-	-	(2)	(1)	1	1,404
Charges for services	-	-	-	(933)	-	31,527
Contributions	-	-	-	-	1,080	1,080
Other revenue	-	-	-	1,200	391	1,591
Total Revenues	-	-	(2)	266	19,107	576,384
<u>EXPENDITURES</u>						
Current:						
Public safety	-	-	-	2,325	-	2,325
Streets and public works	-	-	-	-	-	901,118
Community development	-	-	-	-	-	201,020
Parks and recreation	-	-	-	-	29,429	29,429
Capital outlay	-	-	-	-	-	9,802
Total Expenditures	-	-	-	2,325	29,429	1,143,694
Excess (Deficiency) of Revenues over Expenditures	-	-	(2)	(2,059)	(10,322)	(567,310)
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers in	9	-	-	-	-	267
Transfers out	-	(1)	-	-	-	(1)
Total Other Financing Sources (Uses)	9	(1)	-	-	-	266
Net change in fund balances	9	(1)	(2)	(2,059)	(10,322)	(567,044)
Fund balances (deficits) - July 1, 2020	(9)	1	655	3,703	(1,401,179)	(315,823)
Prior period adjustment (Note 15)	-	-	-	-	-	45,188
Fund balances - July 1, 2020, restated	(9)	1	655	3,703	(1,401,179)	(270,635)
Fund balances (deficits) - June 30, 2021	\$ -	\$ -	\$ 653	\$ 1,644	\$ (1,411,501)	\$ (837,679)

CITY OF GRIDLEY
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2021

	<u>Drainage Fund</u>	<u>Solid Waste Fund</u>	<u>Senior Tax Fund</u>	<u>Totals</u>
<u>ASSETS</u>				
Current Assets				
Cash and investments	\$ 2,734	\$ 5,955	\$ 367,535	\$ 376,224
Accounts receivable, net	-	-	377	377
Interest receivable	<u>1</u>	<u>2</u>	<u>29</u>	<u>32</u>
Total Current Assets	<u>2,735</u>	<u>5,957</u>	<u>367,941</u>	<u>376,633</u>
Capital Assets				
Depreciable, net	<u>-</u>	<u>-</u>	<u>19,905</u>	<u>19,905</u>
Total Capital Assets	<u>-</u>	<u>-</u>	<u>19,905</u>	<u>19,905</u>
Total Assets	<u>2,735</u>	<u>5,957</u>	<u>387,846</u>	<u>396,538</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Related to net pension liability	<u>-</u>	<u>-</u>	<u>48,751</u>	<u>48,751</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	-	-	378	378
Accrued expenses	-	-	3,406	3,406
Due to other funds	-	-	329,029	329,029
Unearned revenue	<u>-</u>	<u>5,001</u>	<u>-</u>	<u>5,001</u>
Total Current Liabilities	<u>-</u>	<u>5,001</u>	<u>332,813</u>	<u>337,814</u>
Non-Current Liabilities				
Compensated absences	-	-	31,126	31,126
Net pension liability	<u>-</u>	<u>-</u>	<u>231,323</u>	<u>231,323</u>
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>262,449</u>	<u>262,449</u>
Total Liabilities	<u>-</u>	<u>5,001</u>	<u>595,262</u>	<u>600,263</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Related to net pension liability	<u>-</u>	<u>-</u>	<u>7,412</u>	<u>7,412</u>
<u>NET POSITION</u>				
Net investment in capital assets	-	-	19,905	19,905
Unrestricted	<u>2,735</u>	<u>956</u>	<u>(185,982)</u>	<u>(182,291)</u>
Total Net Position	<u>\$ 2,735</u>	<u>\$ 956</u>	<u>\$ (166,077)</u>	<u>\$ (162,386)</u>

CITY OF GRIDLEY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Drainage Fund</u>	<u>Solid Waste Fund</u>	<u>Senior Taxi Fund</u>	<u>Totals</u>
<u>OPERATING REVENUES</u>				
Charges for services	\$ -	\$ -	\$ 5,088	\$ 5,088
Intergovernmental revenues	-	-	95,500	95,500
Other revenue	-	-	3,879	3,879
Total Operating Revenue	<u>-</u>	<u>-</u>	<u>104,467</u>	<u>104,467</u>
<u>OPERATING EXPENSES</u>				
Salaries and benefits	-	-	103,095	103,095
Materials, supplies, and operational expenses	-	-	5,084	5,084
Repairs and maintenance	-	-	482	482
Contractual services	-	-	443	443
Administration	-	-	906	906
Depreciation and amortization	-	-	6,636	6,636
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>116,646</u>	<u>116,646</u>
Operating Income	<u>-</u>	<u>-</u>	<u>(12,179)</u>	<u>(12,179)</u>
<u>NON-OPERATING REVENUES</u>				
Interest income	<u>3</u>	<u>6</u>	<u>25</u>	<u>34</u>
Total Non-Operating Revenues	<u>3</u>	<u>6</u>	<u>25</u>	<u>34</u>
Change in net position	<u>3</u>	<u>6</u>	<u>(12,154)</u>	<u>(12,145)</u>
Net Position - July 1, 2020	2,732	950	(45,293)	(41,611)
Prior Period Adjustment (Note 15)	<u>-</u>	<u>-</u>	<u>(108,630)</u>	<u>(108,630)</u>
Net Position - July 1, 2020, restated	<u>2,732</u>	<u>950</u>	<u>(153,923)</u>	<u>(150,241)</u>
Net Position - June 30, 2021	<u>\$ 2,735</u>	<u>\$ 956</u>	<u>\$ (166,077)</u>	<u>\$ (162,386)</u>

CITY OF GRIDLEY
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Drainage Fund</u>	<u>Solid Waste Fund</u>	<u>Senior Tax Fund</u>	<u>Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash received from customers	\$ -	\$ -	\$ 104,090	\$ 104,090
Cash paid to suppliers	-	-	(7,123)	(7,123)
Cash paid to employees	-	-	(74,507)	(74,507)
Net Cash Provided by Operating Activities	-	-	22,460	22,460
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Due from other funds	-	-	220,399	220,399
Net Cash Provided by Non-Capital Financing Activities	-	-	220,399	220,399
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest and dividends	6	13	189	208
Net Cash Provided by Investing Activities	6	13	189	208
Net Increase in Cash and Cash Equivalents	6	13	243,048	243,067
Cash and Cash Equivalents - July 1, 2020	2,728	5,942	124,487	133,157
Cash and Cash Equivalents - June 30, 2021	<u>\$ 2,734</u>	<u>\$ 5,955</u>	<u>\$ 367,535</u>	<u>\$ 376,224</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>				
Operating loss	\$ -	\$ -	\$ (12,179)	\$ (12,179)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	-	-	6,636	6,636
Pension expense	-	-	4,231	4,231
Changes in assets and liabilities:				
Decrease in accounts receivable	-	-	(377)	(377)
Decrease in accounts payable	-	-	(208)	(208)
Decrease in accrued expenses	-	-	(2,192)	(2,192)
Increase in compensated absences	-	-	26,549	26,549
Net Cash Provided by Operating Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,460</u>	<u>\$ 22,460</u>

CITY OF GRIDLEY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2021

	<u>Main Trust</u>	<u>Successor Agency</u>	<u>Total Private Purpose Trust Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 12,831	\$ 719,498	\$ 732,329
Restricted cash and investments	-	381,393	381,393
Interest receivable	4	-	4
Capital assets, non-depreciable	<u>-</u>	<u>1,302,116</u>	<u>1,302,116</u>
Total Assets	<u>12,835</u>	<u>2,403,007</u>	<u>2,415,842</u>
<u>LIABILITIES</u>			
Accounts payable and other liabilities	-	136	136
Interest payable	-	258,271	258,271
Advances from the City	-	426,868	426,868
Long-term liabilities	<u>-</u>	<u>4,230,242</u>	<u>4,230,242</u>
Total Liabilities	<u>-</u>	<u>4,915,517</u>	<u>4,915,517</u>
<u>NET POSITION</u>			
Held in trust for private purposes	<u>\$ 12,835</u>	<u>\$ (2,512,510)</u>	<u>\$ (2,499,675)</u>

CITY OF GRIDLEY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Main Trust</u>	<u>Successor Agency</u>	<u>Total Private Purpose Trust Funds</u>
<u>ADDITIONS</u>			
Property taxes	\$ -	\$ 580,609	\$ 580,609
Use of money and property	<u>9</u>	<u>6,807</u>	<u>6,816</u>
Total Additions	<u>9</u>	<u>587,416</u>	<u>587,425</u>
<u>DEDUCTIONS</u>			
Administrative expense	-	36,037	36,037
Interest costs	<u>-</u>	<u>287,095</u>	<u>287,095</u>
Total Deductions	<u>-</u>	<u>323,132</u>	<u>323,132</u>
Changes in Net Position	9	264,284	264,293
Net Position - July 1, 2020	<u>12,826</u>	<u>(2,776,794)</u>	<u>(2,763,968)</u>
Net Position - June 30, 2021	<u>\$ 12,835</u>	<u>\$ (2,512,510)</u>	<u>\$ (2,499,675)</u>

CITY OF GRIDLEY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2021

	<u>Gridley Bid Fund</u>	<u>Hospital JPA Administration Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash and investments	\$ <u>61</u>	\$ <u>2</u>	\$ <u>63</u>
Total Assets	<u>61</u>	<u>2</u>	<u>63</u>
<u>NET POSITION</u>			
Net position restricted for individuals, organizations and other governments	<u>61</u>	<u>2</u>	<u>63</u>
Total Net Position	<u>\$ <u>61</u></u>	<u>\$ <u>2</u></u>	<u>\$ <u>63</u></u>

CITY OF GRIDLEY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Gridley Bid Fund</u>	<u>Hospital JPA Administration Fund</u>	<u>Total</u>
<u>ADDITIONS</u>			
Interest income	\$ <u>-</u>	\$ <u>2</u>	\$ <u>2</u>
Total Additions	<u>-</u>	<u>2</u>	<u>2</u>
<u>DEDUCTIONS</u>			
Professional services	<u>-</u>	<u>496</u>	<u>496</u>
Total Deductions	<u>-</u>	<u>496</u>	<u>496</u>
Change in fiduciary net position	-	(494)	(494)
Fiduciary Net Position - Beginning, Restated	<u>61</u>	<u>496</u>	<u>557</u>
Fiduciary Net Position - Ending	\$ <u><u>61</u></u>	\$ <u><u>2</u></u>	\$ <u><u>63</u></u>

CITY OF GRIDLEY
GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2021

	General Fund	GF Reserve Fund	Well Fund	City Hall Reserve Fund	Equipment Reserve Fund	Sick Leave Payout Reserve Fund	Total General Fund
ASSETS							
Cash and investments	\$ 4,371,493	\$ 1,140,433	\$ 40,507	\$ 150,780	\$ 2,497,371	\$ 176,447	\$ 8,377,031
Accounts receivable	520,279	-	-	-	4,942	-	525,221
Interest receivable	1,252	81	12	49	701	51	2,146
Taxes receivable	310,367	-	-	-	-	-	310,367
Due from other funds	3,129,294	-	-	-	-	-	3,129,294
Prepaid items	84,534	-	-	-	-	-	84,534
Advances to fiduciary fund	176,868	-	-	-	-	-	176,868
Total Assets	<u>\$ 8,594,087</u>	<u>\$ 1,140,514</u>	<u>\$ 40,519</u>	<u>\$ 150,829</u>	<u>\$ 2,503,014</u>	<u>\$ 176,498</u>	<u>\$ 12,605,461</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued liabilities	\$ 350,620	\$ -	\$ -	\$ 13,432	\$ 9,599	\$ -	\$ 373,651
Accrued payroll and benefits	32,755	-	-	-	-	-	32,755
Unearned revenue	19,100	-	-	-	-	-	19,100
Deposits payable	350	-	-	-	-	-	350
Total Liabilities	<u>402,825</u>	<u>-</u>	<u>-</u>	<u>13,432</u>	<u>9,599</u>	<u>-</u>	<u>425,856</u>
FUND BALANCES							
Nonspendable	84,534	-	-	-	-	-	84,534
Committed	-	-	40,519	-	-	-	40,519
Assigned	-	1,140,514	-	137,397	2,493,415	176,498	3,947,824
Unassigned	8,106,728	-	-	-	-	-	8,106,728
Total Fund Balances	<u>8,191,262</u>	<u>1,140,514</u>	<u>40,519</u>	<u>137,397</u>	<u>2,493,415</u>	<u>176,498</u>	<u>12,179,605</u>
Total Liabilities and Fund Balances	<u>\$ 8,594,087</u>	<u>\$ 1,140,514</u>	<u>\$ 40,519</u>	<u>\$ 150,829</u>	<u>\$ 2,503,014</u>	<u>\$ 176,498</u>	<u>\$ 12,605,461</u>

CITY OF GRIDLEY
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>GF Reserve Fund</u>	<u>Well Fund</u>	<u>City Hall Reserve Fund</u>	<u>Equipment Reserve Fund</u>	<u>Sick Leave Payout Reserve Fund</u>	<u>Total General Fund</u>
REVENUES							
Taxes and assessments	\$ 3,015,986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,015,986
License, permits, and fees	69,996	-	-	-	-	-	69,996
Fines and forfeitures	7,226	-	-	-	-	-	7,226
Use of money and property	13,128	217	31	(60)	1,805	135	15,256
Intergovernmental	2,102,998	-	-	-	-	-	2,102,998
Charges for services	607,726	-	-	-	-	-	607,726
Recreation and event fees	17,075	-	-	-	-	-	17,075
Insurance proceeds	3,641	-	-	-	-	-	3,641
Other revenues	23,909	-	-	-	-	-	23,909
Total Revenues	5,861,685	217	31	(60)	1,805	135	5,863,813
EXPENDITURES							
Current:							
General administration	75,668	-	-	26,810	285	-	102,763
Public safety	4,015,102	-	-	(1)	-	-	4,015,101
Streets and public works	294,407	-	-	-	-	-	294,407
Community development	153,457	-	-	-	-	-	153,457
Parks and recreation	131,409	-	-	-	-	-	131,409
Capital outlay	132,951	-	-	94,584	34,810	-	262,345
Total Expenditures	4,802,994	-	-	121,393	35,095	-	4,959,482
Excess (Deficiency) of Revenues over Expenditures	1,058,691	217	31	(121,453)	(33,290)	135	904,331
OTHER FINANCING SOURCES (USES)							
Transfers in	1,579,341	855,917	-	-	-	-	2,435,258
Transfers out	(856,184)	-	-	-	-	-	(856,184)
Total Other Financing Sources (Uses)	723,157	855,917	-	-	-	-	1,579,074
Net Change in Fund Balances	1,781,848	856,134	31	(121,453)	(33,290)	135	2,483,405
Fund Balances - July 1, 2020	6,467,894	284,380	40,488	258,850	2,526,705	176,363	9,754,680
Prior Period Adjustment (Note 15)	(58,480)	-	-	-	-	-	(58,480)
Fund Balances - June 30, 2021	\$ 8,191,262	\$ 1,140,514	\$ 40,519	\$ 137,397	\$ 2,493,415	\$ 176,498	\$ 12,179,605

**CITY OF GRIDLEY
SINGLE AUDIT AND OTHER REPORTS
FOR THE YEAR ENDED
JUNE 30, 2021**

**MUN CPAs, LLP
1760 CREEKSIDE OAKS DRIVE, SUITE 160
SACRAMENTO, CALIFORNIA 95833**

**CITY OF GRIDLEY
SINGLE AUDIT AND RELATED REPORTS
FOR THE YEAR ENDED JUNE 30, 2021**

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

To the City Council of
the City of Gridley
Gridley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gridley, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Gridley's basic financial statements, and have issued our report thereon dated December 5, 2023.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-002 and 2021-003 to be significant deficiencies.

Compliance and Other Matters

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

City of Gridley's Response to Findings

City of Gridley's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Gridley's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MUN CPAs, LLP

Sacramento, California
December 5, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the City Council of
the City of Gridley
Gridley, California

Report on Compliance for Each Major Federal Program

We have audited the City of Gridley's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Gridley's major federal programs for the year ended June 30, 2021. City of Gridley's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Gridley's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Gridley's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Gridley's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Gridley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-004 and 2021-005. Our opinion on each major federal program is not modified with respect to these matters.

City of Gridley's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Gridley's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the City of Gridley, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Gridley's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Gridley's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gridley, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Gridley's basic financial statements. We issued our report thereon dated December 5, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

MUN CPAs, LLP

Sacramento, California
December 5, 2023

**CITY OF GRIDLEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/Pass-Through Grantor Program</u>	<u>Federal Assistance Listing (AL) Number</u>	<u>Pass-Through Entity Identifying Number/Grant Number</u>	<u>Federal Expenditures</u>
U.S Department of Transportation			
Pass-Through California Department of Transportation:			
Highway Planning and Construction	20.205	03-5140F15	<u>\$ 65,294</u>
Total U.S. Department of Transportation			<u>65,294</u>
U.S Department of the Treasury			
Pass-Through California Department of Finance:			
Coronavirus Relief Fund	21.019	OIG-CA-20-028	<u>79,062</u>
Total U.S. Department of the Treasury			<u>79,062</u>
U.S Department of Housing and Urban Development			
Pass-Through California Department of Housing and Community Development:			
Community Development Block Grants	14.228	17-CDBG-12015	347,296
Community Development Block Grants	14.228	Beginning Loan Balance	<u>1,775,128</u>
Total Community Development Block Grants			<u>2,122,424</u>
HOME Investment Partnerships Program	14.239	Beginning Loan Balance	<u>7,791,817</u>
Total U.S. Department of Housing and Urban Development			<u>9,914,241</u>
U.S. Department of Agriculture			
Pass-Through California Department of Forestry and Fire Protection:			
Cooperative Forestry Assistance	10.664	7FG20020	<u>4,942</u>
Total U.S. Department of Agriculture			<u>4,942</u>
U.S Environmental Protection Agency			
Pass-Through State Water Resources Control Board:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	D190102400	<u>200,532</u>
Total U.S. Environmental Protection Agency			<u>200,532</u>
U.S Department of Homeland Security			
Direct Program:			
Staffing for Adequate Fire and Emergency Response	97.083	-	<u>405,255</u>
Total U.S. Department of Homeland Security			<u>405,255</u>
Total Expenditures of Federal Awards			<u><u>\$ 10,669,326</u></u>

**CITY OF GRIDLEY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1: REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Gridley. The City of Gridley reporting entity is defined in Note 1 of the City's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule. When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on accounting principles generally accepted in the United States of America. The information in this schedule is presented on the accrual basis of accounting and in accordance with requirements of Title 2, U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the City's basic financial statements. Federal award revenues are reported principally in the City's financial statements as intergovernmental revenues in the governmental funds.

NOTE 4: CLAIMS

The City of Gridley has received federal grants for specific purposes that are subject to review and audit by the Federal Government pass-through entity. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material which have not already been recorded.

NOTE 5: INDIRECT COSTS

The City elected not to use the 10% de minimus indirect cost rate, and did not charge indirect costs to federal grants during the year ended June 30, 2021.

NOTE 6: LOANS OUTSTANDING

The programs listed below had the following aggregate Federally funded loans outstanding as of June 30, 2021:

<u>Federal AL Number</u>	<u>Program Title</u>	<u>Amount Outstanding</u>
14.228	Community Development Block Grants	\$ 1,989,491
14.239	HOME Investment Partnership Program	<u>7,784,913</u>
		<u>\$ 9,774,404</u>

**CITY OF GRIDLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(es) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance?	Yes
Identification of Major Programs:	
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii, AL 14.228	
HOME Investment Partnerships Program, AL - 14.239	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**CITY OF GRIDLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION II: FINANCIAL STATEMENT FINDINGS

Findings related to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards:

Finding 2021-001 Financial Close (Material Weakness - Repeat Finding)

Criteria

An effective internal control system and timely financial reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

Condition

During the performance of the audit, processes utilized for closing and reporting of financial activity for the fiscal year were not effective, which contributed to the delayed accounting close of the City's trial balances and unpreparedness for the audit. The year-end audit for the June 30, 2021 fiscal year-end began in December 2022 and in April 2023, the City provided a revised version of the trial balance to be audited.

Cause

Due to personnel turnover, the City did not have adequate controls in place to ensure accounting records were closed timely and accurately.

Effect

The financial statements as presented to the auditors contained material misstatements that required adjustments.

Recommendation

We recommend the City institute a program to methodically identify and document its significant operational and accounting processes. Documenting a process involves identifying and gaining an understanding of the events or transactions that trigger performance of the process, the automated or manual procedures used in performing the process, the person(s) or positions(s) responsible for performing the procedures, the source documents used or generated, the procedures for approval, review, and correction of any errors detected, and the financial or operational entries or reports summarizing the result of the process.

We further recommend the City develop checklists or other guidance documents over the City's closing process to ensure all closing entries are captured in the City's general ledger in a timely manner, and supporting schedules agree and reconcile to respective account balances prior to the trial balance being provided for the audit.

Views of Responsible Officials

The City experienced significant staffing turnover and had recently transitioned to new financial software which was the primary focus of testing conversion data. The City has since hired staff and has been establishing an internal process to train newly appointed staff which encompasses internal routine financial close.

**CITY OF GRIDLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT YEAR FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2021**

Finding 2021-002 Negative pooled cash balances (Significant Deficiency - Repeat Finding)

Criteria

An effective internal control system and timely financial reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulation.

Condition

During our audit procedures to test cash and pooled cash balances, we identified the following:

- We noted 32 funds as of year-end which contained negative pooled cash balances. Fifteen of these funds reported the same negative pooled cash balance in the prior year. This resulted in management proposing a significant number of adjustments to record due to/due from entries to offset the negative pooled cash balances and many of these adjustments were repeat adjustments from the prior year.
- We noted a difference between pooled cash reported in the Pooled Cash fund and the total pooled cash reported in all other funds combined.

Cause

The City does not have adequate controls in place to effectively monitor pooled cash balances for individual funds.

Effect

The financial statements as presented to the auditors contained misstatements that required adjustment.

Recommendation

- Management needs to perform procedures to review all funds with negative pooled cash balances and determine if the negative balances and due to/due from entries are appropriate. A due to/due from balance should only be recorded for less than one year. If a due to/due from is recorded for longer than one year, the due to/due from needs to be converted to a formal loan agreement between the funds.
- Management needs to improve the City's pooled cash reconciliation process to ensure that pooled cash reported in the Pooled Cash fund is equally offset by pooled cash reported in all other funds combined.

Views of Responsible Officials

The City is currently looking at consolidating funds based on the nature of the fund and the restriction of the revenue stream. For those that cannot be consolidated, the City will seek direction from the City Council.

CITY OF GRIDLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT YEAR FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

Finding 2021-003 Funds with negative fund balances and no current year activity (Significant Deficiency - Repeat Finding)

Criteria

GASB 54: *Fund Balance Reporting and Governmental Fund Type Definitions*, defines special revenue funds as funds used to report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes, other than capital projects or debt service. In addition, per paragraph 31, a government should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

Condition

During our audit procedures, we noted that the City's general ledger contains multiple funds designated as special revenue funds which either have had no activity for multiple years, have negative pooled cash balances, have a negative fund balance, or a combination of these three issues. There are several special revenue funds which have one or more of these characteristics.

Cause

The City did not assess the requirements of GASB 54 as they apply to special revenue funds.

Effect

The financial statements as presented to the auditors contained misstatements that required adjustment. The City's financial statements also may not be in compliance with GASB 54.

Recommendation

Management needs to perform procedures to review all open funds in the City and close funds which no longer have activity or a purpose. If there are special revenue funds with negative cash balances which should remain open, management needs to determine if the revenue source for which the fund was opened still exists, or if the General Fund is inappropriately financing the activity of the fund. If the City no longer expects that a substantial portion of the inflows will derive from restricted or committed resources, the fund should be closed and the remaining resources should be reported in the General Fund.

Views of Responsible Officials

The City is currently looking at consolidating funds based on the nature of the fund and the restriction on the revenue stream. For those that cannot be consolidated, the City will seek direction from the City Council.

**CITY OF GRIDLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT YEAR FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings and questioned costs for Federal Awards, which includes audit findings as defined in Section 200.516 of the Uniform Guidance.

Finding 2021-004 Federal Grant Procedures Manual (Uniform Guidance Compliance - Repeat Finding)

Criteria

Office of Management and Budget (OMB), Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), subpart D, sections 200.317 - 200.326.

Condition

The City has not updated their procurement policy in accordance with the Uniform Guidance standards.

Cause

City management was unaware of the Uniform Guidance procurement requirements and implementation dates.

Effect

The City's procurement policies and procedures are not in compliance with the Uniform Guidance.

Recommendation

We recommend the City review the Uniform Guidance procurement requirements and update their policy.

Views of Responsible Officials

The City will in the future update Federal Grant Procedures Manual.

**CITY OF GRIDLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT YEAR FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2021**

Finding 2021-005 Financial Reporting Timeliness (Uniform Guidance Compliance - Repeat Finding)

Criteria

In accordance with CFR section 200.512 of the Uniform Guidance, the audit must be completed and the data collection form and reporting package must be submitted to the Federal Audit Clearinghouse within the earlier of 30 calendar days after receipt of the auditor's report(s) or nine months after the end of the audit period. In accordance with OMB Memo M-20-26, and due to the coronavirus, an extension of six months beyond the normal due date was granted for submission of the audit, data collection form, and reporting package.

Condition

The 2021 Single Audit reporting package and data collection form have not been submitted to the Federal Audit Clearinghouse by the original deadline of March 31, 2022, nor the extended deadline of September 30, 2022.

Cause

There were various issues which caused delays in the completion of the 2021 annual audit.

Effect

The filing of the Single Audit Reporting package and data collection form is past the due date.

Recommendation

As noted in recommendation 2021-001, we recommend the City strive to close the year-end with properly prepared reconciliations within 3 - 4 months after year-end in order to complete the annual financial audit timely.

Views of Responsible Officials

The City experienced significant staffing turnover and had recently transitioned to new financial software which was the primary focus of testing conversion data. The City has since hired staff and has been establishing an internal process to train newly appointed staff which encompasses internal routine financial close. Now that the City is fully staffed up, the City will continue to catch up on audits to bring them current.

**CITY OF GRIDLEY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

Finding 2020-001 Financial Close (Material Weakness)

Condition

During the performance of the audit, processes utilized for closing and reporting of financial activity for the fiscal year were not effective, which contributed to the delayed accounting close of the City's trial balances and unpreparedness for the audit. The year-end audit for the June 30, 2020 fiscal year-end began in February 2021 and in July 2021, the City provided a revised version of the trial balance to be audited.

Recommendation

We recommend the City institute a program to methodically identify and document its significant operational and accounting processes. Documenting a process involves identifying and gaining an understanding of the events or transactions that trigger performance of the process, the automated or manual procedures used in performing the process, the person(s) or positions(s) responsible for performing the procedures, the source documents used or generated, the procedures for approval, review, and correction of any errors detected, and the financial or operational entries or reports summarizing the result of the process.

We further recommend the City develop checklists or other guidance documents over the City's closing process to ensure all closing entries are captured in the City's general ledger in a timely manner, and supporting schedules agree and reconcile to respective account balances prior to the trial balance being provided for the audit.

Status

Not implemented

Finding 2020-002 Negative pooled cash balances (Significant Deficiency - Repeat Finding)

Condition

During our audit procedures to test cash and pooled cash balances, we identified the following:

- We noted 28 funds as of year-end which contained negative pooled cash balances. Sixteen of these funds reported the same negative pooled cash balance in the prior year. This resulted in management proposing a significant number of adjustments to record due to/due from entries to offset the negative pooled cash balances and many of these adjustments were repeat adjustments from the prior year.
- We noted a difference between pooled cash reported in the Pooled Cash fund and the total pooled cash reported in all other funds combined.

Recommendation

- Management needs to perform procedures to review all funds with negative pooled cash balances and determine if the negative balances and due to/due from entries are appropriate. A due to/due from balance should only be recorded for less than one year. If a due to/due from is recorded for longer than one year, the due to/due from needs to be converted to a formal loan agreement between the funds.
- Management needs to improve the City's pooled cash reconciliation process to ensure that pooled cash reported in the Pooled Cash fund is equally offset by pooled cash reported in all other funds combined.

Status

Not implemented

**CITY OF GRIDLEY
SCHEDULE OF PROIR YEAR FINDINGS AND QUESTIONED COSTS (continued)
JUNE 30, 2021**

Finding 2020-003 Funds with negative fund balances and no current year activity (Significant Deficiency - Repeat Finding)

Condition

During our audit procedures, we noted that the City's general ledger contains multiple funds designated as special revenue funds which either have had no activity for multiple years, have negative pooled cash balances, have a negative fund balance, or a combination of these three issues. There are several special revenue funds which have one or more of these characteristics.

Recommendation

Management needs to perform procedures to review all open funds in the City and close funds which no longer have activity or a purpose. If there are special revenue funds with negative cash balances which should remain open, management needs to determine if the revenue source for which the fund was opened still exists, or if the General Fund is inappropriately financing the activity of the fund. If the City no longer expects that a substantial portion of the inflows will derive from restricted or committed resources, the fund should be closed and remaining resources should be reported in the general fund or another fund type.

Status

Not Implemented.

Finding 2020-004 Federal Grant Procedures Manual (Uniform Guidance Compliance - Repeat Finding)

Condition

The City has not updated their procurement policy in accordance with the Uniform Guidance standards.

Recommendation

We recommend the City review the Uniform Guidance procurement requirements and update their policy.

Status

Not Implemented.

Finding 2020-005 Financial Reporting Timeliness (Uniform Guidance Compliance)

Condition

The 2020 Single Audit reporting package and data collection form have not been submitted to the Federal Audit Clearinghouse by the original deadline of March 31, 2021, nor the extended deadline of November 30, 2021.

Recommendation

As noted in recommendation 2020-001, we recommend the City strive to close the year-end with properly prepared reconciliations within 3 - 4 months after year-end in order to complete the annual financial audit timely.

Status

Not Implemented.

**SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
(A PRIVATE-PURPOSE TRUST FUND OF
THE CITY OF GRIDLEY, CALIFORNIA)**

WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021

**MUN CPAS, LLP
1760 CREEKSIDE OAKS DRIVE, SUITE 160
SACRAMENTO, CALIFORNIA 95833**

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
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INDEPENDENT AUDITOR'S REPORT

To the City Council
Oversight Board of the Successor Agency
to the Gridley Redevelopment Agency
Gridley, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Successor Agency to the Gridley Redevelopment Agency of the City of Gridley (the "Agency") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Successor Agency to the Gridley Redevelopment Agency of the City of Gridley as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this omitted information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2023, on our consideration of the Successor Agency to the Gridley Redevelopment Agency of the City of Gridley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Successor Agency to the Gridley Redevelopment Agency of the City of Gridley's internal control over financial reporting and compliance.

MUN CPAs, LLP

Sacramento, California
December 5, 2023

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2021

	Private- Purpose Trust Fund
<u>ASSETS</u>	
Cash and investments (Note 2)	\$ 719,498
Restricted cash and investments (Note 2)	381,393
Note receivable, net of allowance (Note 3)	-
Capital assets, non-depreciable (Note 4)	<u>1,302,116</u>
Total Assets	<u>2,403,007</u>
<u>LIABILITIES</u>	
Accounts payable	136
Interest payable	258,271
Advances from City (Note 5)	426,868
Long-term liabilities (Note 6):	
Due within one year	80,000
Due in more than one year	<u>4,150,242</u>
Total Liabilities	<u>4,915,517</u>
<u>NET POSITION</u>	
Held in trust for private purposes	\$ <u><u>(2,512,510)</u></u>

See accompanying notes to the basic financial statements.

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Private- Purpose Trust Fund
<u>ADDITIONS</u>	
Property taxes	\$ 580,609
Use of money and property	<u>6,807</u>
Total Additions	<u>587,416</u>
<u>DEDUCTIONS</u>	
Administrative expenses	36,037
Interest costs	<u>287,095</u>
Total Deductions	<u>323,132</u>
Change in Net Position	264,284
NET POSITION - JULY 1, 2020	<u>(2,776,794)</u>
NET POSITION - JUNE 30, 2021	\$ <u>(2,512,510)</u>

See accompanying notes to the basic financial statements.

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Gridley Redevelopment Agency (the "former RDA") was created pursuant to the California Community Redevelopment Law of the California Health and Safety Code. The former RDA was created to revitalize and upgrade a significant area of the community for the purpose of increasing sales and business tax revenues, assuring coordinated growth and stability, and improving the quality of life for residents of the City of Gridley (City).

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California as of January 17, 2012, at which time the City of Gridley elected to take over as the Successor Agency (the "Agency").

The assets and liabilities of the former RDA were transferred to the Successor Agency on January 17, 2012 as a result of the dissolution. The Successor Agency acts in a fiduciary capacity to wind down the affairs of the former RDA which includes disposing of the assets and liabilities, and its activities are reported in the fiduciary private-purpose trust fund.

B. Basis of Presentation

Fiduciary Funds:

Private-Purpose Trust Funds - Private Purpose Trust Funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. As a Successor Agency, this fund is used to track the activity by the Oversight Board and the Department of Finance to dissolve the Agency.

C. Basis of Accounting

The financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

D. Cash and Investments

Cash and investments held at June 30, 2021 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be stated at fair value are stated at cost or amortized cost.

E. Capital Assets

Capital assets owned by the Agency are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their acquisition value at the date of donation. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. It is the Agency's policy to capitalize structures and improvements greater than \$5,000.

F. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

	<u>Cash*</u>	<u>Investments</u>	<u>Total</u>
Fiduciary activities	\$ <u>719,498</u>	\$ <u>381,393</u>	\$ <u>1,100,891</u>

* Represents the Agency's share of the City's investment pool.

Authorized Investments of the Agency

The table below identifies the investment types that are authorized by the Agency's investment policy. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in one Issuer</u>
Local Agency Bonds	5 years	None	10%
U.S. Treasury Obligations	5 years	None	None
State Obligations - CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper - Select Agencies	270 days	25%	10%
Commercial paper - Other Agencies	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	30%
CD Placement Service	5 years	30%	30%
Repurchase Agreements	1 year	None	10%
Reverse Repurchase Agreements and Securities			
Lending Agreements	92 days	20%	10%
Medium-Term Notes	5 years	30%	10%
Mutual Funds and Money Market Mutual Funds	N/A	20%	10%
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass - Through Securities	5 years	20%	None
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None

The Agency complies with the provisions of the California Government Code (or the Agency's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The Agency will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the investment types that are authorized by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
Local agency bonds	None	None	None
U.S. Treasury obligations	None	None	None
U.S. Agency securities	None	None	None
Banker's acceptances	365 days	None	None
Commercial paper	270 days	None	None
Federal Funds	365 days	None	None
Unsecured Certificates of Deposit	365 days	None	None
Time Deposits	365 days	None	None
Cash Sweep Accounts	None	None	None
Money market funds	N/A	None	None
Mortgage-backed securities	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustees) to market rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity as of June 30, 2021:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Held by bond trustee:			
Investment pool (CAMP)	\$ 381,393	\$ -	\$ 381,393
	<u>\$ 381,393</u>	<u>\$ -</u>	<u>\$ 381,393</u>

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Agency had no investments (including investments held by bond trustees) that were highly sensitive to interest rate fluctuations as of June 30, 2021.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year for each investment type.

	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
Held by bond trustee:				
Investment pool (CAMP)	\$ <u>381,393</u>	AAAm		

Custodial Credit Risk

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

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Investment in Investment Pool

The Agency is a voluntary participant in the California Asset Management Program, (CAMP), a California Joint Powers Authority (JPA) established in 1989 to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Government Code Section 53601(p). The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by CAMP for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CAMP, which is recorded on an amortized cost basis.

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3: NOTE RECEIVABLE

The former RDA engaged in programs designed to encourage business enterprises, construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans were provided under favorable terms to businesses, homeowners or developers who agreed to spend these funds in accordance with the Agency's terms.

The Agency's note receivable, including interest, at June 30, 2021 is explained in detail below:

	Note Receivable	Less: Allowance for Doubtful Note	Total
Washington Court Apartments Affordable Housing Project Construction Loan	\$ 678,000	\$ (678,000)	\$ -
Total	<u>\$ 678,000</u>	<u>\$ (678,000)</u>	<u>\$ -</u>

A. Washington Court Apartments Affordable Housing Project Construction Loan

The former RDA assisted Gridley Pacific Associates with its acquisition and development of the Washington Court Apartments Affordable Housing Project by providing \$678,000 in the form of cash in return for a note bearing simple interest at a rate of 3% per year, secured by a deed of trust on the Project.

B. Allowance for Doubtful Notes

The former RDA had several programs under which it extended loans to qualifying individuals or groups for the purpose of improving the City's housing stock and/or its supply of low-and-moderate income housing. The remaining loan, issued to the Washington Court Apartments, has a forgiveness clause if the developer complies with all the terms of the loan over its full term. The former RDA had provided an allowance of 100% for the note receivable subject to the forgiveness provision of this loan. Per long-term monitoring reviews, all terms have been met by the developer for the loan as of June 30, 2021.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance at July 1, 2020	Additions	Retirements	Balance at June 30, 2021
Capital assets not being depreciated				
Land	\$ 1,302,116	\$ -	\$ -	\$ 1,302,116
Total capital assets	<u>\$ 1,302,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,302,116</u>

NOTE 5: ADVANCES FROM CITY

Pursuant to Agency Resolution No. 2003-RDA-05, the Agency agreed to reimburse the City's Block Grant fund for the infrastructure improvements within the Agency's industrial park up to \$250,000. Repayment is to be made as funds are available and approved on the recognized obligation payment schedule. No interest accrues on the amount due to the City.

The Agency agreed to reimburse the City's General Fund for the formation of the RDA in the amount of \$176,868. Repayment is to be made as funds are available. No interest accrues on the amount due to the City.

SUCCESSOR AGENCY TO THE GRIDLEY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions for the year ended June 30, 2021:

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>Balance at June 30, 2021</u>	<u>Due Within One Year</u>
Tax allocation bonds, Series 2008	\$ <u>4,410,000</u>	\$ <u>-</u>	\$ <u>(70,000)</u>	\$ <u>4,340,000</u>	\$ <u>80,000</u>
Less:					
Unamortized bond discounts	<u>(117,238)</u>	<u>-</u>	<u>7,480</u>	<u>(109,758)</u>	<u>-</u>
Total Long-term liabilities	\$ <u>4,292,762</u>	\$ <u>-</u>	\$ <u>(62,520)</u>	\$ <u>4,230,242</u>	\$ <u>80,000</u>

A description of the long-term liabilities at June 30, 2021 follows:

A. Tax Allocation Bonds, Series 2008A (Taxable) and 2008B (Tax Exempt)

In 2002, the former RDA issued \$4,750,000 of tax allocation bonds, Series 2008A (Taxable) and Series 2008B (Tax Exempt). A total of \$2,980,000 of Series 2008A bonds were issued and \$1,770,000 of Series 2008B bonds.

The proceeds of the Series 2008A bonds issued were used to repay a significant portion of the loans from the City of Gridley to the Agency. The bonds bear annual interest at varying rates between 7.00% and 7.50%. The bonds were issued in fully registered form without coupons in denominations of \$5,000. Interest is payable semi-annually, due on August 1st and February 1st. Principal is paid in annual installments beginning August 1, 2014 and ending August 1, 2038 in amounts ranging from \$45,000 to \$250,000.

The proceeds from the Series 2008B bonds issued were for capital improvements within the project area. The bonds bear annual interest at 5.00%. The bonds were issued in fully registered form without coupons in denominations of \$5,000. Interest is payable semi-annually, due on August 1st and February 1st. Principal is paid in annual installments beginning August 1, 2014 and ending August 1, 2043 in amounts ranging from \$5,000 to \$345,000.

B. Bonds Payable Debt Service Requirements

Future debt service requirements are shown below:

<u>For the Year Ending, June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 80,000	\$ 281,750
2023	85,000	276,000
2024	90,000	269,750
2025	100,000	263,125
2026	105,000	255,875
2027 - 2031	650,000	1,153,250
2032 - 2036	935,000	876,250
2037 - 2041	1,315,000	486,125
2042 - 2044	<u>980,000</u>	<u>99,750</u>
Total	\$ <u>4,340,000</u>	\$ <u>3,961,875</u>



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

To the City Council
Oversight Board of the Successor Agency
to the Gridley Redevelopment Agency
Gridley, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Successor Agency to the Gridley Redevelopment Agency of the City of Gridley, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 5, 2023.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MUN CPAs, LLP

Sacramento, California
December 5, 2023