
**CITY OF GRIDLEY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

CITY OF GRIDLEY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

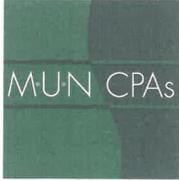
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CITY OF GRIDLEY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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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 as of and for the year ended June 30, 2017, 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 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.

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, 2017, 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.

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 schedule of funding progress for other post-employment benefits 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 February 20, 2018, 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 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 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.

Sacramento, California
February 20, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City's of Gridley's Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2017. 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 of the City of Gridley exceeded liabilities by \$26.95 million (net position). Of this amount, the City has an unrestricted balance of \$2.55 million, \$2.27 million is restricted for special revenue, and \$22.12 million is the net investment in capital assets.
- The City's total net position increased by approximately \$7 thousand
- The General Fund balance (comprising of all governmental funds) is \$6.2 million as of June 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of four 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 Financial Statements
 - Budgetary Comparison Schedules for the Major Funds
- Combining and Individual Fund Statements and Schedules.

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 assets 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 government activities of the City of Gridley include general government, public safety, streets, public works and parks and recreation. The business-type activities of the city are the electric, water, sewer, and transit operations.

The government-wide financial statements include the City of Gridley itself (known as the primary government) and the legally separate Successor Agency to the Gridley Redevelopment Agency. The City Council serves as the governing body of this component unit and the City is financially accountable, resulting in its financial information being included in the City's overall financial statements on a blended basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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 government 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 34 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 only in a single column. Subordinate 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 or the City's activities. Information is presented separately in the governmental funds balance sheet and in the governmental funds statements of revenues expenditures and changes in fund balances for the following major funds:

- General Fund
- 08-HOME-4987 Grant Fund
- Block Grant Funds
- 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 67.

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 as presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for electric, water, sewer, 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.

Required Supplementary Information

This report presents 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.

Combining and Individual Fund Statements and Schedules

This final section of the report includes combining information for the City's non-major funds, agency funds, and general funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year ended June 30, 2017 is the twelfth year in which the City of Gridley has presented its financial statements under the reporting model required by the Governmental Accounts Standards Board (GASB) Statement No. 34, Basic Financial Statements- and Management's Discussion and Analysis for State and Local Governments. A comparative analysis of government-wide data is included in this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANALYSIS OF NET POSITION

With the consolidation of government-wide net position into one statement and other changes such as the exclusion of fiduciary funds, net position may now serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$26.95 million in FY 2017. The increase in the overall net position of governmental and business-type activities is the result of implementing GASB 68.

Statement of Net Position As of June 30, 2017 and 2016 (in thousands)

| | Governmental Activities | | | Business-Type Activities | | | Total Government | | |
|---------------------------------------|-------------------------|------------------|-------------------|--------------------------|------------------|-----------------|------------------|------------------|---------------|
| | 2017 | 2016 | Net Change | 2017 | 2016 | Net Change | 2017 | 2016 | Net Change |
| ASSETS | | | | | | | | | |
| Current and other assets | \$ 7,669 | \$ 7,617 | \$ 52 | \$ 9,596 | \$ 6,850 | \$ 2,746 | \$ 17,265 | \$ 14,467 | \$ 2,798 |
| Capital assets | <u>11,339</u> | <u>11,595</u> | <u>(256)</u> | <u>14,517</u> | <u>14,927</u> | <u>(410)</u> | <u>25,856</u> | <u>26,522</u> | <u>(666)</u> |
| Total Assets | <u>19,008</u> | <u>19,212</u> | <u>(204)</u> | <u>24,113</u> | <u>21,777</u> | <u>2,336</u> | <u>43,121</u> | <u>40,989</u> | <u>2,132</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | | | |
| Change in net pension liability | <u>2,418</u> | <u>741</u> | <u>1,677</u> | <u>2,229</u> | <u>254</u> | <u>1,975</u> | <u>4,647</u> | <u>995</u> | <u>3,652</u> |
| LIABILITIES | | | | | | | | | |
| Long-term liabilities | 6,570 | 5,972 | 598 | 7,605 | 6,946 | 659 | 14,175 | 12,918 | 1,257 |
| Other liabilities | <u>461</u> | <u>534</u> | <u>(73)</u> | <u>2,163</u> | <u>670</u> | <u>1,493</u> | <u>2,624</u> | <u>1,204</u> | <u>1,420</u> |
| Total Liabilities | <u>7,031</u> | <u>6,506</u> | <u>525</u> | <u>9,768</u> | <u>7,616</u> | <u>2,152</u> | <u>16,799</u> | <u>14,122</u> | <u>2,677</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | | |
| Changes in net pension liability | <u>3,778</u> | <u>595</u> | <u>3,183</u> | <u>243</u> | <u>299</u> | <u>(56)</u> | <u>4,021</u> | <u>894</u> | <u>3,127</u> |
| NET POSITION | | | | | | | | | |
| Net investment in capital assets | 11,339 | 11,595 | (256) | 10,780 | 11,024 | (244) | 22,119 | 22,619 | (500) |
| Restricted | 2,274 | 2,074 | 200 | - | - | - | 2,274 | 2,074 | 200 |
| Unrestricted | <u>(2,996)</u> | <u>(843)</u> | <u>(2,153)</u> | <u>5,540</u> | <u>3,090</u> | <u>2,450</u> | <u>2,544</u> | <u>2,247</u> | <u>297</u> |
| Total Net Position | <u>\$ 10,617</u> | <u>\$ 12,826</u> | <u>\$ (2,209)</u> | <u>\$ 16,320</u> | <u>\$ 14,114</u> | <u>\$ 2,206</u> | <u>\$ 26,937</u> | <u>\$ 26,940</u> | <u>\$ (3)</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$22.12 million (82.08%) in net 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 at June 30, 2017 is comprised of \$2.27 million in special revenue programs.

The remaining unrestricted balance is \$2.55 million (9.48%) at June 30, 2017 and may be used to meet government's ongoing obligations to citizens and creditors.

Statement of Activities For the Years Ended June 30, 2017 and 2016 (in thousands)

| | Governmental Activities | | | Business-type Activities | | | Total Government | | |
|------------------------------------|-------------------------|-----------------|-----------------|--------------------------|-----------------|---------------|------------------|------------------|-----------------|
| | 2017 | 2016 | Net Change | 2017 | 2016 | Net Change | 2017 | 2016 | Net Change |
| Revenues: | | | | | | | | | |
| Program revenues | | | | | | | | | |
| Charges for services | \$ 483 | \$ 319 | \$ 164 | \$ 10,118 | \$ 9,723 | \$ 395 | \$ 10,601 | \$ 10,042 | \$ 559 |
| Operating grants and contributions | 1,521 | 1,314 | 207 | 64 | 123 | (59) | 1,585 | 1,437 | 148 |
| Capital grants and contributions | 298 | 993 | (695) | - | - | - | 298 | 993 | (695) |
| General revenues | | | | | | | | | |
| Property Taxes | 463 | 470 | (7) | - | - | - | 463 | 470 | (7) |
| Sales and use taxes | 1,206 | 968 | 238 | - | - | - | 1,206 | 968 | 238 |
| Gas tax | 137 | 159 | (22) | - | - | - | 137 | 159 | (22) |
| Occupancy tax | 27 | 27 | - | - | - | - | 27 | 27 | - |
| Franchise fees | 163 | 154 | 9 | - | - | - | 163 | 154 | 9 |
| Other taxes | - | 650 | (650) | - | - | - | - | 650 | (650) |
| Other revenues | 242 | 116 | 126 | 3 | 9 | (6) | 245 | 125 | 120 |
| Investment income | 14 | 12 | 2 | 33 | 25 | 8 | 47 | 37 | 10 |
| Total Revenues | \$ 4,554 | \$ 5,182 | \$ (628) | \$ 10,218 | \$ 9,880 | \$ 338 | \$ 14,772 | \$ 15,062 | \$ (290) |

The governmental activities total revenues were \$4.55 million and business-type activity revenues were \$10.22 million for the year ended June 30, 2017. For governmental activities, this represented a decrease of \$628,000 from 2016 and for business-type activities this represented an increase of \$338,000. Completion of the substantial portion of many City grants contributed to a large portion of the decrease of governmental funds including HOME and CDBG grants, prop 1B and COPS spending, and the Daddow Park and General Plan update grants. Business type revenues including electric, water and sewer service fee revenues and connection fees have stabilized from 2016 to 2017.

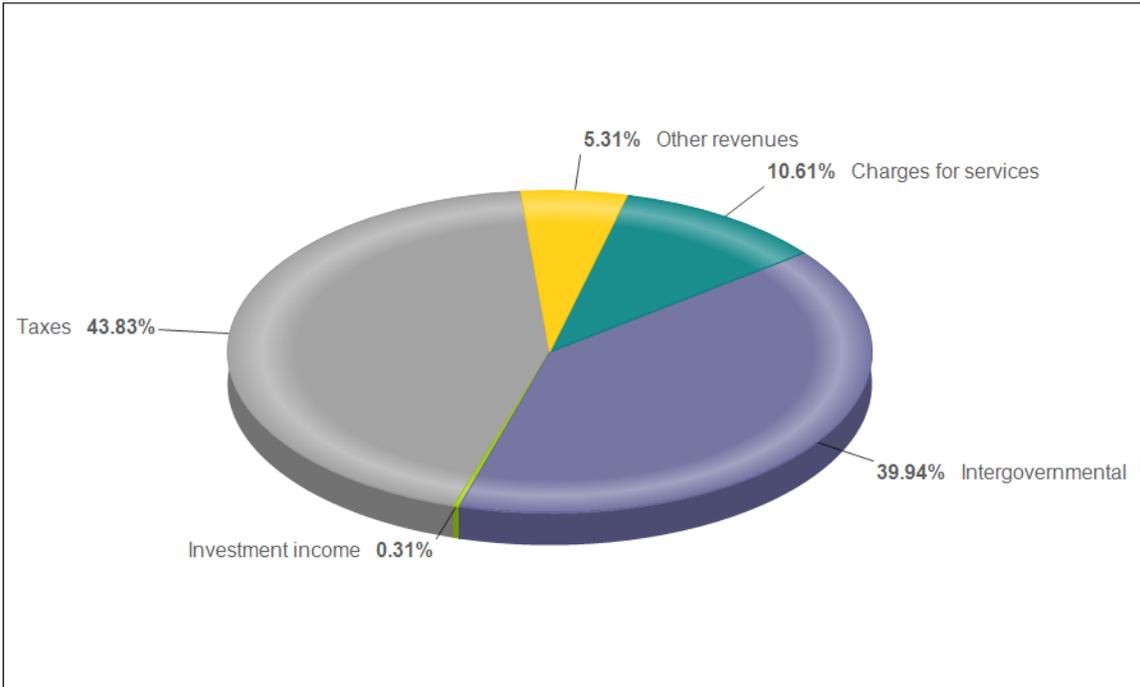
Program revenues include charges for services and grants and contributions. Program revenues provided \$2.3 million (18.44%) for governmental activities and approximately \$10.18 million (81.56%) for business type activities. No significant change in operation or service level has been undertaken in 2017.

General revenues include, among other things, taxes, assessments, and intergovernmental revenues. General revenues provided \$2.3 million (15.5% of the total). The majority of general revenues came from property, sales, and other taxes.

MANAGEMENT’S DISCUSSION AND ANALYSIS

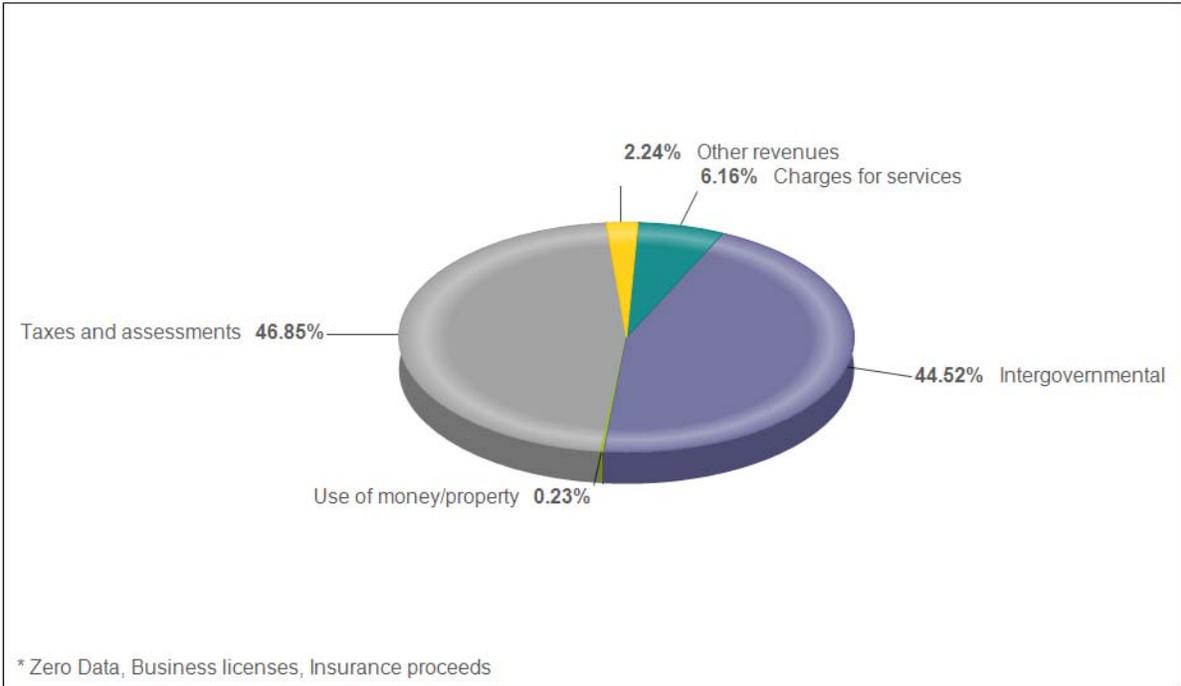
The fiscal year ended June 30, 2017 revenues are reflected graphically as follows:

2017 Governmental Revenues
Governmental Funds FY 2016-17



The fiscal year ended June 30, 2016 revenues are reflected graphically as follows:

2016 Governmental Revenues
Governmental Funds FY 2015-16



MANAGEMENT'S DISCUSSION AND ANALYSIS

**Statement of Activities
For the Years Ended June 30, 2017 and 2016
(in thousands)**

| | Governmental Activities | | | Business-type Activities | | | Total Government | | |
|--------------------------------------|--------------------------------|------------------|-------------------|---------------------------------|------------------|-------------------|-------------------------|------------------|-------------------|
| | 2017 | 2016 | Net Change | 2017 | 2016 | Net Change | 2017 | 2016 | Net Change |
| Expenses: | | | | | | | | | |
| Governmental activities | | | | | | | | | |
| General government | \$ 602 | \$ 207 | \$ 395 | \$ - | \$ - | \$ - | \$ 602 | \$ 207 | \$ 395 |
| Public safety | 5,134 | 3,413 | 1,721 | - | - | - | 5,134 | 3,413 | 1,721 |
| Parks and recreation | 400 | 363 | 37 | - | - | - | 400 | 363 | 37 |
| Community development | 785 | 1,226 | (441) | - | - | - | 785 | 1,226 | (441) |
| Public works | 1,442 | 957 | 485 | - | - | - | 1,442 | 957 | 485 |
| Interest on long-term liabilities | - | 3 | (3) | - | - | - | - | 3 | (3) |
| Business-type activities | | | | | | | | | |
| Electric | - | - | - | 4,242 | 5,833 | (1,591) | 4,242 | 5,833 | (1,591) |
| Water | - | - | - | 972 | 1,016 | (44) | 972 | 1,016 | (44) |
| Sewer | - | - | - | 1,027 | 1,451 | (424) | 1,027 | 1,451 | (424) |
| Other | - | - | - | 52 | 112 | (60) | 52 | 112 | (60) |
| Interest on long-term debt | - | - | - | 119 | 136 | (17) | 119 | 136 | (17) |
| Total Expenses | <u>8,363</u> | <u>6,169</u> | <u>2,194</u> | <u>6,412</u> | <u>8,548</u> | <u>(2,136)</u> | <u>14,775</u> | <u>14,717</u> | <u>58</u> |
| Excess (deficiency) before transfers | <u>(3,809)</u> | <u>(987)</u> | <u>(2,822)</u> | <u>3,806</u> | <u>1,332</u> | <u>2,474</u> | <u>(3)</u> | <u>345</u> | <u>(348)</u> |
| Transfers | | | | | | | | | |
| Transfers | <u>1,600</u> | <u>1,749</u> | <u>(149)</u> | <u>(1,600)</u> | <u>(1,749)</u> | <u>149</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in net position | <u>(2,209)</u> | <u>762</u> | <u>(2,971)</u> | <u>2,206</u> | <u>(417)</u> | <u>2,623</u> | <u>(3)</u> | <u>345</u> | <u>(348)</u> |
| Net position - beginning of year | <u>12,825</u> | <u>12,063</u> | <u>762</u> | <u>14,114</u> | <u>14,531</u> | <u>(417)</u> | <u>26,939</u> | <u>26,594</u> | <u>345</u> |
| Net position - end of year | <u>\$ 10,616</u> | <u>\$ 12,825</u> | <u>\$ (2,209)</u> | <u>\$ 16,320</u> | <u>\$ 14,114</u> | <u>\$ 2,206</u> | <u>\$ 26,936</u> | <u>\$ 26,939</u> | <u>\$ (3)</u> |

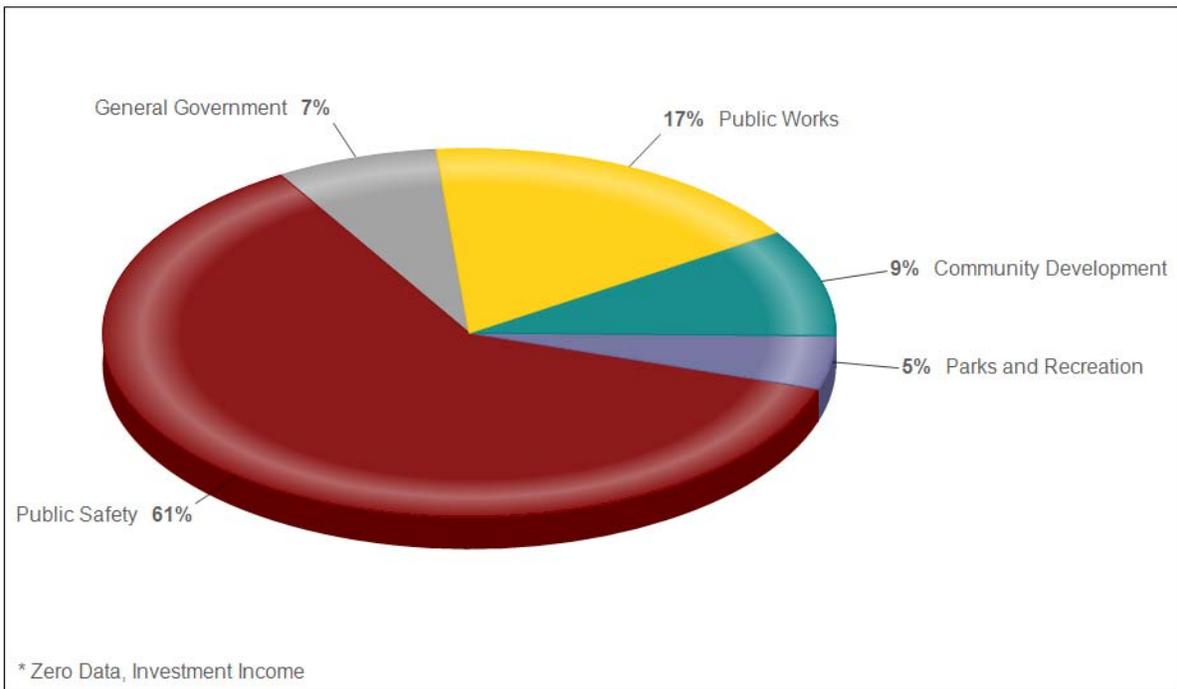
EXPENSES

Expenses for the City totaled \$14.77 million for year ended June 30, 2017. Governmental activities incurred \$8.36 million in expenses and business type activities incurred \$6.40 million in expenses during the year. Governmental activities expenses were 27.50% funded by program revenues, fees, grants and contributions. The remainder of the funding came from general revenues and transfers from special funds. Business type activities expenses were 100.00% funded by program revenues, with the exception of interest and investment earnings. Expenses increased \$34,000 from 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

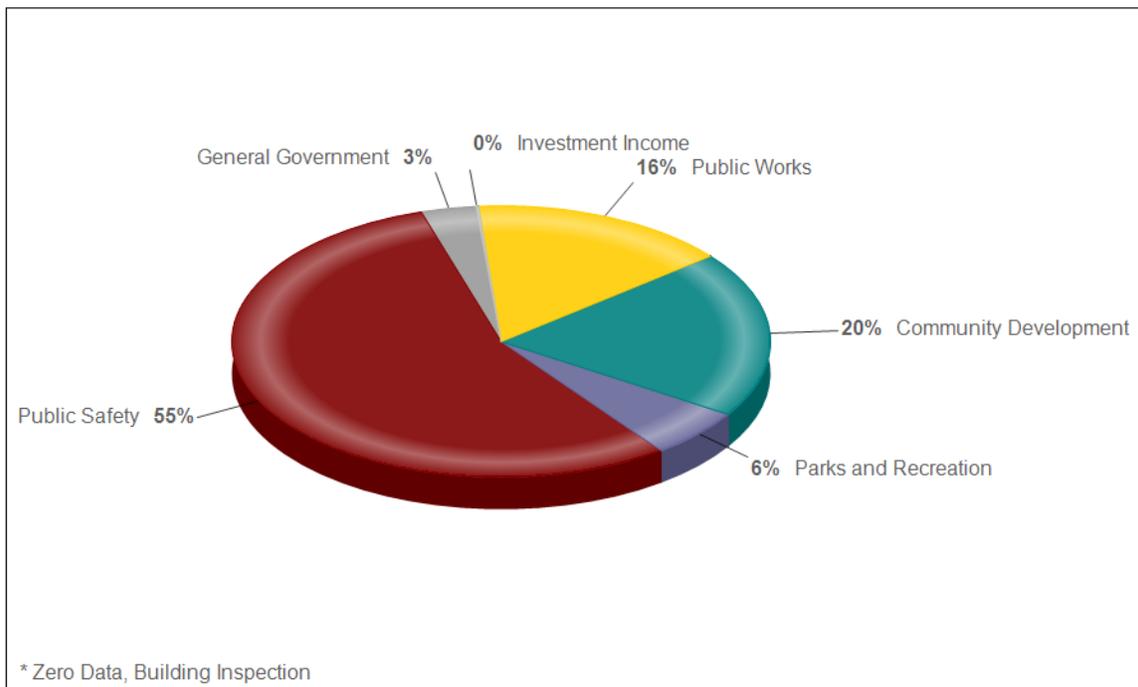
The fiscal year ended June 30, 2017 expenses are reflected graphically as follows:

2017 Governmental Expenses
Governmental Funds FY 2016-17



The fiscal year ended June 30, 2016 expenses are reflected graphically as follows:

2016 Governmental Expenses
Governmental Funds FY 2015-16



FINANCIAL ANALYSIS OF THE GOVERNMENT'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 government 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, unreserved fund balance may serve as a useful measure of a government's net spendable resources. At the end of FY 2016-2017, the City's governmental funds reported combined fund balances of \$6.90 million, an increase of \$150,000 in comparison with the prior fiscal year. The City has \$5.90 million fund balances in non-spendable, committed, or restricted 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 Government expenditures increased \$2.2 million from the prior fiscal year. The City has been applying for an increased number of grants to cover periodic operating needs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

The capital assets reported reflect the re-evaluation of capital asset balances reported in 2016-17 to conform to GASB Statement No. 34 reporting requirements.

| Asset Type | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Totals</u> | |
|---|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Capital assets, not being depreciated: | | | | | | |
| Land | \$ 417,778 | \$ 417,778 | \$ 921,793 | \$ 921,793 | \$ 1,339,571 | \$ 1,339,571 |
| Construction in Progress | - | 297,212 | - | 500,727 | - | 797,939 |
| Depreciable capital assets, net: | | | | | | |
| Infrastructure | 5,309,280 | 5,592,543 | 4,435,521 | 4,599,846 | 9,744,801 | 10,192,389 |
| Buildings and improvements other than buildings | 1,662,219 | 1,755,511 | 324,643 | 332,497 | 1,986,862 | 2,088,008 |
| Improvements other than buildings | 2,537,985 | 2,039,152 | 6,282,206 | 6,010,275 | 8,820,191 | 8,049,427 |
| Vehicles and equipment | <u>1,411,478</u> | <u>1,492,568</u> | <u>2,552,849</u> | <u>2,562,319</u> | <u>3,964,327</u> | <u>4,054,887</u> |
| Capital assets | <u>\$ 11,338,740</u> | <u>\$ 11,594,764</u> | <u>\$ 14,517,012</u> | <u>\$ 14,927,457</u> | <u>\$ 25,855,752</u> | <u>\$ 26,522,221</u> |

The City's investment in capital assets for its governmental and business type activities as of June 30, 2017, was \$25.86 million (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements other than buildings, and equipment. 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, 2017 decreased by \$0.67 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.

DEBT ADMINISTRATION

At the end of FY 2016-17, the City of Gridley had long term liabilities of \$0.47 million and \$4.05 million for governmental activities and business type activities, respectively. Additional information about the City's long term obligations can be found in Note 6 in the Notes to Basic Financial Statements.

| | Long Term Liabilities Outstanding Balances As of June 30, 2017 | | | | | |
|--|---|-------------------|---------------------------------|---------------------|---------------------|---------------------|
| | Governmental Activities | | Business-type Activities | | Totals | |
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Obligations under capital lease | \$ - | \$ - | \$ 191,539 | \$ 281,329 | \$ 191,539 | \$ 281,329 |
| USDA Rural Development Loan | - | - | 1,104,000 | 1,134,000 | 1,104,000 | 1,134,000 |
| USDA Rural Development Loan- Waste Water Treatment Plant | - | - | 2,441,000 | 2,488,000 | 2,441,000 | 2,488,000 |
| Compensated absences | <u>471,292</u> | <u>495,753</u> | <u>314,253</u> | <u>342,172</u> | <u>785,545</u> | <u>837,925</u> |
| Totals | <u>\$ 471,292</u> | <u>\$ 495,753</u> | <u>\$ 4,050,792</u> | <u>\$ 4,245,501</u> | <u>\$ 4,522,084</u> | <u>\$ 4,741,254</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's operating portion of its general fund (the general fund portion of the governmental funds excluding reserves) has been at a year-end deficit for the last several years. The City has anticipated this deficit through its fiscal year 16-17 budget projections and has been working to address the problem. The deficit evolved because the City has never fully recovered from fiscal year 2008-09; the first year it truly felt the effects of the economic downturn. Since then, the deficit has been gradually growing. Other factors influencing the deficit include the removal of the \$250,000 RDA advance to receivable from the general fund to the CDBG fund and inconsistent cost allocations between fiscal years 2010-11 and 2012-13. The City has developed a plan to address the latter issue, which has been implemented in fiscal year 2014-15. As a result of the 2014-15 transfers being posted to fund balances in 2015-16, this deficit has been resolved. Substantial cost reduction measures including a hiring freeze, an elimination of discretionary spending, and an elimination on nonessential travel and training were implemented in fiscal year 15-16 to be able to achieve this. In the long term, the city is trying as much as possible to operate in the "status quo" and being conservative in its General Fund spending.

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, 2017

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|-------------------|
| <u>ASSETS</u> | | | |
| Cash and investments (Note 2) | \$ 3,568,289 | \$ 8,095,364 | \$ 11,663,653 |
| Accounts receivable | 164,282 | 657,795 | 822,077 |
| Interest receivable | 4,177 | 9,686 | 13,863 |
| Taxes receivable | 47,837 | - | 47,837 |
| Inventory | - | 816,862 | 816,862 |
| Loans receivable, net of allowance \$(9,469,828) (Note 3) | 409,844 | - | 409,844 |
| Internal balances | 1,984,000 | (1,984,000) | - |
| Prepaid items | 22,132 | - | 22,132 |
| Due from fiduciary fund | 1,239,868 | 2,000,000 | 3,239,868 |
| Due from other governments | 228,949 | 75 | 229,024 |
| Capital assets (Note 5) | | | |
| Land and construction in progress | 417,778 | 921,793 | 1,339,571 |
| Other capital assets, net of depreciation | <u>10,920,962</u> | <u>13,595,219</u> | <u>24,516,181</u> |
| Total capital assets | <u>11,338,740</u> | <u>14,517,012</u> | <u>25,855,752</u> |
| Total Assets | <u>19,008,118</u> | <u>24,112,794</u> | <u>43,120,912</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Change in net pension liability (Note 7) | <u>2,418,331</u> | <u>2,228,542</u> | <u>4,646,873</u> |
| Total Deferred Outflows of Resources | <u>2,418,331</u> | <u>2,228,542</u> | <u>4,646,873</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable and accrued expenses | 288,888 | 218,302 | 507,190 |
| Accrued payroll and benefits | 855 | - | 855 |
| Accrued interest payable | - | 29,613 | 29,613 |
| Unearned revenue | 21,377 | 5,001 | 26,378 |
| Due to fiduciary fund | - | 1,500,000 | 1,500,000 |
| Deposits payable | 350 | 172,200 | 172,550 |
| Accrued compensated absences (Note 6): | | | |
| Due within one year | 150,009 | 74,568 | 224,577 |
| Due in more than one year | 321,283 | 239,685 | 560,968 |
| Long-term liabilities (Note 6): | | | |
| Due within one year | - | 173,719 | 173,719 |
| Due in more than one year | - | 3,562,820 | 3,562,820 |
| Net pension liability (Note 7): | | | |
| Due in more than one year | 5,969,330 | 3,689,230 | 9,658,560 |
| Other postemployment benefits (Note 8) | | | |
| Due in more than one year | <u>279,363</u> | <u>112,973</u> | <u>392,336</u> |
| Total Liabilities | <u>7,031,455</u> | <u>9,778,111</u> | <u>16,809,566</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Change in net pension liability (Note 7) | <u>3,778,062</u> | <u>242,806</u> | <u>4,020,868</u> |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets | 11,338,740 | 10,780,473 | 22,119,213 |
| Restricted for: | | | |
| Special revenue programs | 2,273,940 | - | 2,273,940 |
| Unrestricted | <u>(2,995,748)</u> | <u>5,539,946</u> | <u>2,544,198</u> |
| Total Net Position | <u>\$ 10,616,932</u> | <u>\$ 16,320,419</u> | <u>26,937,351</u> |

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| 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 | \$ 602,125 | \$ 18,651 | \$ 369 | \$ 173,532 | \$ (409,573) | \$ - | \$ (409,573) |
| Public safety | 5,134,018 | 22,489 | 805,950 | - | (4,305,579) | - | (4,305,579) |
| Streets and public works | 1,441,729 | 223,351 | 615,322 | 70,063 | (532,993) | - | (532,993) |
| Community development | 784,991 | 154,156 | 99,794 | 54,077 | (476,964) | - | (476,964) |
| Parks and recreation | 399,596 | 64,747 | - | - | (334,849) | - | (334,849) |
| Interest and fiscal charges | - | - | - | - | - | - | - |
| Total governmental activities | <u>8,362,459</u> | <u>483,394</u> | <u>1,521,435</u> | <u>297,672</u> | <u>(6,059,958)</u> | <u>-</u> | <u>(6,059,958)</u> |
| Business-type activities: | | | | | | | |
| Electric | 4,241,756 | 7,381,509 | - | - | - | 3,139,753 | 3,139,753 |
| Water | 971,708 | 1,132,349 | - | - | - | 160,641 | 160,641 |
| Sewer | 1,026,597 | 1,586,989 | - | - | - | 560,392 | 560,392 |
| Other proprietary | 51,946 | 16,670 | 64,310 | - | - | 29,034 | 29,034 |
| Interest and fiscal charges | 119,181 | - | - | - | - | (119,181) | (119,181) |
| Total business-type activities | <u>6,411,188</u> | <u>10,117,517</u> | <u>64,310</u> | <u>-</u> | <u>-</u> | <u>3,770,639</u> | <u>3,770,639</u> |
| Total primary government | <u>\$ 14,773,647</u> | <u>\$ 10,600,911</u> | <u>\$ 1,585,745</u> | <u>\$ 297,672</u> | <u>\$ (6,059,958)</u> | <u>\$ 3,770,639</u> | <u>\$ (2,289,319)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | \$ 463,054 | \$ - | \$ 463,054 |
| Sales and use taxes | | | | | 1,205,964 | - | 1,205,964 |
| Motor vehicle and gas taxes | | | | | 136,938 | - | 136,938 |
| Occupancy tax | | | | | 26,568 | - | 26,568 |
| Franchise tax | | | | | 163,123 | - | 163,123 |
| Other revenue | | | | | 241,643 | 2,841 | 244,484 |
| Interest and investment earnings | | | | | 14,230 | 32,905 | 47,135 |
| Transfers (Note 4) | | | | | 1,600,000 | (1,600,000) | - |
| Total general revenues and transfers | | | | | <u>3,851,520</u> | <u>(1,564,254)</u> | <u>2,287,266</u> |
| Change in net position | | | | | (2,208,438) | 2,206,385 | (2,053) |
| Net position - July 1, 2016 | | | | | <u>12,825,370</u> | <u>14,114,034</u> | <u>26,939,404</u> |
| Net position - June 30, 2017 | | | | | <u>\$ 10,616,932</u> | <u>\$ 16,320,419</u> | <u>\$ 26,937,351</u> |

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

| | <u>General Fund</u> | <u>08-HOME-4987 Grant Fund</u> | <u>Block Grant Funds</u> |
|--|-------------------------|------------------------------------|------------------------------|
| <u>ASSETS</u> | | | |
| Cash and investments | \$ 2,124,541 | \$ 3,744 | \$ 85,137 |
| Accounts receivable | 83,296 | - | - |
| Interest receivable | 3,198 | - | 138 |
| Taxes receivable | 22,118 | - | - |
| Notes receivable | - | 5,000,000 | 2,855,408 |
| Due from other funds | 3,087,000 | - | 90,000 |
| Due from fiduciary fund | 989,868 | - | 250,000 |
| Due from other governments | 197,138 | - | - |
| Prepaid items | <u>22,132</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>\$ 6,529,291</u> | <u>\$ 5,003,744</u> | <u>\$ 3,280,683</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</u> | | | |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 236,338 | \$ - | \$ 5,331 |
| Accrued payroll and benefits | - | - | - |
| Unearned revenue | 21,377 | - | - |
| Deposits payable | 350 | - | - |
| Due to other funds | <u>42,337</u> | <u>-</u> | <u>50,500</u> |
| Total Liabilities | <u>300,402</u> | <u>-</u> | <u>55,831</u> |
| DEFERRED INFLOW OF RESOURCES | | | |
| Unavailable revenues - housing loans | <u>-</u> | <u>5,000,000</u> | <u>2,855,408</u> |
| FUND BALANCES (DEFICITS) | | | |
| Nonspendable | 22,132 | - | - |
| Restricted | 211,070 | 3,744 | 369,444 |
| Assigned | 3,642,782 | - | - |
| Unassigned | <u>2,352,905</u> | <u>-</u> | <u>-</u> |
| Total Fund Balances (deficits) | <u>6,228,889</u> | <u>3,744</u> | <u>369,444</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances (deficits) | <u>\$ 6,529,291</u> | <u>\$ 5,003,744</u> | <u>\$ 3,280,683</u> |

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
BALANCE SHEET (continued)
GOVERNMENTAL FUNDS
JUNE 30, 2017

| | <u>Grant Related Funds</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|--------------------------------|---|---|
| <u>ASSETS</u> | | | |
| Cash and investments | \$ 545,856 | \$ 809,011 | \$ 3,568,289 |
| Accounts receivable | - | 80,986 | 164,282 |
| Interest receivable | 253 | 588 | 4,177 |
| Taxes receivable | - | 25,719 | 47,837 |
| Notes receivable | 2,024,264 | - | 9,879,672 |
| Due from other funds | 12,337 | 1,014,600 | 4,203,937 |
| Due from fiduciary fund | - | - | 1,239,868 |
| Due from other governments | 31,811 | - | 228,949 |
| Prepaid items | - | - | <u>22,132</u> |
| Total Assets | <u>\$ 2,614,521</u> | <u>\$ 1,930,904</u> | <u>\$ 19,359,143</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</u> | | | |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 24,183 | \$ 23,036 | \$ 288,888 |
| Accrued payroll and benefits | - | 855 | 855 |
| Unearned revenue | - | - | 21,377 |
| Deposits payable | - | - | 350 |
| Due to other funds | <u>605,800</u> | <u>1,521,300</u> | <u>2,219,937</u> |
| Total Liabilities | <u>629,983</u> | <u>1,545,191</u> | <u>2,531,407</u> |
| DEFERRED INFLOW OF RESOURCES | | | |
| Unavailable revenues - housing loans | <u>2,024,264</u> | <u>-</u> | <u>9,879,672</u> |
| FUND BALANCES (DEFICITS) | | | |
| Nonspendable | - | - | 22,132 |
| Restricted | - | 1,689,682 | 2,273,940 |
| Assigned | - | - | 3,642,782 |
| Unassigned | <u>(39,726)</u> | <u>(1,303,969)</u> | <u>1,009,210</u> |
| Total Fund Balances (deficits) | <u>(39,726)</u> | <u>385,713</u> | <u>6,948,064</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances (deficits) | <u>\$ 2,614,521</u> | <u>\$ 1,930,904</u> | <u>\$ 19,359,143</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, 2017

| | | |
|--|--|----------------------|
| Total fund balances of governmental funds | | \$ 6,948,064 |
| 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 \$9,059,480. | | 11,338,740 |
| Certain notes, loans, and interest receivables are not available to pay for current period expenditures and therefore are offset by unearned revenue in the governmental funds. | | |
| Notes receivable | | (9,469,828) |
| Unearned revenue | | 9,879,672 |
| Deferred outflows of resources related to changes in the net pension liability are not applicable to the current period | | 2,418,331 |
| Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds. | | |
| Compensated absences | | (471,292) |
| Net OPEB obligation | | (279,363) |
| Net pension liability | | (5,969,330) |
| Deferred inflows related to changes in the net pension liability | | <u>(3,778,062)</u> |
| Net position of governmental activities | | <u>\$ 10,616,932</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, 2017

| | <u>General Fund</u> | <u>08-HOME-4987 Grant Fund</u> | <u>Block Grant Funds</u> |
|--|---------------------|------------------------------------|------------------------------|
| <u>REVENUES</u> | | | |
| Taxes and assessments | \$ 2,331,139 | \$ - | \$ - |
| License, permits, and fees | 108,947 | - | - |
| Fines and forfeitures | 4,749 | - | - |
| Use of money and property | 74,505 | - | 471 |
| Program Income | 552 | - | 53,525 |
| Intergovernmental | 249,309 | - | 92,039 |
| Charges for services | 632,768 | - | - |
| Contributions | - | - | - |
| Recreation and event fees | 59,178 | - | 254 |
| Insurance proceeds | <u>4,445</u> | <u>-</u> | <u>-</u> |
| Total Revenues | <u>3,465,592</u> | <u>-</u> | <u>146,289</u> |
| <u>EXPENDITURES</u> | | | |
| Current: | | | |
| General administration | 168,795 | - | - |
| Public safety | 3,507,609 | - | - |
| Streets and public works | 343,139 | - | - |
| Community development | 95,956 | 1,545 | 430,673 |
| Parks and recreation | 120,123 | - | - |
| Capital outlay | <u>38,837</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>4,274,459</u> | <u>1,545</u> | <u>430,673</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(808,867)</u> | <u>(1,545)</u> | <u>(284,384)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers in | 1,600,000 | - | - |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>1,600,000</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | 791,133 | (1,545) | (284,384) |
| Fund Balances - July 1, 2016 | <u>5,437,756</u> | <u>5,289</u> | <u>653,828</u> |
| Fund Balances - June 30, 2017 | <u>\$ 6,228,889</u> | <u>\$ 3,744</u> | <u>\$ 369,444</u> |

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Grant Related Funds</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|--------------------------------|---|---|
| <u>REVENUES</u> | | | |
| Taxes and assessments | \$ - | \$ 438,457 | \$ 2,769,596 |
| License, permits, and fees | - | 45,720 | 154,667 |
| Fines and forfeitures | - | 17,486 | 22,235 |
| Use of money and property | 857 | 1,993 | 77,826 |
| Program Income | - | - | 54,077 |
| Intergovernmental | 322,291 | 72,386 | 736,025 |
| Charges for services | - | 42,450 | 675,218 |
| Contributions | - | 500 | 500 |
| Recreation and event fees | - | - | 59,432 |
| Insurance proceeds | - | - | 4,445 |
| | <u>323,148</u> | <u>618,992</u> | <u>4,554,021</u> |
| Total Revenues | | | |
| <u>EXPENDITURES</u> | | | |
| Current: | | | |
| General administration | - | (1) | 168,794 |
| Public safety | 2,500 | (1) | 3,510,108 |
| Streets and public works | 1,995 | 523,016 | 868,150 |
| Community development | 132,718 | 106,051 | 766,943 |
| Parks and recreation | - | 138,112 | 258,235 |
| Capital outlay | <u>391,788</u> | <u>499</u> | <u>431,124</u> |
| Total Expenditures | <u>529,001</u> | <u>767,676</u> | <u>6,003,354</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(205,853)</u> | <u>(148,684)</u> | <u>(1,449,333)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers in | - | 5,503 | 1,605,503 |
| Transfers out | <u>-</u> | <u>(5,503)</u> | <u>(5,503)</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>1,600,000</u> |
| Net Change in Fund Balances | (205,853) | (148,684) | 150,667 |
| Fund Balances - July 1, 2016 | <u>166,127</u> | <u>534,397</u> | <u>6,797,397</u> |
| Fund Balances - June 30, 2017 | <u><u>\$ (39,726)</u></u> | <u><u>\$ 385,713</u></u> | <u><u>\$ 6,948,064</u></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, 2017

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 | \$ | 150,667 |
| 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 | | 340,476 |
| Depreciation expense | | (596,500) |
| 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. | | |
| Loans made during the year | | 348,203 |
| 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. | | |
| Allowance for notes receivable | | (369,474) |
| Pension expense related to deferred outflows and inflows of resources | | (2,085,670) |
| Other postemployment benefits | | (20,618) |
| Accrued compensated absences | | <u>24,478</u> |
| Change in net position of governmental activities | \$ | <u><u>(2,208,438)</u></u> |

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

| | Business-type Activities - Enterprise Funds | | | | |
|---|--|---------------------|---------------------|-------------------------------|----------------------|
| | Electric | Water | Sewer | Other Enterprise Funds | Totals |
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and investments | \$ 4,871,905 | \$ 884,671 | \$ 2,278,682 | \$ 60,106 | \$ 8,095,364 |
| Accounts receivable, net | 425,829 | 36,676 | 194,850 | 440 | 657,795 |
| Interest receivable | 7,019 | 1,078 | 1,510 | 79 | 9,686 |
| Inventory | 745,068 | 69,522 | 2,272 | - | 816,862 |
| Due from other funds | 1,137,000 | 800,000 | 600,000 | - | 2,537,000 |
| Due from fiduciary fund | - | - | 2,000,000 | - | 2,000,000 |
| Due from other governments | - | 75 | - | - | 75 |
| Total Current Assets | 7,186,821 | 1,792,022 | 5,077,314 | 60,625 | 14,116,782 |
| Non Current Assets | | | | | |
| Capital assets, net of accumulated depreciation | 3,564,563 | 3,404,703 | 7,501,299 | 46,447 | 14,517,012 |
| Total Non-Current Assets | 3,564,563 | 3,404,703 | 7,501,299 | 46,447 | 14,517,012 |
| Total Assets | 10,751,384 | 5,196,725 | 12,578,613 | 107,072 | 28,633,794 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Change in net pension liability | 1,189,829 | 462,262 | 469,695 | 106,756 | 2,228,542 |
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Accounts payable | 67,327 | 26,943 | 32,716 | 47,308 | 174,294 |
| Accrued expenses | 34,175 | 5,149 | 1,884 | 2,800 | 44,008 |
| Accrued interest payable | 479 | 1,918 | 27,216 | - | 29,613 |
| Deposits payable | 172,200 | - | - | - | 172,200 |
| Due to other funds | 4,521,000 | - | - | - | 4,521,000 |
| Due to fiduciary fund | 1,500,000 | - | - | - | 1,500,000 |
| Unearned revenue | - | - | - | 5,001 | 5,001 |
| Compensated absences - current | 36,912 | 15,118 | 17,178 | 5,360 | 74,568 |
| Bonds payable - current | 18,744 | 74,975 | 80,000 | - | 173,719 |
| Total Current Liabilities | 6,350,837 | 124,103 | 158,994 | 60,469 | 6,694,403 |
| Non-Current Liabilities | | | | | |
| Compensated absences | 125,248 | 43,346 | 66,843 | 4,248 | 239,685 |
| Bonds payable | 19,565 | 78,255 | 3,465,000 | - | 3,562,820 |
| Net pension liability | 1,969,697 | 765,250 | 777,554 | 176,729 | 3,689,230 |
| Net OPEB obligation | 59,633 | 29,028 | 20,186 | 4,126 | 112,973 |
| Total Non-Current Liabilities | 2,174,143 | 915,879 | 4,329,583 | 185,103 | 7,604,708 |
| Total Liabilities | 8,524,980 | 1,039,982 | 4,488,577 | 245,572 | 14,299,111 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Change in net pension liability | 129,635 | 50,365 | 51,175 | 11,631 | 242,806 |
| NET POSITION: | | | | | |
| Net investment in capital assets | 3,526,254 | 3,251,473 | 3,956,299 | 46,447 | 10,780,473 |
| Unrestricted | (239,656) | 1,317,167 | 4,552,257 | (89,822) | 5,539,946 |
| Total Net Position | \$ 3,286,598 | \$ 4,568,640 | \$ 8,508,556 | \$ (43,375) | \$ 16,320,419 |

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, 2017

| | Business-type Activities - Enterprise Funds | | | | Totals |
|---|--|---------------------|---------------------|---------------------------------------|----------------------|
| | Electric | Water | Sewer | Other Enterprise Funds | |
| <u>OPERATING REVENUES</u> | | | | | |
| Charges for services | \$ 7,381,509 | \$ 1,132,349 | \$ 1,586,989 | \$ 16,670 | \$ 10,117,517 |
| Intergovernmental revenues | - | - | - | 64,310 | 64,310 |
| Other revenue | <u>1</u> | <u>4</u> | <u>105</u> | <u>2,731</u> | <u>2,841</u> |
| Total Operating Revenue | <u>7,381,510</u> | <u>1,132,353</u> | <u>1,587,094</u> | <u>83,711</u> | <u>10,184,668</u> |
| <u>OPERATING EXPENSES</u> | | | | | |
| Salaries and benefits | 411,960 | 312,534 | 289,640 | 31,298 | 1,045,432 |
| Materials, supplies, and operational expenses | 482,872 | 230,520 | 241,304 | 8,825 | 963,521 |
| Repairs and maintenance | (164,798) | 26,683 | (208,436) | 3,305 | (343,246) |
| Power and utilities | 3,155,300 | 89,489 | 160,202 | - | 3,404,991 |
| Contractual services | 27,236 | 23,696 | 24,840 | 645 | 76,417 |
| Administration | 188,122 | 93,478 | 56,170 | 7,873 | 345,643 |
| Bad debt expense | 12,673 | 2,989 | 3,380 | - | 19,042 |
| Miscellaneous | (1,560) | - | - | - | (1,560) |
| Depreciation and amortization | <u>129,951</u> | <u>192,319</u> | <u>459,497</u> | <u>-</u> | <u>781,767</u> |
| Total Operating Expenses | <u>4,241,756</u> | <u>971,708</u> | <u>1,026,597</u> | <u>51,946</u> | <u>6,292,007</u> |
| Operating Income | <u>3,139,754</u> | <u>160,645</u> | <u>560,497</u> | <u>31,765</u> | <u>3,892,661</u> |
| <u>NON-OPERATING REVENUES (EXPENSES)</u> | | | | | |
| Interest income | 23,847 | 3,660 | 5,128 | 270 | 32,905 |
| Interest expense | <u>(1,477)</u> | <u>(24,938)</u> | <u>(92,766)</u> | <u>-</u> | <u>(119,181)</u> |
| Total Non-Operating Revenues (Expenses) | <u>22,370</u> | <u>(21,278)</u> | <u>(87,638)</u> | <u>270</u> | <u>(86,276)</u> |
| Income Before Transfers | <u>3,162,124</u> | <u>139,367</u> | <u>472,859</u> | <u>32,035</u> | <u>3,806,385</u> |
| <u>TRANSFERS</u> | | | | | |
| Transfers out | <u>(1,600,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,600,000)</u> |
| Total Transfers | <u>(1,600,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,600,000)</u> |
| Change in net position | 1,562,124 | 139,367 | 472,859 | 32,035 | 2,206,385 |
| Net Position - July 1, 2016 | <u>1,724,474</u> | <u>4,429,273</u> | <u>8,035,697</u> | <u>(75,410)</u> | <u>14,114,034</u> |
| Net Position - June 30, 2017 | <u>\$ 3,286,598</u> | <u>\$ 4,568,640</u> | <u>\$ 8,508,556</u> | <u>\$ (43,375)</u> | <u>\$ 16,320,419</u> |

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Business-type Activities - Enterprise Funds | | | | |
|--|--|-------------------|---------------------|---------------------------------------|---------------------|
| | Electric | Water | Sewer | Other Enterprise Funds | Totals |
| <u>CASH FLOWS FROM OPERATING</u> | | | | | |
| <u>ACTIVITIES</u> | | | | | |
| Cash received from customers | \$ 7,430,190 | \$ 1,166,973 | \$ 1,635,627 | \$ 84,113 | \$ 10,316,903 |
| Cash paid to suppliers | (3,994,300) | (442,402) | (262,202) | 25,710 | (4,673,194) |
| Cash paid to employees | <u>(1,204,654)</u> | <u>(483,208)</u> | <u>(465,665)</u> | <u>(102,027)</u> | <u>(2,255,554)</u> |
| Net Cash Provided by Operating Activities | <u>2,231,236</u> | <u>241,363</u> | <u>907,760</u> | <u>7,796</u> | <u>3,388,155</u> |
| <u>CASH FLOWS FROM NON-CAPITAL FINANCING</u> | | | | | |
| <u>ACTIVITIES</u> | | | | | |
| Due from (to) other funds | (96,000) | (745,075) | 160,000 | 60,000 | (621,075) |
| Transfers to other funds | <u>(1,600,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,600,000)</u> |
| Net Cash Provided by (Used for) Non-Capital Financing Activities | <u>(1,696,000)</u> | <u>(745,075)</u> | <u>160,000</u> | <u>60,000</u> | <u>(2,221,075)</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING</u> | | | | | |
| <u>ACTIVITIES</u> | | | | | |
| Acquisition of capital assets | (87,384) | - | (237,490) | (46,447) | (371,321) |
| Principal paid on capital debt | (17,958) | (71,832) | (77,000) | - | (166,790) |
| Interest paid on capital debt | <u>(2,511)</u> | <u>(29,072)</u> | <u>(98,568)</u> | <u>-</u> | <u>(130,151)</u> |
| Net Cash Used for Capital and Related Financing Activities | <u>(107,853)</u> | <u>(100,904)</u> | <u>(413,058)</u> | <u>(46,447)</u> | <u>(668,262)</u> |
| <u>CASH FLOWS FROM INVESTING</u> | | | | | |
| <u>ACTIVITIES</u> | | | | | |
| Interest and dividends | <u>21,431</u> | <u>3,279</u> | <u>4,622</u> | <u>285</u> | <u>29,617</u> |
| Net Cash Provided by Investing Activities | <u>21,431</u> | <u>3,279</u> | <u>4,622</u> | <u>285</u> | <u>29,617</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 448,814 | (601,337) | 659,324 | 21,634 | 528,435 |
| Cash and Cash Equivalents - July 1, 2016 | <u>4,423,091</u> | <u>1,486,008</u> | <u>1,619,358</u> | <u>38,472</u> | <u>7,566,929</u> |
| Cash and Cash Equivalents - June 30, 2017 | <u>\$ 4,871,905</u> | <u>\$ 884,671</u> | <u>\$ 2,278,682</u> | <u>\$ 60,106</u> | <u>\$ 8,095,364</u> |

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Business-type Activities - Enterprise Funds | | | | |
|--|--|-------------------|-------------------|---------------------------------------|---------------------|
| | Electric | Water | Sewer | Other Enterprise Funds | Totals |
| <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u> | | | | | |
| Operating Income | \$ 3,139,754 | \$ 160,645 | \$ 560,497 | \$ 31,765 | \$ 3,892,661 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | |
| Depreciation | 129,951 | 192,319 | 459,497 | - | 781,767 |
| Pension expense | (675,839) | (221,062) | (227,578) | (66,374) | (1,190,853) |
| Changes in assets and liabilities: | | | | | |
| Decrease in accounts receivable | 58,522 | 34,620 | 48,533 | 402 | 142,077 |
| (Increase) decrease in inventory | (238,562) | 2,651 | 10 | - | (235,901) |
| (Decrease) increase in accounts payable | (55,893) | 21,803 | 15,248 | 46,358 | 27,516 |
| Decrease in deposits payable | (9,842) | - | - | - | (9,842) |
| (Decrease) increase in accrued expenses | (3,854) | (887) | 89 | (246) | (4,898) |
| Decrease in net OPEB obligation | 4,677 | 4,496 | 4,375 | (1) | 13,547 |
| Increase (decrease) in compensated absences | <u>(117,678)</u> | <u>46,778</u> | <u>47,089</u> | <u>(4,108)</u> | <u>(27,919)</u> |
| Net Cash Provided by Operating Activities | <u>\$ 2,231,236</u> | <u>\$ 241,363</u> | <u>\$ 907,760</u> | <u>\$ 7,796</u> | <u>\$ 3,388,155</u> |

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

| | <u>Main Trust</u> | <u>Successor Agency</u> | <u>Agency Funds</u> | <u>Total Fiduciary Funds</u> |
|--|-------------------------|------------------------------|-------------------------|------------------------------|
| <u>ASSETS</u> | | | | |
| Cash and investments (Note 2) | \$ 12,674 | \$ 1,392,646 | \$ 10,390 | \$ 1,415,710 |
| Restricted cash and investments (Note 2) | - | 381,393 | - | 381,393 |
| Interest receivable | - | 507 | - | 507 |
| Taxes receivable | - | - | 33 | 33 |
| Due from City | - | 1,500,000 | - | 1,500,000 |
| Capital assets, non-depreciable | - | 1,302,116 | - | 1,302,116 |
| Total Assets | \$ <u>12,674</u> | \$ <u>4,576,662</u> | \$ <u>10,423</u> | \$ <u>4,599,759</u> |
| <u>LIABILITIES</u> | | | | |
| Accounts payable and other liabilities | \$ - | \$ 2,142 | \$ - | \$ 2,142 |
| Due to City | - | 2,813,000 | - | 2,813,000 |
| Interest payable | - | 275,504 | - | 275,504 |
| Advances from the City | - | 426,868 | - | 426,868 |
| Long-term liabilities | - | 4,471,766 | - | 4,471,766 |
| Funds held in Trust | - | - | 10,423 | 10,423 |
| Total Liabilities | \$ <u>-</u> | \$ <u>7,989,280</u> | \$ <u>10,423</u> | \$ <u>7,999,703</u> |
| <u>NET POSITION</u> | | | | |
| Held in trust for private purposes | \$ <u>12,674</u> | \$ <u>(3,412,618)</u> | \$ <u>-</u> | \$ <u>(3,399,944)</u> |

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | <u>Main Trust</u> | <u>Successor Agency</u> | <u>Total Trust Funds</u> |
|------------------------------|-------------------|-------------------------|--------------------------|
| <u>ADDITIONS</u> | | | |
| Property taxes | \$ - | \$ 691,560 | \$ 691,560 |
| Use of money and property | - | 3,648 | 3,648 |
| Other revenues | - | (302) | (302) |
| | <u>-</u> | <u>694,906</u> | <u>694,906</u> |
| Total Additions | <u>-</u> | <u>694,906</u> | <u>694,906</u> |
| <u>DEDUCTIONS</u> | | | |
| Administrative expense | - | 47,197 | 47,197 |
| Interest costs | - | 312,783 | 312,783 |
| | <u>-</u> | <u>359,980</u> | <u>359,980</u> |
| Total Deductions | <u>-</u> | <u>359,980</u> | <u>359,980</u> |
| Changes in Net Position | - | 334,926 | 334,926 |
| Net Position - July 1, 2016 | <u>12,674</u> | <u>(3,747,544)</u> | <u>(3,734,870)</u> |
| Net Position - June 30, 2017 | <u>\$ 12,674</u> | <u>\$ (3,412,618)</u> | <u>\$ (3,399,944)</u> |

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 of Gridley, California 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 of Government Code. The City, and the Authority are separate legal entities. For financial reporting purposes, the Authority is reported as if a part of the City's operations because the five (5) members of the Gridley 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 Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

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 programs, (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, 2017

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 expenditure/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 funds are aggregated and reported as nonmajor funds in a single column, regardless of their fund type.

The funds 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)

Agency Funds - These funds are custodial in nature and do not involve measurement of the results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds account for assets held by the City as an agent for other governmental units or individuals.

Private-Purpose Trust Funds - 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. The Main Trust Fund is used to account for trust arrangements where the balances and activity benefit individuals and organizations other than the City.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 Grant Funds - The block grant 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 result in program income and are deposited into the Housing Rehabilitation Revolving loan fund (RLF) program for public benefit projects, general administration, 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 2016-17, approximately fourteen sub-funds fell into this category. They were mostly grants from the State of California (transportation, planning, and COPS grants). Remaining grants were federal awards (Gridley Springs and the Hazel Street Project). 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 Utility Fund - The electric utility 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.

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, 2017

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 current liabilities 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 all liabilities (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.
- c. As agency funds report only assets and liabilities, they do not have a measurement focus. However, they use the accrual basis of accounting to recognize receivables and payables. The "economic resources" measurement focus and the accrual basis of accounting is used for trust funds.

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. In addition, all fiduciary funds use 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 for 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 is 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 electric, water, and sewer 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, 2017

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 or 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, 2017

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 accrue 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 estimated fair 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 fixed 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, 2017

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 and Sick Leave

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, 2017. 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, 2017 was \$131,502.

J. 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 position or fund balance 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 position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

K. 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.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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 Plans' 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.

M. 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 fund balance reserve account 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.

N. 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 place 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 do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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.
- 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.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- d. Assigned - Amounts that are constrained by the government'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 and residual negative fund balance of special revenue and capital project funds.

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

O. General Budget Policies

The City Council establishes budgets for all governmental funds. Budgetary control is legally maintained at the fund level. Department heads submit a proposed budget to the City Administrator. The Administrator prepares an estimate of revenues and prepares recommendations for the next year's budget. 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.

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 and supplementary information have been adjusted for legally authorized revisions of the annual budgets during the year. Amounts represent the original budgeted amounts and all supplemental appropriations.

Budget information is presented for the General Fund and major special revenue funds. The budget information is presented on a basis consistent with GAAP. Governmental fund budgets are maintained on the modified accrual basis of accounting. 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.

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, 2016, the City implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 77

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

Government Accounting Standards Board Statement No. 80

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2017 or later. The City has not determined the effects on the financial statements.

Government Accounting Standards Board Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB, and replaces Statements No. 45 and 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB. 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, 2018.

Government Accounting Standards Board Statement No. 83

In December 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement seeks to provide financial statement users with information concerning asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement establishes criteria for determining the timing and the pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. 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, 2019.

Government Accounting Standards Board Statement No. 84

In February 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 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, 2020.

Government Accounting Standards Board Statement No. 85

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement seeks to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (i.e., pensions and other post-employment benefits (OPEB)). 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, 2018.

Government Accounting Standards Board Statement No. 86

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources (i.e., resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the purpose of extinguishing debt. Additionally, this Statement amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in-substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. 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, 2018.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government 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 financings 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, 2021.

S. Reclassifications

Certain accounts in prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2017 were classified in the accompanying financial statements as follows:

| | <u>Cash and Investments</u> | <u>Restricted Cash and Investments</u> | <u>Total</u> |
|---|---------------------------------|--|----------------------|
| Governmental activities | \$ 3,568,289 | \$ - | \$ 3,568,289 |
| Business-type activities | <u>8,095,364</u> | <u>-</u> | <u>8,095,364</u> |
| Total government-wide cash and investments | <u>11,663,653</u> | <u>-</u> | <u>11,663,653</u> |
| Fiduciary activities | <u>1,415,710</u> | <u>381,393</u> | <u>1,797,103</u> |
| Total cash and investments | <u>\$ 13,079,363</u> | <u>\$ 381,393</u> | <u>\$ 13,460,756</u> |

Cash and investments were carried at fair value as of June 30, 2017 and consisted of the following:

| | |
|--|----------------------|
| Cash on hand | \$ 150 |
| Cash in banks | <u>6,777,923</u> |
| Total cash | <u>6,778,073</u> |
| Local Agency Investment Fund (LAIF) | 6,301,290 |
| California Asset Management Program (CAMP) | <u>381,393</u> |
| Total investments | <u>6,682,683</u> |
| Total cash and investments | <u>\$ 13,460,756</u> |

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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 Deposits | 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 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, 2017

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee 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 trustee. 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 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, 2017:

| | Remaining Maturity | | |
|------------------------------|---------------------|-------------|---------------------|
| | 12 months or less | 1-5 years | Fair Value |
| Local Agency Investment Fund | \$ 6,301,290 | \$ - | \$ 6,301,290 |
| Held by bond trustee: | | | |
| Investment pool (CAMP) | <u>381,393</u> | <u>-</u> | <u>381,393</u> |
| | <u>\$ 6,682,683</u> | <u>\$ -</u> | <u>\$ 6,682,683</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, 2017.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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 | \$ 6,301,290 | | | Not rated |
| Held by bond trustee: | | | | |
| Investment pool (CAMP) | <u>381,393</u> | AAAm | | |
| | <u>\$ 6,682,683</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 will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment 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.

As of June 30, 2017, the carrying amount of the City's deposits was \$6,777,923 and bank balances were \$4,427,423, of which \$704,426 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. 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 the 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.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3: NOTES AND LOANS RECEIVABLE

The following is a summary of notes receivable at June 30, 2017:

| <u>Governmental Activities</u> | <u>Balance July 1, 2016</u> | <u>Additions</u> | <u>Retirements/ Adjustments</u> | <u>Balance June 30, 2017</u> |
|-------------------------------------|---------------------------------|--------------------|-------------------------------------|----------------------------------|
| Governmental Funds | | | | |
| Home program | \$ 7,735,623 | \$ 146,525 | \$ - | \$ 7,882,148 |
| CalHome program | 19,264 | - | - | 19,264 |
| CDBG program | <u>1,776,582</u> | <u>201,678</u> | <u>-</u> | <u>1,978,260</u> |
| Total Governmental Funds | 9,531,469 | 348,203 | - | 9,879,672 |
| Less Allowance for Notes Receivable | <u>(9,100,352)</u> | <u>(369,476)</u> | <u>-</u> | <u>(9,469,828)</u> |
| Total Notes Receivable, net | <u>\$ 431,117</u> | <u>\$ (21,273)</u> | <u>\$ -</u> | <u>\$ 409,844</u> |
| | | | | |
| <u>Fiduciary</u> | <u>Balance July 1, 2016</u> | <u>Additions</u> | <u>Retirements/ Adjustments</u> | <u>Balance June 30, 2017</u> |
| Construction Loan | <u>\$ 678,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 678,000</u> |
| Less Allowance for Notes Receivable | <u>(678,000)</u> | <u>-</u> | <u>-</u> | <u>(678,000)</u> |
| Total Notes Receivable, net | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The City participates in a Community Development Block Grant (CDBG) Revolving Loan program. The program is federally funded and provides assistance to private parties and for-profit businesses to carry out economic development. Loans have been provided to qualifying businesses located within the City. The City also participates in the Economic Development Block Grant (EDBG) Program that provides various business loans to qualifying businesses. Interest rates vary depending on the terms of the loan and interest may be deferred until the related property is refinanced or sold. Accrued but unpaid interest is added to the loan balance. Interest rates range from 2.9% to 4.0%.

The balance of the notes 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 City has provided 100% allowance for all notes receivable subject to long-term deferral and/or payment from future refinancing as well as notes receivable having subordination provisions except for those accounts that have current payment activity and are not delinquent at June 30, 2017.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4: INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund long-term advances due after one year at June 30, 2017 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 Redevelopment Agency agreed to reimburse the City of Gridley for infrastructure improvements within the agency's industrial park up to \$250,000. Repayment of the advance will be as funds are available in the General Redevelopment Special Revenue Fund. No interest accrues on the amount due to the City.

The composition of interfund balances as of June 30, 2017 was as follows:

| <u>Payable Fund</u> | <u>Receivable Fund</u> | <u>Description</u> | <u>Amount</u> |
|---|------------------------|----------------------------------|-------------------------|
| Major Governmental Funds | | | |
| Grant-Related | General Fund | Temporary pooled cash adjustment | \$ 11,200 |
| Grant-Related | General Fund | Temporary pooled cash adjustment | 1,600 |
| Grant-Related Fund | General Fund | Temporary pooled cash adjustment | 13,000 |
| Block Grant Fund | General Fund | Temporary pooled cash adjustment | 50,500 |
| Grant-Related Fund | General Fund | Temporary pooled cash adjustment | 1,500 |
| Grant-Related Fund | General Fund | Temporary pooled cash adjustment | 5,400 |
| Grant-Related Fund | General Fund | Temporary pooled cash adjustment | 79,500 |
| Grant-Related Fund | General Fund | Temporary pooled cash adjustment | 25,000 |
| Grant-Related Fund | Block Grant Fund | Temporary pooled cash adjustment | 90,000 |
| Grant-Related Fund | Water Fund | Temporary pooled cash adjustment | 139,600 |
| Grant-Related Fund | Electric Fund | Temporary pooled cash adjustment | 269,000 |
| General Fund | Grant-Related Fund | Temporary pooled cash adjustment | <u>42,337</u> |
| Total Major Governmental Funds | | | <u>728,637</u> |
| Non-Major Governmental Funds | | | |
| Public Financing Authority | General Fund | Temporary pooled cash adjustment | 300 |
| Maintenance District | General Fund | Temporary pooled cash adjustment | 5,000 |
| Recreation Related Fund | Electric Funds | Temporary pooled cash adjustment | 750,000 |
| Gas Tax Fund | General Fund | Temporary pooled cash adjustment | 139,000 |
| Traffic Safety Fund | General Fund | Temporary pooled cash adjustment | 32,000 |
| Recreation Related Fund | General Fund | Temporary pooled cash adjustment | 102,000 |
| Planning and Development | Water Fund | Temporary pooled cash adjustment | 375,000 |
| Solid Waste Fund | Electric Funds | Temporary pooled cash adjustment | 58,000 |
| BINTF Siezer | Electric Funds | Temporary pooled cash adjustment | <u>60,000</u> |
| Total Non-Major Governmental Funds | | | <u>1,521,300</u> |
| Fiduciary Funds | | | |
| Successor Agency | General Funds | Temporary pooled cash adjustment | 700,000 |
| Successor Agency | Sewer Fund | Temporary pooled cash adjustment | 2,000,000 |
| Successor Agency | General Fund | Temporary pooled cash adjustment | <u>113,000</u> |
| Total Fiduciary Funds | | | <u>2,813,000</u> |

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4: INTERFUND AND INTRA-FUND TRANSACTIONS (CONTINUED)

| <u>Payable Fund</u> | <u>Receivable Fund</u> | <u>Description</u> | <u>Amount</u> |
|---|-------------------------|----------------------------------|----------------------|
| <u>Major Proprietary Fund</u> | | | |
| Electric Fund | General Impact Fee Fund | Temporary pooled cash adjustment | 600,000 |
| Electric Fund | General Fund | Temporary pooled cash adjustment | 400,000 |
| Electric Fund | General Fund | Temporary pooled cash adjustment | 2,000,000 |
| Electric Fund | General Fund | Temporary pooled cash adjustment | 200,000 |
| Electric Fund | Successor Agency | Temporary pooled cash adjustment | 1,500,000 |
| Electric Fund | Gas Tax 2107 | Temporary pooled cash adjustment | 100,000 |
| Electric Fund | SB 325 Fund | Temporary pooled cash adjustment | 314,600 |
| Electric Fund | Sewer Fund | Temporary pooled cash adjustment | 600,000 |
| Electric Fund | Water Fund | Temporary pooled cash adjustment | 285,400 |
| Electric Fund | General Fund | Temporary pooled cash adjustment | <u>21,000</u> |
| Total Major Proprietary Funds | | | <u>6,021,000</u> |
| Total Interfund Payables/Receivables | | | <u>\$ 11,083,937</u> |

Interfund Transfers to/from Other Funds

Transfers between funds during the fiscal year ended June 30, 2017 were as follows:

| <u>Transfer From</u> | <u>Transfer To</u> | <u>Description of Transfer</u> | <u>Amount</u> |
|----------------------------------|--------------------|--------------------------------|---------------------|
| <u>Enterprise Funds</u> | | | |
| Electric fund | General Fund | Unfunded City operations | \$ <u>1,600,000</u> |
| Total Interfund Transfers | | | <u>\$ 1,600,000</u> |

Intra-Fund Transfers between Funds

The following table represents intra-fund transfers made during the fiscal year ended June 30, 2017:

| <u>Transfer from</u> | <u>Transfer To</u> | <u>Description of Transfer</u> | <u>Amount</u> |
|----------------------|--------------------|--------------------------------|------------------|
| <u>General Fund</u> | | | |
| General Fund | Sick Leave Reserve | Cost overage reimbursement | \$ <u>37,190</u> |

Intra-fund transfers are not presented on the Statement of Revenues, Expenses, and Changes in Net Position for the governmental and proprietary funds as they are presented on a net basis. However, the combining Schedule of Revenues, Expenditures, and Changes in Fund Balances for the general fund on page 84 presents both general fund interfund transfers and intra-fund transfers.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5: CAPITAL ASSETS

Governmental activities:

| | <u>Balance at July 1, 2016</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>Balance at June 30, 2017</u> |
|--|------------------------------------|---------------------|--------------------|------------------|-------------------------------------|
| Capital assets not being depreciated | | | | | |
| Land | \$ 417,778 | \$ - | \$ - | \$ - | \$ 417,778 |
| Construction-in-progress | <u>297,212</u> | <u>287,684</u> | <u>-</u> | <u>(584,896)</u> | <u>-</u> |
| Total capital assets not being depreciated | <u>714,990</u> | <u>287,684</u> | <u>-</u> | <u>(584,896)</u> | <u>417,778</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 | 2,597,529 | - | - | 584,896 | 3,182,425 |
| Vehicles and equipment | <u>5,091,298</u> | <u>52,792</u> | <u>-</u> | <u>-</u> | <u>5,144,090</u> |
| Total capital assets being depreciated | <u>19,342,754</u> | <u>52,792</u> | <u>-</u> | <u>584,896</u> | <u>19,980,442</u> |
| Less accumulated depreciation | | | | | |
| Infrastructure | (2,406,544) | (283,263) | - | - | (2,689,807) |
| Buildings and improvements | (1,899,329) | (93,292) | - | - | (1,992,621) |
| Improvements other than buildings | (558,377) | (86,063) | - | - | (644,440) |
| Vehicles and equipment | <u>(3,598,730)</u> | <u>(133,882)</u> | <u>-</u> | <u>-</u> | <u>(3,732,612)</u> |
| Total accumulated depreciation | <u>(8,462,980)</u> | <u>(596,500)</u> | <u>-</u> | <u>-</u> | <u>(9,059,480)</u> |
| Total capital assets, net | <u>\$ 11,594,764</u> | <u>\$ (256,024)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 11,338,740</u> |

Depreciation was charged to functions based on their usage of the related assets as follows:

Governmental Activities:

| | |
|--|-------------------|
| General Government | \$ 89,475 |
| Public Safety | 196,845 |
| Streets and Public Works | 220,705 |
| Parks and Recreation | <u>89,475</u> |
| Total governmental activities depreciation expense | <u>\$ 596,500</u> |

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5: CAPITAL ASSETS (CONTINUED)

Business-type activities:

| | <u>Balance at July 1, 2016</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>Balance at June 30, 2017</u> |
|--|------------------------------------|---------------------|--------------------|------------------|-------------------------------------|
| Capital assets not being depreciated | | | | | |
| Land | \$ 921,793 | \$ - | \$ - | \$ - | \$ 921,793 |
| Construction-in-progress | <u>500,727</u> | <u>54,786</u> | <u>-</u> | <u>(555,513)</u> | <u>-</u> |
| Total capital assets not being depreciated | <u>1,422,520</u> | <u>54,786</u> | <u>-</u> | <u>(555,513)</u> | <u>921,793</u> |
| Capital assets being depreciated | | | | | |
| Infrastructure | 6,342,642 | - | - | (2,258) | 6,340,384 |
| Buildings and improvements | 1,139,546 | - | - | (1) | 1,139,545 |
| Improvements other than buildings | 8,093,737 | - | - | 597,060 | 8,690,797 |
| Vehicles and equipment | <u>6,735,884</u> | <u>316,536</u> | <u>-</u> | <u>(39,288)</u> | <u>7,013,132</u> |
| Total capital assets being depreciated | <u>22,311,809</u> | <u>316,536</u> | <u>-</u> | <u>555,513</u> | <u>23,183,858</u> |
| Less accumulated depreciation | | | | | |
| Infrastructure | (1,742,796) | (162,067) | - | - | (1,904,863) |
| Buildings and improvements | (807,049) | (7,853) | - | - | (814,902) |
| Improvements other than buildings | (2,083,462) | (325,129) | - | - | (2,408,591) |
| Vehicles and equipment | <u>(4,173,565)</u> | <u>(286,718)</u> | <u>-</u> | <u>-</u> | <u>(4,460,283)</u> |
| Total accumulated depreciation | <u>(8,806,872)</u> | <u>(781,767)</u> | <u>-</u> | <u>-</u> | <u>(9,588,639)</u> |
| Total capital assets, net | <u>\$ 14,927,457</u> | <u>\$ (410,445)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,517,012</u> |

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

| | |
|---|-------------------|
| Electricity | \$ 129,951 |
| Water | 192,319 |
| Sewer | <u>459,497</u> |
| Total business-type activities depreciation expense | <u>\$ 781,767</u> |

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017:

| | <u>Balance at July 1, 2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2017</u> | <u>Current Portion</u> |
|----------------------------------|------------------------------------|------------------|---------------------|----------------------------------|----------------------------|
| Governmental activities: | | | | | |
| Compensated absences | \$ 495,753 | \$ 1,574 | \$ (26,035) | \$ 471,292 | \$ 150,009 |
| Total Governmental activities | <u>\$ 495,753</u> | <u>\$ 1,574</u> | <u>\$ (26,035)</u> | <u>\$ 471,292</u> | <u>\$ 150,009</u> |
| | | | | | |
| | <u>Balance at July 1, 2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2017</u> | <u>Current Portion</u> |
| Business-type activities: | | | | | |
| Capital Lease - Water | \$ 225,062 | \$ - | \$ (71,832) | \$ 153,230 | \$ 74,975 |
| Capital Lease - Electric | 56,267 | - | (17,958) | 38,309 | 18,744 |
| USDA Rural Development Loan | 1,134,000 | - | (30,000) | 1,104,000 | 31,000 |
| USDA Rural Development Loan | 2,488,000 | - | (47,000) | 2,441,000 | 49,000 |
| Compensated Absences | <u>342,172</u> | <u>93,866</u> | <u>(121,785)</u> | <u>314,253</u> | <u>74,568</u> |
| Total Business-type activities | <u>\$ 4,245,501</u> | <u>\$ 93,866</u> | <u>\$ (288,575)</u> | <u>\$ 4,050,792</u> | <u>\$ 248,287</u> |

A description of the long-term liabilities related to governmental activities at June 30, 2017 follows:

A. Business-type Activities

Obligations under Capital Leases

The City entered into a \$1,111,000 capital lease dated May 3, 2004 for the purchase and installation of the water and electric utility metering systems. Payments of \$102,099 are due annually through March 20, 2019, including interest at 4.375%. The lease is secured by the equipment. As of June 30, 2017, the Water fund and Electric fund's balance of the lease were \$153,230 and \$38,309, respectively.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

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, 2017, the balance on the loan is \$1,104,000.

On April 15, 2009, the City of Gridley entered into a loan/grant agreement with the 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, 2017, the balance on the loan is \$2,441,000.

Business-Type Long-Term Liabilities Amortization

| Capital Lease - Water | | | |
|--|-------------------|------------------|-------------------|
| For the Year Ending June 30 | Principal | Interest | Total |
| 2018 | \$ 74,975 | \$ 6,704 | \$ 81,679 |
| 2019 | 78,255 | 3,424 | 81,679 |
| Total | \$ 153,230 | \$ 10,128 | \$ 163,358 |

| Capital Lease - Electric | | | |
|--|------------------|-----------------|------------------|
| For the Year Ending June 30 | Principal | Interest | Total |
| 2018 | \$ 18,744 | \$ 1,676 | \$ 20,420 |
| 2019 | 19,565 | 856 | 20,421 |
| Total | \$ 38,309 | \$ 2,532 | \$ 40,841 |

CITY OF GRIDLEY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

Business-Type Long-Term Liabilities Amortization (Continued)

| USDA Rural Development Loan | | | |
|--|---------------------|-------------------|---------------------|
| For the Year Ending June 30 | Principal | Interest | Total |
| 2018 | \$ 31,000 | \$ 35,376 | \$ 66,376 |
| 2019 | 32,000 | 34,353 | 66,353 |
| 2020 | 33,000 | 33,296 | 66,296 |
| 2021 | 34,000 | 32,208 | 66,208 |
| 2022 | 35,000 | 31,086 | 66,086 |
| 2023 - 2027 | 194,000 | 137,216 | 331,216 |
| 2028 - 2032 | 229,000 | 102,944 | 331,944 |
| 2033 - 2037 | 268,000 | 62,628 | 330,628 |
| 2038 - 2041 | 248,000 | 16,444 | 264,444 |
| Total | \$ 1,104,000 | \$ 485,551 | \$ 1,589,551 |

| USDA Rural Development Loan | | | |
|--|---------------------|---------------------|---------------------|
| For the Year Ending June 30 | Principal | Interest | Total |
| 2018 | \$ 49,000 | \$ 61,025 | \$ 110,025 |
| 2019 | 50,000 | 59,800 | 109,800 |
| 2020 | 51,000 | 58,500 | 109,500 |
| 2021 | 52,000 | 57,275 | 109,275 |
| 2022 | 54,000 | 55,975 | 109,975 |
| 2023 - 2027 | 289,000 | 259,050 | 548,050 |
| 2028 - 2032 | 327,000 | 221,075 | 548,075 |
| 2033 - 2037 | 370,000 | 178,125 | 548,125 |
| 2038 - 2042 | 420,000 | 129,375 | 549,375 |
| 2043 - 2047 | 473,000 | 74,300 | 547,300 |
| 2048 - 2050 | 306,000 | 15,250 | 321,250 |
| Total | \$ 2,441,000 | \$ 1,169,750 | \$ 3,610,750 |

NOTE 7: DEFINED BENEFIT PENSION PLAN

A. General Information about the Pensions Plans

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.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

| Hire Date | Miscellaneous | | | Safety | |
|--|-----------------------------|--------------------------------|--------------------------------|------------------|------------------|
| | Tier I | Tier II | PEPRA | Prior to | On or after |
| | Prior to January 1, 2013 | On or after January 1, 2013 | On or after January 1, 2013 | January 1, 2013 | January 1, 2013 |
| Benefit Formula | 2% @ 55 | 2% @ 55 | 2% @ 62 | 3% @ 50 | 2.7% @ 55 |
| 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 | 8.88% | 8.38% | 6.55% | 18.43% | N/A |

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 ending June 30, 2017 were \$866,010.

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

As of June 30, 2017, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$9,658,560.

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, 2016, 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, 2015 rolled forward to June 30, 2016 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, 2015 and 2016 was as follows:

| | |
|------------------------------|------------|
| Proportion - June 30, 2015 | 0.26355% |
| Proportion - June 30, 2016 | 0.11162% |
| Change - Increase (Decrease) | (0.15193)% |

For the year ended June 30, 2017, the City recognized pension expense of \$897,474. At June 30, 2017, 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 | \$ 866,010 | \$ - |
| Difference between actual contributions made by employer and the employer's proportionate share of the risk pool's total contribution | 77,041 | (117,998) |
| Differences between actual and expected experience | 17,961 | (31,158) |
| Changes in assumptions | - | (287,839) |
| Adjustment due to differences in proportions | 2,222,144 | (3,583,873) |
| Net differences between projected and actual earnings on plan investments | 1,463,717 | - |
| Total | \$ 4,646,873 | \$ (4,020,868) |

\$866,010 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Measurement Period Ended June 30, | | |
|--------------------------------------|----|-----------|
| 2018 | \$ | (481,727) |
| 2019 | | (462,891) |
| 2020 | | 324,731 |
| 2021 | | 379,882 |

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

| | |
|----------------------------------|---|
| Valuation Date | June 30, 2015 |
| Measurement Date | June 30, 2016 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.65% |
| Inflation | 2.75% |
| Salary Increases | Varies by Entry Age and Service |
| Investment Rate of Return | 7.65% 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 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter |

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 201 Experience Study Report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Changes in Assumptions

There were no changes of assumptions during the measurement period ended June 30, 2016. Deferred inflows of resources for changes in assumptions presented in the deferred outflows/inflows table above represents the portion of the changes of assumptions related to prior measurement periods.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective July 1, 2015.

| <u>Asset Class</u> | <u>New Strategic Allocation</u> | <u>Real Return Years 1-10 (a)</u> | <u>Real Return Years 11+ (b)</u> |
|-------------------------------|---------------------------------|---------------------------------------|--------------------------------------|
| Global Equity | 51.0% | 5.25% | 5.71% |
| Global Debt Securities | 20.0% | 0.99% | 2.43% |
| Inflation Assets | 6.0% | 0.45% | 3.36% |
| Private Equity | 10.0% | 6.83% | 6.95% |
| Real Estate | 10.0% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.0% | 4.50% | 5.09% |
| Liquidity | 1.0% | (0.55%) | (1.05%) |

(a) An expected inflation of 2.50% used for this period

(b) An expected inflation of 3.00% used for this period

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

The following presents the City's proportionate share of the net pension liability for each Plan, proportionate share of the calculated using the discount rate for each Plan, as well as what the City's 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 (Asset)</u> | <u>Discount Rate -1% (6.65%)</u> | <u>Current Discount Rate (7.65%)</u> | <u>Discount Rate +1% (8.65%)</u> |
|--------------------------------------|--------------------------------------|--|--------------------------------------|
| Net Pension Liability (Asset) | \$ 14,221,744 | \$ 9,658,560 | \$ 5,896,671 |

Pension Plan Fiduciary Net Position

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

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB)

This note includes information required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

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 plan 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.

For the year ended June 30, 2017, the City reported 9 retired employees. The City currently has 2 active participants.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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 coverages 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", equal 5% of the statutory minimum (\$101 per month for 2009) 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 January 1, 2014). 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.

Funding Policy

As required by GASB 45, an actuary will determine the City's Annual Required Contributions (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAL) over a period not to exceed 30 years.

GASB 45 does not require pre-funding of OPEB benefits. Therefore, the City's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The City has elected not to establish an irrevocable trust at this time. As a result, no financial statements of the plan are available.

The City Council reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the City's circumstances.

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2017, the City's annual cost for the healthcare plan was \$152,159. The City's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2017 were as follows:

| | | |
|--|----|-----------------------|
| Annual required contribution | | |
| Service cost at year-end | \$ | 3,783 |
| 30-year amortization of funded liability | | <u>153,205</u> |
| Total annual required contribution | | <u>156,988</u> |
| Interest on net OPEB obligation | | 17,909 |
| Adjustment to net OPEB obligation | | <u>(22,738)</u> |
| Total annual OPEB cost | | <u>152,159</u> |
| Employer contributions | | <u>(117,994)</u> |
| Net increase in net OPEB obligation | | 34,165 |
| Net OPEB obligation, July 1, 2016 | | <u>358,171</u> |
| Net OPEB obligation, June 30, 2017 | \$ | <u><u>392,336</u></u> |

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

| Year Ended | Annual OPEB cost | Actual Employer Contribution | Percentage Contributed | Net Ending OPEB Obligation |
|---------------|------------------|------------------------------|------------------------|----------------------------|
| June 30, 2015 | \$ 135,068 | \$ 94,644 | 70 % | \$ 305,907 |
| June 30, 2016 | \$ 150,356 | \$ 98,092 | 65 % | \$ 358,171 |
| June 30, 2017 | \$ 152,159 | \$ 117,994 | 78 % | \$ 392,336 |

As of June 30, 2017, \$279,363 of the net pension obligation was recorded in governmental activities and \$112,973 was recorded in business-type activities on the Statement of Net Position.

Funded Status and Funding Progress

The funded status of the plan based on an actuarial study using age-adjusted premiums as of June 30, 2017, was as follows:

| | |
|---|---------------------|
| Actuarial accrued liability (AAL) | |
| Active employees | \$ 578,486 |
| Retired employees | <u>1,894,410</u> |
| | <u>2,472,896</u> |
| Actuarial value of plan assets | <u>-</u> |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 2,472,896</u> |
| Funded Ratio (actuarial value of plan assets / AAL) | 0 % |
| Covered payroll | \$ 334,267 |
| UAAL as a percentage of covered payroll | 740 % |

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on the values which the City's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the 2015 actuarial valuation, the projected unit cost method was used along with the level percent of payroll amortization method over a closed 30 years. The actuarial assumptions included a 5.00% discount rate.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9: FUND BALANCE

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* 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.

The City established the following fund balance policies:

Nonspendable: Resources that are 1) not in spendable form, such as inventories, prepaids, long-term receivables, or non-financial assets held for resale, or 2) required to be maintained intact such as an endowment.

Restricted: Resources that are subject to externally enforceable legal restrictions; these restrictions would be either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance: Resources that are constrained to specific purposes by a formal action of the City Council such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the City Council. Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.

Assigned Fund Balance: Resources that are constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed.

Unassigned: Within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Within all other governmental funds, the negative residual resources in excess of what can be properly classified as nonspendable, restricted, or committed.

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, 2017

NOTE 9: FUND BALANCE (CONTINUED)

As of June 30, 2017, fund balances consisted of the following:

| | <u>General Fund</u> | <u>08-HOME-4987 Grant Fund</u> | <u>Block Grant Funds</u> | <u>Grant Related Funds</u> | <u>Non-Major Funds</u> | <u>Total</u> |
|---------------------------|---------------------|------------------------------------|------------------------------|--------------------------------|----------------------------|---------------------|
| Nonspendable: | | | | | | |
| Prepays | \$ 22,132 | \$ - | \$ - | \$ - | \$ - | \$ 22,132 |
| Restricted: | | | | | | |
| Redevelopment | - | - | - | - | 1,046,326 | 1,046,326 |
| Grants | - | 3,744 | 369,444 | - | 1 | 373,189 |
| Taxes & fees | - | - | - | - | 636,563 | 636,563 |
| Debt service | 211,070 | - | - | - | - | 211,070 |
| Capital projects | - | - | - | - | - | - |
| Contributions | - | - | - | - | 6,792 | 6,792 |
| Assigned: | | | | | | |
| Bond reserve | 655,181 | - | - | - | - | 655,181 |
| Sick payout reserve | 132,679 | - | - | - | - | 132,679 |
| Equipment replacement | 2,315,056 | - | - | - | - | 2,315,056 |
| Building maintenance | 499,866 | - | - | - | - | 499,866 |
| Infrastructure reserve | 40,000 | - | - | - | - | 40,000 |
| Unassigned | <u>2,352,905</u> | <u>-</u> | <u>-</u> | <u>(39,726)</u> | <u>(1,303,969)</u> | <u>1,009,210</u> |
| Total | <u>\$ 6,228,889</u> | <u>\$ 3,744</u> | <u>\$ 369,444</u> | <u>\$ (39,726)</u> | <u>\$ 385,713</u> | <u>\$ 6,948,064</u> |

Fund Balance Deficits

As of June 30, 2017, the following funds had a deficit:

| <u>Fund</u> | <u>Deficit</u> |
|----------------------------|---------------------|
| Grant Related Funds | \$ 39,726 |
| Public Financing Authority | 258 |
| Traffic Safety | 19,162 |
| Planning and Development | 380,373 |
| Solid Waste - Recreation | 57,646 |
| Recreation Related | <u>846,530</u> |
| | <u>\$ 1,343,695</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, 2017

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 - \$500,000 | Northern California Cities Self Insurance Fund | Shared risk |
| \$500,001 - \$39,500,000 | California Joint Powers Risk Management Authority | Shared risk (to \$5 mil, excess insurance after that) |
| Workers' Compensation | | |
| \$0 - \$50,000 | Self-insured | Banking layer |
| \$500,001 - \$500,000 | Northern California Cities Self Insurance Fund | Shared risk |
| \$500,001 - statutory | CSAC-EIA | Shared risk and Excess Insurance |

Property insurance - The City's deductible levels range from \$1,000 to \$2,500 depending on the type of coverage. The coverage limit for fiscal year 2015 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 \$1,000,000 in coverage for public employee dishonesty with a deductible of \$5,000.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10: RISK MANAGEMENT (CONTINUED)

Audited condensed financial information for the NCCSIF for the fiscal year ended June 30, 2017 was as follows:

| | |
|------------------------|-----------------------------|
| Total Assets | \$ 55,038,345 |
| Total Liabilities | <u>39,042,266</u> |
| Net Position | <u><u>\$ 15,996,079</u></u> |
| | |
| Total Revenues | \$ 17,662,870 |
| Total Expenses | <u>15,666,348</u> |
| Change in Net Position | <u><u>\$ 1,996,522</u></u> |

NOTE 11: 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 11 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 agreement. 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. At June 30, 2017, the City's balance held in reserve totaled \$241,452. 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>.

Orchard Hospital (formerly The Biggs-Gridley Hospital Agency)

In November 2006, the voters approved Measure C (1, 2, and 3) in Gridley, Biggs, and surrounding unincorporated areas of Butte County, to provide support funding to the Gridley-Biggs Memorial Hospital. The City of Gridley is the lead agency in the collection of assessments and the administration of the Joint Powers Authority formed by the City of Biggs, City of Gridley, and the County of Butte. The seven member board of directors consists of the two members appointed by each of the three member agencies and one director appointed at large by at least four votes of the Board of Directors.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12: 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.

NOTE 13: CONTINGENCIES AND COMMITMENTS

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.

The City participates in various federal and state assisted grant programs. These programs are subject to compliance audits by the grantors. 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.

NOTE 14: SUBSEQUENT EVENTS

The City has evaluated subsequent events through the date of this report, which is February 20, 2018, the date these financial statements were available to be issued, and has determined there were no material events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRIDLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | 2016 - 2017 | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|-----------------------|---------------------------|---|
| | Budgeted Amounts | | | |
| | Original | Final | Actual Amounts | |
| <u>REVENUES</u> | | | | |
| Taxes and assessments | \$ 1,351,616 | \$ 1,840,880 | \$ 2,331,139 | \$ 490,259 |
| License, permits, and fees | 82,393 | 82,393 | 108,947 | 26,554 |
| Fines and forfeitures | 21,172 | 21,172 | 4,749 | (16,423) |
| Use of money and property | 59,148 | 59,148 | 74,505 | 15,357 |
| Program income | - | - | 552 | 552 |
| Intergovernmental | 377,729 | 377,729 | 249,309 | (128,420) |
| Charges for services | 455,895 | 625,256 | 632,768 | 7,512 |
| Recreation and event fees | 52,492 | 52,492 | 59,178 | 6,686 |
| Insurance proceeds | <u>1,616</u> | <u>1,616</u> | <u>4,445</u> | <u>2,829</u> |
| Total Revenues | <u>2,402,061</u> | <u>3,060,686</u> | <u>3,465,592</u> | <u>404,906</u> |
| <u>EXPENDITURES</u> | | | | |
| Current: | | | | |
| General administration | 697,554 | 697,554 | 168,795 | 528,759 |
| Public safety | 3,789,073 | 3,789,073 | 3,507,609 | 281,464 |
| Streets and public works | 336,755 | 336,755 | 343,139 | (6,384) |
| Community development | 132,601 | 132,601 | 95,956 | 36,645 |
| Parks and recreation | 164,244 | 164,244 | 120,123 | 44,121 |
| Capital Outlay | <u>6,577</u> | <u>6,577</u> | <u>38,837</u> | <u>(32,260)</u> |
| Total Expenditures | <u>5,126,804</u> | <u>5,126,804</u> | <u>4,274,459</u> | <u>852,345</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,724,743)</u> | <u>(2,066,118)</u> | <u>(808,867)</u> | <u>(447,439)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers in | <u>-</u> | <u>-</u> | <u>1,600,000</u> | <u>1,600,000</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>1,600,000</u> | <u>1,600,000</u> |
| Net change in fund balance | <u>\$ (2,724,743)</u> | <u>\$ (2,066,118)</u> | <u>791,133</u> | <u>\$ 1,152,561</u> |
| Fund balance - July 1, 2016 | | | 5,437,756 | |
| Fund balance - June 30, 2017 | | | <u>\$ 6,228,889</u> | |

CITY OF GRIDLEY
08-HOME-4987 GRANT - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | 2016 - 2017 | | Actual | Variance |
|------------------------------|-------------------------|---------------|----------------|-------------------|
| | Budgeted Amounts | | | |
| | Original* | Final* | Amounts | with Final |
| | | | | Budget |
| | | | | Positive |
| | | | | (Negative) |
| <u>REVENUES</u> | | | | |
| Total Revenues | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - |
| <u>EXPENDITURES</u> | | | | |
| Current: | | | | |
| Community development | _____ - | _____ - | 1,545 | (1,545) |
| Total Expenditures | _____ - | _____ - | 1,545 | (1,545) |
| Net change in fund balance | \$ _____ - | \$ _____ - | (1,545) | \$ (1,545) |
| Fund balance - July 1, 2016 | | | 5,289 | |
| Fund balance - June 30, 2017 | | | \$ 3,744 | |

* The City did not adopt a budget for the 08-HOME-4987 Grant Fund for the year ended June 30, 2017.

CITY OF GRIDLEY
BLOCK GRANT FUNDS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | <u>2016 - 2017</u> <u>Budgeted Amounts</u> | | <u>Actual</u> <u>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>REVENUES</u> | | | | |
| Use of money and property | \$ - | \$ - | \$ 471 | \$ 471 |
| Program income | 98,873 | 98,873 | 53,525 | (45,348) |
| Intergovernmental | - | - | 92,039 | 92,039 |
| Recreation and event fees | <u>-</u> | <u>-</u> | <u>254</u> | <u>254</u> |
| Total Revenues | <u>98,873</u> | <u>98,873</u> | <u>146,289</u> | <u>47,416</u> |
| <u>EXPENDITURES</u> | | | | |
| Current: | | | | |
| Community development | <u>83,162</u> | <u>83,162</u> | <u>430,673</u> | <u>(347,511)</u> |
| Total Expenditures | <u>83,162</u> | <u>83,162</u> | <u>430,673</u> | <u>(347,511)</u> |
| Net change in fund balance | <u>\$ 15,711</u> | <u>\$ 15,711</u> | <u>(284,384)</u> | <u>\$ 394,927</u> |
| Fund balance - July 1, 2016 | | | <u>653,828</u> | |
| Fund balance - June 30, 2017 | | | <u>\$ 369,444</u> | |

CITY OF GRIDLEY
GRANT RELATED FUNDS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | 2016 - 2017 | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|--------------------|---------------------------|---|
| | Budgeted Amounts | | | |
| | Original | Final | Actual Amounts | |
| <u>REVENUES</u> | | | | |
| Use of money and property | \$ 100,000 | \$ 121 | \$ 857 | \$ 736 |
| Intergovernmental | <u>-</u> | <u>100,000</u> | <u>322,291</u> | <u>222,291</u> |
| Total Revenues | <u>100,000</u> | <u>100,121</u> | <u>323,148</u> | <u>223,027</u> |
| <u>EXPENDITURES</u> | | | | |
| Current: | | | | |
| Public safety | 50,000 | 50,000 | 2,500 | 47,500 |
| Streets and public works | - | - | 1,995 | (1,995) |
| Community development | - | - | 132,718 | (132,718) |
| Capital outlay | <u>90,000</u> | <u>90,000</u> | <u>391,788</u> | <u>(301,788)</u> |
| Total Expenditures | <u>140,000</u> | <u>140,000</u> | <u>529,001</u> | <u>(389,001)</u> |
| Net change in fund balance | <u>\$ (40,000)</u> | <u>\$ (39,879)</u> | <u>(205,853)</u> | <u>\$ 612,028</u> |
| Fund balance - July 1, 2016 | | | <u>166,127</u> | |
| Fund balance (deficit) - June 30, 2017 | | | <u>\$ (39,726)</u> | |

**CITY OF GRIDLEY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY ACCOUNTING AND CONTROL
FOR THE YEAR ENDED JUNE 30, 2017**

The City Council establishes budgets for all governmental funds based on a basis consistent with Generally Accepted Accounting Principles, with the exception of capital projects which are budgeted on a project length basis. Budgetary control is legally maintained at the fund level. The City Manager 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 Manager 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.

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 and supplementary information 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, 2017
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 - employee payroll | \$ 3,745,064 | \$ 3,283,720 | \$ 3,173,477 |
| Proportionate share of the net pension liability as a percentage of covered - employee payroll | 257.90 % | 250.89 % | 245.12 % |
| Plan fiduciary net position as a percentage of the total pension liability | 74.06 % | 78.40 % | 79.82 % |

Notes to Schedule:

Changes in assumptions - In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50 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 7.50 percent discount rate.

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

**CITY OF GRIDLEY
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS
Prepared for the City's Miscellaneous and Cost Sharing Plan,
Cost Sharing Defined Benefit Pension Plan
As of June 30, 2017
Last 10 Years***

| | <u>2017</u> | Fiscal Year-End <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 - employee payroll | 3,365,579 | 3,283,720 | 3,173,477 |
| Contributions as a percentage of covered - employee payroll | 25.73 % | 21.37 % | 22.26 % |

*Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

**CITY OF GRIDLEY
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

| <u>Actuarial Valuation Date</u> | <u>Normal Accrued Liability</u> | <u>Actuarial Value of Assets</u> | <u>Liability (Excess Assets)</u> | <u>Funded Status</u> | <u>Annual Covered Payroll</u> | <u>UAAL as a % of Covered Payroll</u> |
|-------------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|----------------------|-----------------------------------|---|
| July 1, 2013 | \$ 1,819,482 | \$ - | \$ 1,819,482 | 0% | \$ 289,959 | 627 % |
| July 1, 2014 | \$ 1,858,982 | \$ - | \$ 1,858,982 | 0% | \$ 314,713 | 591 % |
| July 1, 2015 | \$ 2,472,896 | \$ - | \$ 2,472,896 | 0% | \$ 311,199 | 795 % |

COMBINING FINANCIAL SCHEDULES

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2017

| | Special Revenue Funds | | | | |
|---|-------------------------------|--------------------------------------|---|-------------------|-----------------------|
| | <u>General Impact Fee</u> | <u>Development Agreement Fee</u> | <u>Public Financing Authority</u> | <u>SB 325</u> | <u>Traffic Safety</u> |
| ASSETS | | | | | |
| Cash and investments | \$ 97,693 | \$ 11,783 | \$ 42 | \$ 217,991 | \$ 17,340 |
| Accounts receivable | - | - | - | 8,708 | 2,215 |
| Interest receivable | 40 | - | - | 149 | 17 |
| Taxes receivable | - | - | - | - | - |
| Due from other funds | <u>600,000</u> | <u>-</u> | <u>-</u> | <u>314,600</u> | <u>-</u> |
| Total Assets | <u>\$ 697,733</u> | <u>\$ 11,783</u> | <u>\$ 42</u> | <u>\$ 541,448</u> | <u>\$ 19,572</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| (DEFICITS) | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 405 | \$ 6,734 |
| Accrued payroll and benefits | (35) | - | - | - | - |
| Due to other funds | <u>-</u> | <u>-</u> | <u>300</u> | <u>-</u> | <u>32,000</u> |
| Total Liabilities | <u>(35)</u> | <u>-</u> | <u>300</u> | <u>405</u> | <u>38,734</u> |
| FUND BALANCES (DEFICITS): | | | | | |
| Restricted | 697,768 | 11,783 | - | 541,043 | - |
| Unassigned | <u>-</u> | <u>-</u> | <u>(258)</u> | <u>-</u> | <u>(19,162)</u> |
| Total Fund Balances (Deficits) | <u>697,768</u> | <u>11,783</u> | <u>(258)</u> | <u>541,043</u> | <u>(19,162)</u> |
| Total Liabilities and Fund Balances (Deficits) | <u>\$ 697,733</u> | <u>\$ 11,783</u> | <u>\$ 42</u> | <u>\$ 541,448</u> | <u>\$ 19,572</u> |

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2017

| | Special Revenue Funds | | | | |
|---|---------------------------------|---------------------------------------|-------------------------------------|------------------------------|-------------------|
| | <u>Railroad Maintenance</u> | <u>Public Safety Augmentation</u> | <u>Planning and Development</u> | <u>Solid Waste - Rec</u> | <u>Gas Tax</u> |
| ASSETS | | | | | |
| Cash and investments | \$ 10,908 | \$ 22,725 | \$ 4,946 | \$ 354 | \$ 180,808 |
| Accounts receivable | - | - | - | - | 70,063 |
| Interest receivable | - | 23 | 13 | - | 200 |
| Taxes receivable | - | 1,903 | - | - | - |
| Due from other funds | - | - | - | - | 100,000 |
| Total Assets | <u>\$ 10,908</u> | <u>\$ 24,651</u> | <u>\$ 4,959</u> | <u>\$ 354</u> | <u>\$ 351,071</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| (DEFICITS) | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ - | \$ - | \$ 10,332 | \$ - | \$ 4,190 |
| Accrued payroll and benefits | - | - | - | - | - |
| Due to other funds | - | - | 375,000 | 58,000 | 139,000 |
| Total Liabilities | - | - | 385,332 | 58,000 | 143,190 |
| FUND BALANCES (DEFICITS): | | | | | |
| Restricted | 10,908 | 24,651 | - | - | 207,881 |
| Unassigned | - | - | (380,373) | (57,646) | - |
| Total Fund Balances (Deficits) | <u>10,908</u> | <u>24,651</u> | <u>(380,373)</u> | <u>(57,646)</u> | <u>207,881</u> |
| Total Liabilities and Fund Balances (Deficits) | <u>\$ 10,908</u> | <u>\$ 24,651</u> | <u>\$ 4,959</u> | <u>\$ 354</u> | <u>\$ 351,071</u> |

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2017

| | Special Revenue Funds | | | | Total Non-major Governmental Funds |
|---|---|--------------------------|--------------|-----------------------|---|
| | Butte Interagency Narcotics Task Force | Maintenance Districts | 05-PTAA-1446 | Recreation Related | |
| ASSETS | | | | | |
| Cash and investments | \$ 66,795 | \$ 170,848 | \$ 1 | \$ 6,777 | \$ 809,011 |
| Accounts receivable | - | - | - | - | 80,986 |
| Interest receivable | - | 138 | - | 8 | 588 |
| Taxes receivable | - | 23,816 | - | - | 25,719 |
| Due from other funds | - | - | - | - | 1,014,600 |
| Total Assets | \$ 66,795 | \$ 194,802 | \$ 1 | \$ 6,785 | \$ 1,930,904 |
| LIABILITIES AND FUND BALANCES | | | | | |
| (DEFICITS) | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ - | \$ 950 | \$ - | \$ 425 | \$ 23,036 |
| Accrued payroll and benefits | - | - | - | 890 | 855 |
| Due to other funds | 60,000 | 5,000 | - | 852,000 | 1,521,300 |
| Total Liabilities | 60,000 | 5,950 | - | 853,315 | 1,545,191 |
| FUND BALANCES (DEFICITS): | | | | | |
| Restricted | 6,795 | 188,852 | 1 | - | 1,689,682 |
| Unassigned | - | - | - | (846,530) | (1,303,969) |
| Total Fund Balances (Deficits) | 6,795 | 188,852 | 1 | (846,530) | 385,713 |
| Total Liabilities and Fund Balances (Deficits) | \$ 66,795 | \$ 194,802 | \$ 1 | \$ 6,785 | \$ 1,930,904 |

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

| | Special Revenue Funds | | | | |
|---|------------------------------|---------------------------------|----------------------------------|-------------------|--------------------|
| | General Impact Fee | Development Agreement Fee | Public Financing Authority | SB 325 | Traffic Safety |
| REVENUES | | | | | |
| Taxes and assessments | \$ - | \$ - | \$ - | \$ 156,529 | \$ - |
| Licenses, permits, and fees | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | 17,486 |
| Use of money and property | 136 | - | - | 505 | 55 |
| Intergovernmental | - | - | - | - | - |
| Charges for services | 42,450 | - | - | - | - |
| Contributions | - | - | - | - | - |
| Total Revenues | <u>42,586</u> | <u>-</u> | <u>-</u> | <u>157,034</u> | <u>17,541</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General administration | (1) | - | - | - | - |
| Public safety | - | - | - | - | - |
| Streets and public works | - | - | - | 23,039 | 38,929 |
| Community development | (1) | - | - | - | - |
| Parks and recreation | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Total Expenditures | <u>(2)</u> | <u>-</u> | <u>-</u> | <u>23,039</u> | <u>38,929</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>42,588</u> | <u>-</u> | <u>-</u> | <u>133,995</u> | <u>(21,388)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 42,588 | - | - | 133,995 | (21,388) |
| Fund balances (deficits) - July 1, 2016 | <u>655,180</u> | <u>11,783</u> | <u>(258)</u> | <u>407,048</u> | <u>2,226</u> |
| Fund balances (deficits) - June 30, 2017 | <u>\$ 697,768</u> | <u>\$ 11,783</u> | <u>\$ (258)</u> | <u>\$ 541,043</u> | <u>\$ (19,162)</u> |

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

| | Special Revenue Funds | | | | |
|---|---------------------------------|---------------------------------------|-------------------------------------|------------------------------|-------------------|
| | <u>Railroad Maintenance</u> | <u>Public Safety Augmentation</u> | <u>Planning and Development</u> | <u>Solid Waste - Rec</u> | <u>Gas Tax</u> |
| <u>REVENUES</u> | | | | | |
| Taxes and assessments | \$ - | \$ - | \$ - | \$ - | \$ 136,938 |
| Licenses, permits, and fees | - | 24,360 | 13,311 | - | - |
| Fines and forfeitures | - | - | - | - | - |
| Use of money and property | - | 78 | 43 | - | 675 |
| Intergovernmental | - | - | 46 | - | 72,340 |
| Charges for services | - | - | - | - | - |
| Contributions | - | - | - | - | - |
| Total Revenues | <u>-</u> | <u>24,438</u> | <u>13,400</u> | <u>-</u> | <u>209,953</u> |
| <u>EXPENDITURES</u> | | | | | |
| Current: | | | | | |
| General administration | - | - | - | - | - |
| Public safety | - | - | - | - | - |
| Streets and public works | - | (2) | - | - | 337,517 |
| Community development | - | - | 106,052 | - | - |
| Parks and recreation | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Total Expenditures | <u>-</u> | <u>(2)</u> | <u>106,052</u> | <u>-</u> | <u>337,517</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>24,440</u> | <u>(92,652)</u> | <u>-</u> | <u>(127,564)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | |
| Transfers in | - | - | - | - | 3,643 |
| Transfers out | - | - | - | - | (3,643) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | - | 24,440 | (92,652) | - | (127,564) |
| Fund balances (deficits) - July 1, 2016 | <u>10,908</u> | <u>211</u> | <u>(287,721)</u> | <u>(57,646)</u> | <u>335,445</u> |
| Fund balances (deficits) - June 30, 2017 | <u>\$ 10,908</u> | <u>\$ 24,651</u> | <u>\$ (380,373)</u> | <u>\$ (57,646)</u> | <u>\$ 207,881</u> |

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

| | Special Revenue Funds | | | | Total Non-major Governmental Funds |
|--|---|--------------------------|--------------|-----------------------|---|
| | Butte Interagency Narcotics Task Force | Maintenance Districts | 05-PTAA-1446 | Recreation Related | |
| REVENUES | | | | | |
| Taxes and assessments | \$ - | \$ 144,990 | \$ - | \$ - | \$ 438,457 |
| Licenses, permits, and fees | - | - | - | 8,049 | 45,720 |
| Fines and forfeitures | - | - | - | - | 17,486 |
| Use of money and property | - | 474 | - | 27 | 1,993 |
| Intergovernmental | - | - | - | - | 72,386 |
| Charges for services | - | - | - | - | 42,450 |
| Contributions | - | - | - | 500 | 500 |
| Total Revenues | <u>-</u> | <u>145,464</u> | <u>-</u> | <u>8,576</u> | <u>618,992</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General administration | - | - | - | - | (1) |
| Public safety | (1) | - | - | - | (1) |
| Streets and public works | - | 123,533 | - | - | 523,016 |
| Community development | - | - | - | - | 106,051 |
| Parks and recreation | - | - | - | 138,112 | 138,112 |
| Capital outlay | - | - | - | 499 | 499 |
| Total Expenditures | <u>(1)</u> | <u>123,533</u> | <u>-</u> | <u>138,611</u> | <u>767,676</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>1</u> | <u>21,931</u> | <u>-</u> | <u>(130,035)</u> | <u>(148,684)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | 1,860 | - | - | 5,503 |
| Transfers out | - | (1,860) | - | - | (5,503) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 1 | 21,931 | - | (130,035) | (148,684) |
| Fund balances (deficits) - July 1, 2016 | <u>6,794</u> | <u>166,921</u> | <u>1</u> | <u>(716,495)</u> | <u>534,397</u> |
| Fund balances (deficits) - June 30, 2017 | <u>\$ 6,795</u> | <u>\$ 188,852</u> | <u>\$ 1</u> | <u>\$ (846,530)</u> | <u>\$ 385,713</u> |

CITY OF GRIDLEY
COMBINING SCHEDULE OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2017

| | <u>Solid Waste Fund</u> | <u>Senior Taxi Fund</u> | <u>Totals</u> |
|---|-----------------------------|-----------------------------|--------------------|
| <u>ASSETS</u> | | | |
| Current Assets | | | |
| Cash and investments | \$ 5,902 | \$ 54,204 | \$ 60,106 |
| Accounts receivable, net | - | 440 | 440 |
| Interest receivable | - | 79 | 79 |
| | <u>5,902</u> | <u>54,723</u> | <u>60,625</u> |
| Total Current Assets | | | |
| Non Current Assets | | | |
| Capital assets, net of accumulated depreciation | - | 46,447 | 46,447 |
| | <u>-</u> | <u>46,447</u> | <u>46,447</u> |
| Total Non-Current Assets | | | |
| | <u>5,902</u> | <u>101,170</u> | <u>107,072</u> |
| Total Assets | | | |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Change in net pension liability | - | 106,756 | 106,756 |
| | <u>-</u> | <u>106,756</u> | <u>106,756</u> |
| <u>LIABILITIES</u> | | | |
| Current Liabilities | | | |
| Accounts payable | - | 47,308 | 47,308 |
| Accrued expenses | - | 2,800 | 2,800 |
| Deferred revenue | 5,001 | - | 5,001 |
| Compensated absences - current | - | 5,360 | 5,360 |
| | <u>5,001</u> | <u>55,468</u> | <u>60,469</u> |
| Total Current Liabilities | | | |
| Non-Current Liabilities | | | |
| Compensated absences | - | 4,248 | 4,248 |
| Net pension liability | - | 176,729 | 176,729 |
| Net OPEB obligation | - | 4,126 | 4,126 |
| | <u>-</u> | <u>185,103</u> | <u>185,103</u> |
| Total Non-Current Liabilities | | | |
| | <u>5,001</u> | <u>240,571</u> | <u>245,572</u> |
| Total Liabilities | | | |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Change in net pension liability | - | 11,631 | 11,631 |
| | <u>-</u> | <u>11,631</u> | <u>11,631</u> |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets | - | 46,447 | 46,447 |
| Unrestricted | 901 | (90,723) | (89,822) |
| | <u>901</u> | <u>(44,276)</u> | <u>(43,375)</u> |
| Total Net Position | <u>\$ 901</u> | <u>\$ (44,276)</u> | <u>\$ (43,375)</u> |

CITY OF GRIDLEY
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 NON-MAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Solid Waste Fund</u> | <u>Senior Taxi Fund</u> | <u>Totals</u> |
|---|-----------------------------|-----------------------------|--------------------|
| <u>OPERATING REVENUES</u> | | | |
| Charges for services | \$ - | \$ 16,670 | \$ 16,670 |
| Intergovernmental revenues | - | 64,310 | 64,310 |
| Other revenue | - | <u>2,731</u> | <u>2,731</u> |
| Total Operating Revenue | <u>-</u> | <u>83,711</u> | <u>83,711</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Salaries and benefits | - | 31,298 | 31,298 |
| Materials, supplies, and operational expenses | - | 8,825 | 8,825 |
| Repairs and maintenance | - | 3,305 | 3,305 |
| Contractual services | 25 | 620 | 645 |
| Administration | - | <u>7,873</u> | <u>7,873</u> |
| Total Operating Expenses | <u>25</u> | <u>51,921</u> | <u>51,946</u> |
| Operating Income (Loss) | <u>(25)</u> | <u>31,790</u> | <u>31,765</u> |
| <u>NON-OPERATING REVENUES</u> | | | |
| Interest income | - | <u>270</u> | <u>270</u> |
| Total Non-Operating Revenues | <u>-</u> | <u>270</u> | <u>270</u> |
| Income Before Transfers | <u>(25)</u> | <u>32,060</u> | <u>32,035</u> |
| Change in net position | (25) | 32,060 | 32,035 |
| Net Position - July 1, 2016 | <u>926</u> | <u>(76,336)</u> | <u>(75,410)</u> |
| Net Position - June 30, 2017 | <u>\$ 901</u> | <u>\$ (44,276)</u> | <u>\$ (43,375)</u> |

CITY OF GRIDLEY
COMBINING SCHEDULE OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Solid Waste Fund</u> | <u>Senior Taxi Fund</u> | <u>Totals</u> |
|--|-----------------------------|-----------------------------|------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Cash received from customers | \$ - | \$ 84,113 | \$ 84,113 |
| Cash paid to suppliers | (25) | 25,735 | 25,710 |
| Cash paid to employees | <u>-</u> | <u>(102,027)</u> | <u>(102,027)</u> |
| Net Cash Provided By (Used for) Operating Activities | <u>(25)</u> | <u>7,821</u> | <u>7,796</u> |
| <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u> | | | |
| Due from other funds | <u>-</u> | <u>60,000</u> | <u>60,000</u> |
| Net Cash Provided by Non-Capital Financing Activities | <u>-</u> | <u>60,000</u> | <u>60,000</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | | | |
| Acquisition of capital assets | <u>-</u> | <u>(46,447)</u> | <u>(46,447)</u> |
| Net Cash Used for Capital and Related Financing Activities | <u>-</u> | <u>(46,447)</u> | <u>(46,447)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Interest and dividends | <u>-</u> | <u>285</u> | <u>285</u> |
| Net Cash Provided by Investing Activities | <u>-</u> | <u>285</u> | <u>285</u> |
| Net Increase (decrease) in Cash and Cash Equivalents | (25) | 21,659 | 21,634 |
| Cash and Cash Equivalents - July 1, 2016 | <u>5,927</u> | <u>32,545</u> | <u>38,472</u> |
| Cash and Cash Equivalents - June 30, 2017 | <u>\$ 5,902</u> | <u>\$ 54,204</u> | <u>\$ 60,106</u> |

CITY OF GRIDLEY
STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2017

RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED BY
(USED FOR) OPERATING ACTIVITIES:

| | Solid Waste Fund | Senior Tax Fund | Totals |
|---|---------------------|--------------------|---------------|
| Operating Income (loss) | \$ (25) | \$ 31,790 | \$ 31,765 |
| Adjustments to reconcile operating income to net cash used for operating activities: | | | |
| Pension expense | - | (66,374) | (66,374) |
| Changes in assets and liabilities: | | | |
| Increase in accounts receivable | - | 402 | 402 |
| Decrease in accounts payable | - | 46,358 | 46,358 |
| Increase in accrued expenses | - | (246) | (246) |
| Decrease in net OPEB obligation | - | (1) | (1) |
| Decrease in compensated absences | - | (4,108) | (4,108) |
| Net Cash Provided by (Used for) Operating Activities | \$ (25) | \$ 7,821 | \$ 7,796 |

CITY OF GRIDLEY
COMBINING STATEMENT OF NET POSITION
AGENCY FUNDS
JUNE 30, 2017

| | <u>Vision Care Fund</u> | <u>Gridley Bid Fund</u> | <u>Hospital Joint Powers Authority Fund</u> | <u>Hospital JPA Administration Fund</u> | <u>Totals</u> |
|---------------------------|-----------------------------|-----------------------------|---|---|-------------------------|
| <u>ASSETS</u> | | | | | |
| Current Assets | | | | | |
| Cash and investments | \$ 3,304 | \$ 27 | \$ 6,569 | \$ 490 | \$ 10,390 |
| Taxes receivable | <u>-</u> | <u>33</u> | <u>-</u> | <u>-</u> | <u>33</u> |
| Total Assets | <u>\$ 3,304</u> | <u>\$ 60</u> | <u>\$ 6,569</u> | <u>\$ 490</u> | <u>\$ 10,423</u> |
| <u>LIABILITIES</u> | | | | | |
| Deposits in trust | <u>3,304</u> | <u>60</u> | <u>6,569</u> | <u>490</u> | <u>10,423</u> |
| Total Liabilities | <u>\$ 3,304</u> | <u>\$ 60</u> | <u>\$ 6,569</u> | <u>\$ 490</u> | <u>\$ 10,423</u> |

CITY OF GRIDLEY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Balance July 1, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2017</u> |
|---|---------------------------------|------------------|---------------------|----------------------------------|
| <u>Vision Care Fund</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 3,304 | \$ - | \$ - | \$ 3,304 |
| Total Assets | <u>\$ 3,304</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,304</u> |
| LIABILITIES | | | | |
| Deposits in trust | \$ 3,304 | \$ - | \$ - | \$ 3,304 |
| Total Liabilities | <u>\$ 3,304</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,304</u> |
| <u>Gridley Bid Fund</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 27 | \$ - | \$ - | \$ 27 |
| Taxes receivable | \$ 33 | \$ - | \$ - | \$ 33 |
| Total Assets | <u>\$ 60</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 60</u> |
| LIABILITIES | | | | |
| Deposits in trust | \$ 60 | \$ - | \$ - | \$ 60 |
| Total Liabilities | <u>\$ 60</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 60</u> |
| <u>Hospital Joint Powers Authority Fund</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 313,787 | \$ 14,560 | \$ (321,778) | \$ 6,569 |
| Taxes payable | 14,560 | - | (14,560) | - |
| Total Assets | <u>\$ 328,347</u> | <u>\$ 14,560</u> | <u>\$ (336,338)</u> | <u>\$ 6,569</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 336,078 | \$ 260 | \$ (336,338) | \$ - |
| Deposits in trust | (7,731) | 14,300 | - | 6,569 |
| Total Liabilities | <u>\$ 328,347</u> | <u>\$ 14,560</u> | <u>\$ (336,338)</u> | <u>\$ 6,569</u> |
| <u>Hospital JPA Administration Fund</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 490 | \$ - | \$ - | \$ 490 |
| Total Assets | <u>\$ 490</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 490</u> |
| LIABILITIES | | | | |
| Deposits in trust | 490 | - | - | 490 |
| Total Liabilities | <u>\$ 490</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 490</u> |

CITY OF GRIDLEY
GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2017

| | <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> |
|--|-------------------------|----------------------------|------------------|-----------------------------------|---------------------------------------|---|-----------------------------------|
| <u>ASSETS</u> | | | | | | | |
| Cash and investments | \$ 1,660,715 | \$ 954 | \$ 40,000 | \$ 47,096 | \$ 343,097 | \$ 32,679 | \$ 2,124,541 |
| Accounts receivable | 83,296 | - | - | - | - | - | 83,296 |
| Interest receivable | 3,176 | - | - | - | 22 | - | 3,198 |
| Taxes receivable | 22,118 | - | - | - | - | - | 22,118 |
| Due from other funds | 207,000 | 280,000 | - | 400,000 | 2,000,000 | 200,000 | 3,087,000 |
| Due from fiduciary fund | 989,868 | - | - | - | - | - | 989,868 |
| Due from other governments | 197,138 | - | - | - | - | - | 197,138 |
| Prepaid items | <u>22,132</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>22,132</u> |
| Total Assets | <u>3,185,443</u> | <u>280,954</u> | <u>40,000</u> | <u>447,096</u> | <u>2,343,119</u> | <u>232,679</u> | <u>6,529,291</u> |
| <u>LIABILITIES</u> | | | | | | | |
| Accounts payable and accrued liabilities | 236,338 | - | - | - | - | - | 236,338 |
| Unearned revenue | 21,377 | - | - | - | - | - | 21,377 |
| Deposits payable | 350 | - | - | - | - | - | 350 |
| Due to other funds | <u>42,337</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>42,337</u> |
| Total Liabilities | <u>300,402</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>300,402</u> |
| <u>FUND BALANCES</u> | | | | | | | |
| Nonspendable | 22,132 | - | - | - | - | - | 22,132 |
| Restricted | 211,070 | - | - | - | - | - | 211,070 |
| Assigned | 579,888 | - | 40,000 | 447,096 | 2,343,119 | 232,679 | 3,642,782 |
| Unassigned | <u>2,071,951</u> | <u>280,954</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,352,905</u> |
| Total Fund Balances | <u>\$ 2,885,041</u> | <u>\$ 280,954</u> | <u>\$ 40,000</u> | <u>\$ 447,096</u> | <u>\$ 2,343,119</u> | <u>\$ 232,679</u> | <u>\$ 6,228,889</u> |

CITY OF GRIDLEY
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
JUNE 30, 2017

| | <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 | \$ 2,331,139 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,331,139 |
| License, permits, and fees | 108,947 | - | - | - | - | - | 108,947 |
| Fines and forfeitures | 4,749 | - | - | - | - | - | 4,749 |
| Use of money and property | 74,431 | - | - | - | 74 | - | 74,505 |
| Program Income | 552 | - | - | - | - | - | 552 |
| Intergovernmental | 86,450 | - | - | - | 162,859 | - | 249,309 |
| Charges for services | 609,894 | - | - | - | 22,874 | - | 632,768 |
| Recreation and event fees | 59,178 | - | - | - | - | - | 59,178 |
| Insurance proceeds | <u>4,445</u> | - | - | - | - | - | <u>4,445</u> |
| Total Revenues | <u>3,279,785</u> | - | - | - | <u>185,807</u> | - | <u>3,465,592</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General administration | 113,167 | - | - | 52,770 | 2,858 | - | 168,795 |
| Public safety | 3,507,609 | - | - | - | - | - | 3,507,609 |
| Streets and public works | 205,889 | - | - | - | 137,250 | - | 343,139 |
| Community development | 95,956 | - | - | - | - | - | 95,956 |
| Parks and recreation | 120,123 | - | - | - | - | - | 120,123 |
| Capital outlay | <u>18,342</u> | - | - | - | <u>20,495</u> | - | <u>38,837</u> |
| Total Expenditures | <u>4,061,086</u> | - | - | <u>52,770</u> | <u>160,603</u> | - | <u>4,274,459</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(781,301)</u> | - | - | <u>(52,770)</u> | <u>25,204</u> | - | <u>(808,867)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | 1,600,000 | - | - | - | - | 37,190 | 1,637,190 |
| Transfers out | <u>(37,190)</u> | - | - | - | - | - | <u>(37,190)</u> |
| Total Other Financing Sources (Uses) | <u>1,562,810</u> | - | - | - | - | <u>37,190</u> | <u>1,600,000</u> |
| Net Change in Fund Balances | 781,509 | - | - | (52,770) | 25,204 | 37,190 | 791,133 |
| Fund Balances - July 1, 2016 | <u>2,103,532</u> | <u>280,954</u> | <u>40,000</u> | <u>499,866</u> | <u>2,317,915</u> | <u>195,489</u> | <u>5,437,756</u> |
| Fund Balances - June 30, 2017 | <u>\$ 2,885,041</u> | <u>\$ 280,954</u> | <u>\$ 40,000</u> | <u>\$ 447,096</u> | <u>\$ 2,343,119</u> | <u>\$ 232,679</u> | <u>\$ 6,228,889</u> |