
**CITY OF GRIDLEY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

CITY OF GRIDLEY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

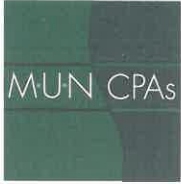
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INDEPENDENT AUDITOR'S REPORT

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, 2016, 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, 2016, 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 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 January 13, 2017, 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.

Man Unit: RLCPAs

Sacramento, California
January 13, 2017

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, 2016. 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 \$26.94 million (net position). Of this amount, the City has an unrestricted balance of \$2.25 million, \$2.07 million is restricted for special revenue, and \$22.62 million is the net investment in capital assets.
- The City's total net position decreased by approximately \$345 thousand
- The General Fund balance (comprising of all governmental funds) is \$5.4 million as of June 30, 2016.

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, 2016 is the eleventh 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 \$26.94 million in FY 2016. The decrease 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, 2016 and 2015 (in thousands)

	Governmental Activities			Business-Type Activities			Total Government		
	2016	2015	Net Change	2016	2015	Net Change	2016	2015	Net Change
ASSETS									
Current and other assets	\$ 7,617	\$ 6,643	\$ 974	\$ 6,850	\$ 7,034	\$ (184)	\$ 14,467	\$13,677	\$ 790
Capital assets	<u>11,595</u>	<u>12,242</u>	<u>(647)</u>	<u>14,927</u>	<u>15,399</u>	<u>(472)</u>	<u>26,522</u>	<u>27,641</u>	<u>(1,119)</u>
Total Assets	<u>19,212</u>	<u>18,885</u>	<u>327</u>	<u>21,777</u>	<u>22,433</u>	<u>(656)</u>	<u>40,989</u>	<u>41,318</u>	<u>(329)</u>
DEFERRED OUTFLOWS OF RESOURCES									
Change in net pension liability	<u>741</u>	<u>563</u>	<u>178</u>	<u>254</u>	<u>200</u>	<u>54</u>	<u>995</u>	<u>763</u>	<u>232</u>
LIABILITIES									
Long-term liabilities	5,904	5,673	231	6,946	6,937	9	12,850	12,610	240
Other liabilities	<u>534</u>	<u>634</u>	<u>(100)</u>	<u>670</u>	<u>670</u>	<u>-</u>	<u>1,204</u>	<u>1,304</u>	<u>(100)</u>
Total Liabilities	<u>6,438</u>	<u>6,307</u>	<u>131</u>	<u>7,616</u>	<u>7,607</u>	<u>9</u>	<u>14,054</u>	<u>13,914</u>	<u>140</u>
DEFERRED INFLOWS OF RESOURCES									
Changes in net pension liability	<u>595</u>	<u>1,077</u>	<u>(482)</u>	<u>299</u>	<u>494</u>	<u>(195)</u>	<u>894</u>	<u>1,571</u>	<u>(677)</u>
NET POSITION									
Net investment in capital assets	11,663	12,174	(511)	11,024	11,334	(310)	22,687	23,508	(821)
Restricted	2,074	2,216	(142)	-	-	-	2,074	2,216	(142)
Unrestricted	<u>(843)</u>	<u>(2,326)</u>	<u>1,483</u>	<u>3,090</u>	<u>3,197</u>	<u>(107)</u>	<u>2,247</u>	<u>871</u>	<u>1,376</u>
Total Net Position	<u>\$ 12,894</u>	<u>\$ 12,064</u>	<u>\$ 830</u>	<u>\$ 14,114</u>	<u>\$ 14,531</u>	<u>\$ (417)</u>	<u>\$ 27,008</u>	<u>\$26,595</u>	<u>\$ 413</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 \$22.62 million (83.96%) 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, 2016 is comprised of \$2.07 million in special revenue programs.

The remaining unrestricted balance is \$2.25 million (8.34%) at June 30, 2016 and may be used to meet government's ongoing obligations to citizens and creditors.

Statement of Activities For the Years Ended June 30, 2016 and 2015 (in thousands)

	Governmental Activities			Business-type Activities			Total Government		
	2016	2015	Net Change	2016	2015	Net Change	2016	2015	Net Change
Revenues:									
Program revenues									
Charges for services	\$ (44)	\$ 436	\$ (480)	\$ 9,723	\$ 9,297	\$ 426	\$ 9,679	\$ 9,733	\$ (54)
Operating grants and contributions	-	3,992	(3,992)	123	359	(236)	123	4,351	(4,228)
Capital grants and contributions	-	137	(137)	-	-	-	-	137	(137)
General revenues									
Property Taxes	-	440	(440)	-	-	-	-	440	(440)
Sales and use taxes	-	991	(991)	-	-	-	-	991	(991)
Gas tax	-	192	(192)	-	-	-	-	192	(192)
Occupancy tax	-	25	(25)	-	-	-	-	25	(25)
Franchise fees	-	144	(144)	-	-	-	-	144	(144)
Other taxes	650	-	650	-	-	-	650	-	650
Other revenues	-	80	(80)	9	8	1	9	88	(79)
Investment income	-	6	(6)	25	16	9	25	22	3
Total Revenues	\$ 606	\$ 6,443	\$ (5,837)	\$ 9,880	\$ 9,680	\$ 200	\$ 10,486	\$ 16,123	\$ (5,637)

The governmental activities total revenues were \$5.12 million and business-type activity revenues were \$ 9.9 million for the year ended June 30, 2016. For governmental activities, this represented a decrease of \$1.28 million from 2015 and for business-type activities this represented an increase of \$200,000. 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. 2015 represented a high year for operating grant funding. Business type revenues including electric, water and sewer service fee revenues and connection fees have stabilized from 2015 to 2016. In May 2014, the City approved an 11 percent electric rate increase which was gradually made effective on July 1, 2014 and January 1, 2015. 2016 represented the first full fiscal year of this rate adjustment.

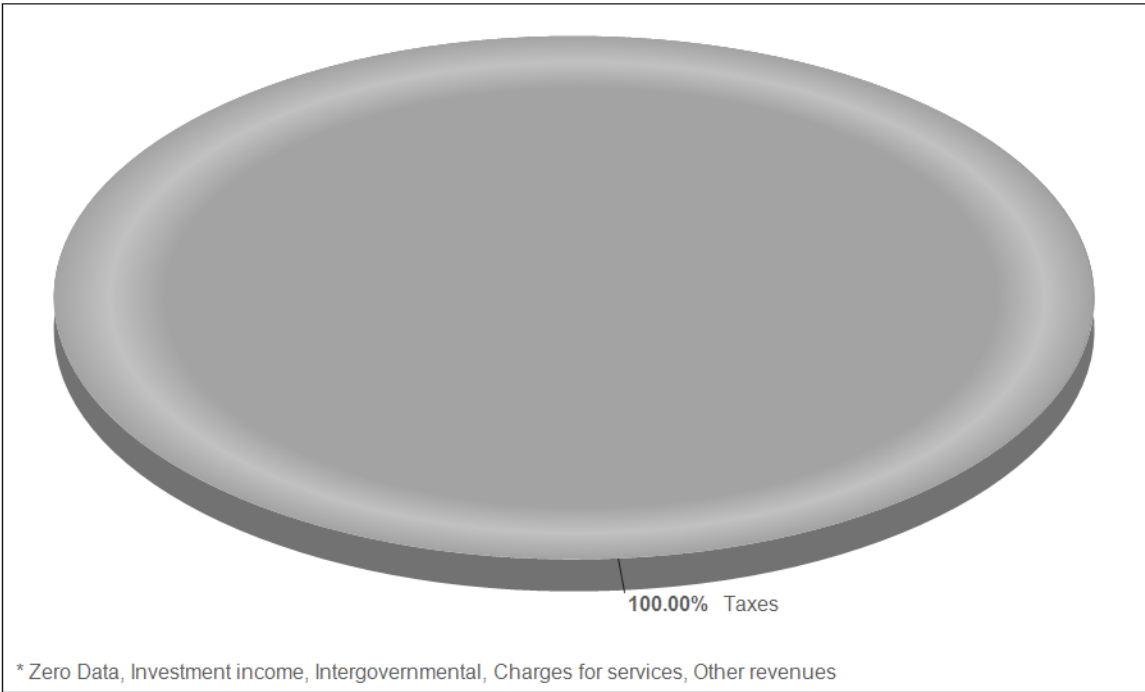
Program revenues include charges for services and grants and contributions. Program revenues provided \$4.57 million (32.12%) for governmental activities and approximately \$9.66 million (67.88%) for business type activities. No significant change in operation or service level has been undertaken in 2016, although the City has been a recipient of several grants in 2015 which have increased the "operating grants and contributions" revenue category from 2014 to 2015; resulting in a decrease from 2015 to 2016. The largest of these new grants include the Gridley Springs HOME grant, which had a \$2.1 million pass through payment in 2015.

General revenues include, among other things, taxes, assessments, and intergovernmental revenues. General revenues provided \$1.9 million (42% of the total). The majority of general revenues came from property, sales, and other taxes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

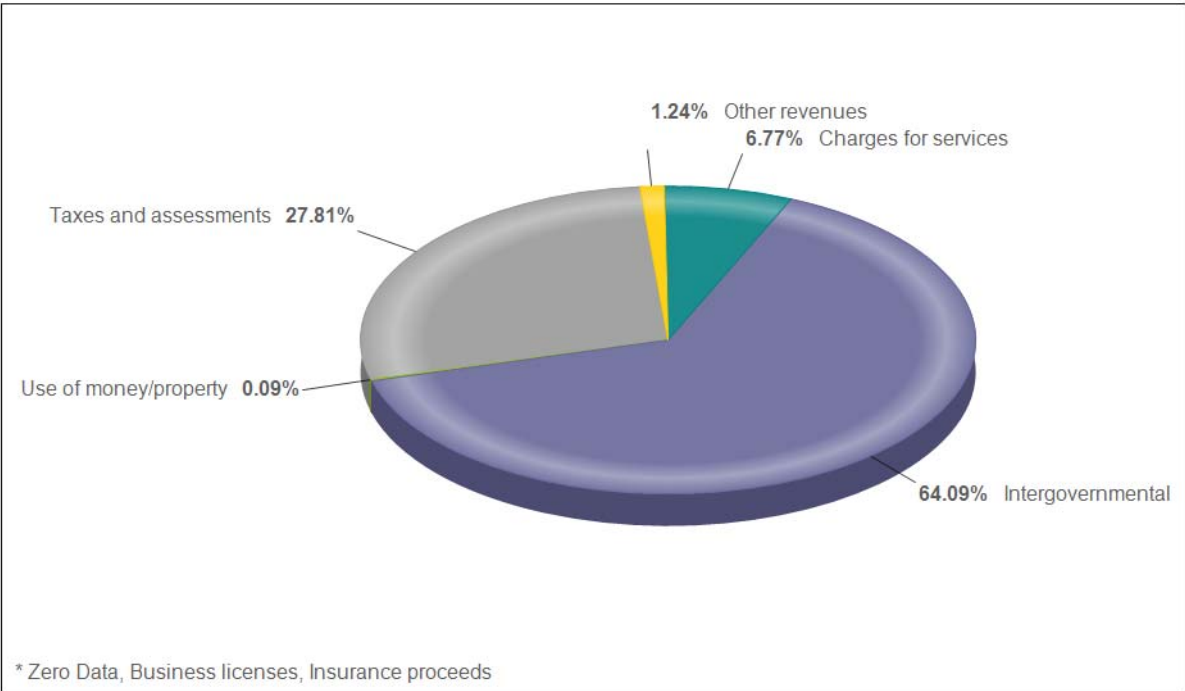
The fiscal year ended June 30, 2016 revenues are reflected graphically as follows:

2016 Governmental Revenues
Governmental Funds FY 2015-16



The fiscal year ended June 30, 2015 revenues are reflected graphically as follows:

2015 Governmental Revenues
Governmental Funds FY 2014-15



MANAGEMENT'S DISCUSSION AND ANALYSIS

**Statement of Activities
For the Years Ended June 30, 2016 and 2015
(in thousands)**

	Governmental Activities			Business-type Activities			Total Government		
	2016	2015	Net Change	2016	2015	Net Change	2016	2015	Net Change
Expenses:									
Governmental activities									
General government	\$ 207	\$ 305	\$ (98)	\$ -	\$ -	\$ -	\$ 207	\$ 305	\$ (98)
Public safety	3,413	3,910	(497)	-	-	-	3,413	3,910	(497)
Parks and recreation	363	402	(39)	-	-	-	363	402	(39)
Community development	1,226	2,372	(1,146)	-	-	-	1,226	2,372	(1,146)
Public works	957	948	9	-	-	-	957	948	9
Interest on long-term liabilities	3	4	(1)	-	-	-	3	4	(1)
Business-type activities									
Electric	-	-	-	5,833	6,354	(521)	5,833	6,354	(521)
Water	-	-	-	1,016	1,034	(18)	1,016	1,034	(18)
Sewer	-	-	-	1,451	1,362	89	1,451	1,362	89
Other	-	-	-	126	126	-	126	126	-
Interest on long-term debt	-	-	-	136	122	14	136	122	14
Total Expenses	<u>6,169</u>	<u>7,941</u>	<u>(1,772)</u>	<u>8,562</u>	<u>8,998</u>	<u>(436)</u>	<u>14,731</u>	<u>16,939</u>	<u>(2,208)</u>
Excess (deficiency) before transfers	<u>(5,563)</u>	<u>(1,498)</u>	<u>(4,065)</u>	<u>1,318</u>	<u>682</u>	<u>636</u>	<u>(4,245)</u>	<u>(816)</u>	<u>(3,429)</u>
Transfers									
Transfers	<u>1,749</u>	<u>2,356</u>	<u>(607)</u>	<u>(1,749)</u>	<u>(2,356)</u>	<u>607</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(3,814)</u>	<u>858</u>	<u>(4,672)</u>	<u>(431)</u>	<u>(1,674)</u>	<u>1,243</u>	<u>(4,245)</u>	<u>(816)</u>	<u>(3,429)</u>
Net position - beginning of year	12,063	16,751	(4,688)	14,531	19,404	(4,873)	26,594	36,155	(9,561)
Restatement	-	(5,545)	5,545	-	(3,198)	(3,198)	-	(8,743)	8,743
Net position - beginning of year, restated	<u>12,063</u>	<u>11,206</u>	<u>857</u>	<u>14,531</u>	<u>16,206</u>	<u>(8,071)</u>	<u>26,594</u>	<u>27,412</u>	<u>(818)</u>
Net position - end of year	<u>\$ 8,249</u>	<u>\$ 12,064</u>	<u>\$ (3,815)</u>	<u>\$ 14,100</u>	<u>\$ 14,532</u>	<u>\$ (6,828)</u>	<u>\$ 22,349</u>	<u>\$ 26,596</u>	<u>\$ (4,247)</u>

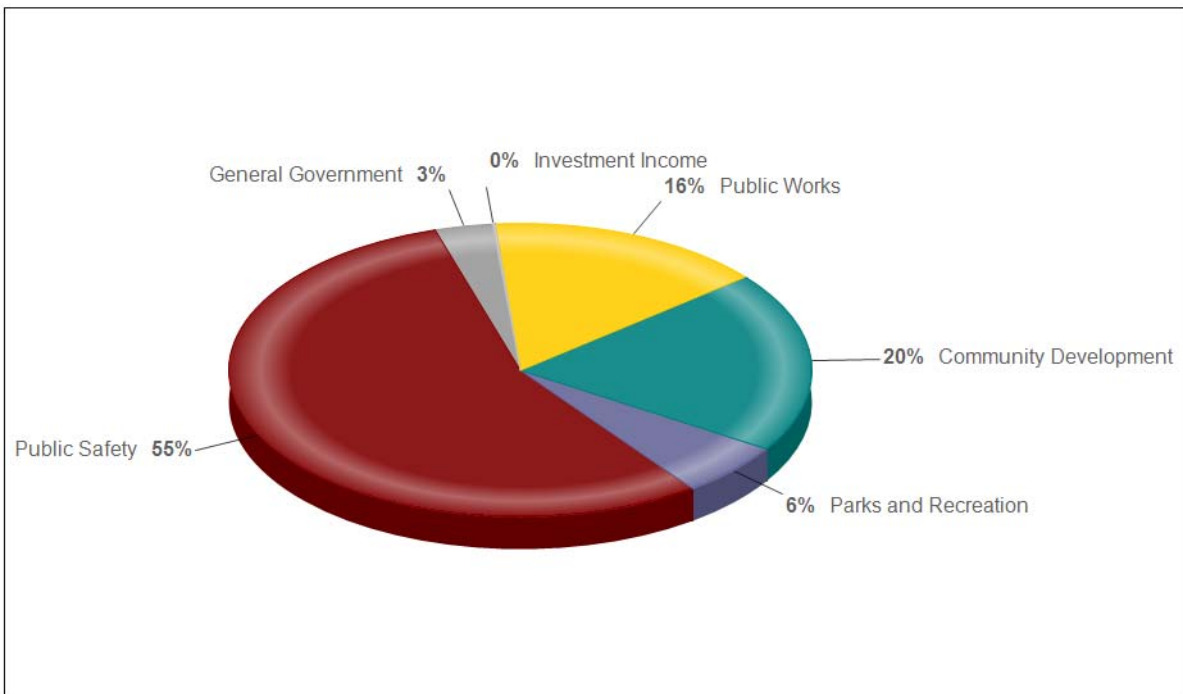
EXPENSES

Expenses for the City totaled \$14.73 million at June 30, 2016. Governmental activities incurred \$6.17 million in expenses and business type activities incurred \$8.56 million in expenses during the year. Governmental activities expenses were 41.50% 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 were down \$2.18 million from 2015. This was primarily due to the reduction in grant operating costs previously mentioned, but also the planned reduction of operating costs within the General Fund (due to the City's ongoing efforts to close the General Fund deficit).

MANAGEMENT'S DISCUSSION AND ANALYSIS

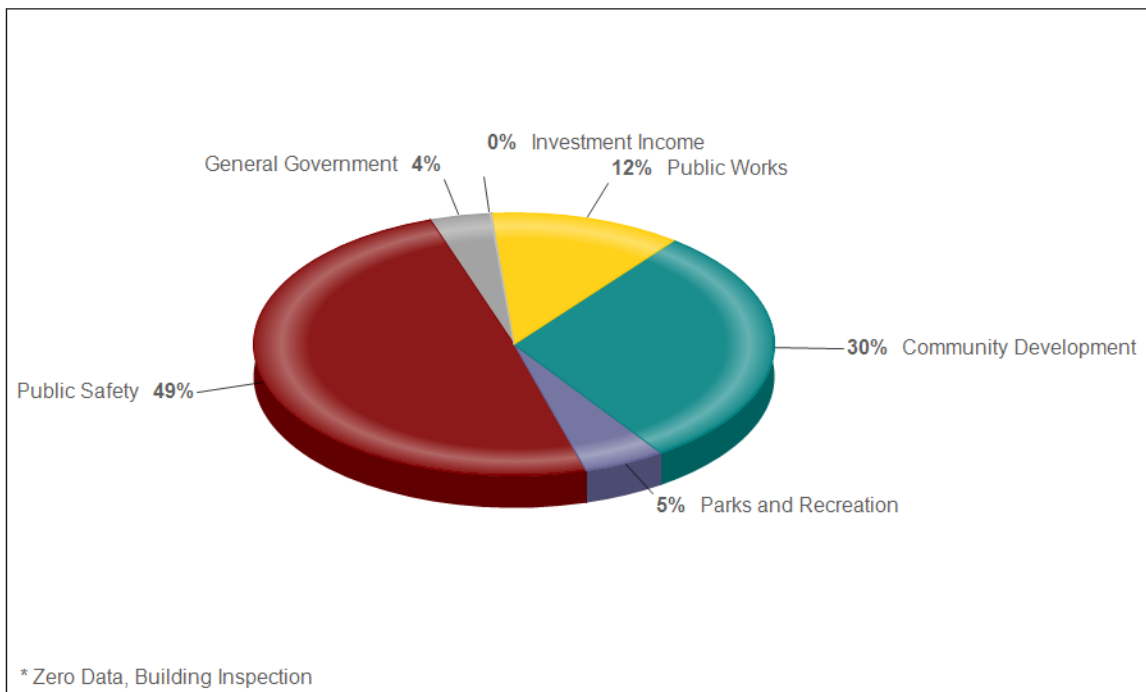
The fiscal year ended June 30, 2016 expenses are reflected graphically as follows:

2016 Governmental Expenses
Governmental Funds FY 2015-16



The fiscal year ended June 30, 2015 expenses are reflected graphically as follows:

2015 Governmental Expenses
Governmental Funds FY 2014-15



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 2015-2016, the City's governmental funds reported combined fund balances of \$6.80 million, an increase of \$1.05 million in comparison with the prior fiscal year. The City has \$5.13 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 decreased \$1.7 million from the prior fiscal year. The City has been applying for an increased number of grants to cover periodic operating needs. Virtually all categories of General Government expenditures have decreased from prior fiscal year. This is due to the completion of many operating grants, but also the planned reduction of General Fund expenditures to resolve the General Fund deficit.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

The capital assets reported reflect the re-evaluation of capital asset balances reported in 2015-16 to conform to GASB Statement No. 34 reporting requirements.

Asset Type	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Capital assets, not being depreciated:						
Land	\$ 417,771	\$ 456,981	\$ 921,793	\$ 921,793	\$ 1,339,564	\$ 1,378,774
Construction in Progress	297,211	75,961	500,727	769,525	797,938	845,486
Depreciable capital assets, net:						
Infrastructure	5,592,543	5,860,935	4,599,847	4,759,653	10,192,390	10,620,588
Buildings and improvements	1,755,511	2,128,598	332,497	370,840	2,088,008	2,499,438
Improvements other than buildings	2,039,152	2,145,646	6,010,275	5,970,333	8,049,427	8,115,979
Vehicles and equipment	<u>1,492,568</u>	<u>1,573,548</u>	<u>2,562,318</u>	<u>2,606,587</u>	<u>4,054,886</u>	<u>4,180,135</u>
Capital assets	<u>\$ 11,594,756</u>	<u>\$ 12,241,669</u>	<u>\$ 14,927,457</u>	<u>\$ 15,398,731</u>	<u>\$ 26,522,213</u>	<u>\$ 27,640,400</u>

The City's investment in capital assets for its governmental and business type activities as of June 30, 2016, was \$27.64 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, 2016 decreased by \$0.34 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 2015-16, the City of Gridley had long term liabilities of \$0.49 million and \$4.25 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, 2016					
	Governmental Activities		Business-type Activities		Totals	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Obligations under capital lease	\$ (67,920)	\$ -	\$ 281,329	\$ 367,355	\$ 213,409	\$ 367,355
USDA Rural Development Loan	-	-	1,134,000	1,163,000	1,134,000	1,163,000
USDA Rural Development Loan- Waste Water Treatment Plant	-	-	2,488,000	2,534,000	2,488,000	2,534,000
Compensated absences	<u>495,753</u>	<u>423,914</u>	<u>342,172</u>	<u>192,779</u>	<u>837,925</u>	<u>616,693</u>
Totals	<u>\$ 427,833</u>	<u>\$ 423,914</u>	<u>\$ 4,245,501</u>	<u>\$ 4,257,134</u>	<u>\$ 4,673,334</u>	<u>\$ 4,681,048</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, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$ 3,208,678	\$ 7,566,929	\$ 10,775,607
Accounts receivable	45,705	799,872	845,577
Interest receivable	3,175	6,398	9,573
Taxes receivable	147,776	-	147,776
Inventory	-	580,961	580,961
Loans receivable, net of allowance \$(9,100,352) (Note 3)	431,117	-	431,117
Internal balances	2,105,000	(2,105,000)	-
Prepaid items	41,018	-	41,018
Due from fiduciary fund	660,000	-	660,000
Due from other governments	547,801	-	547,801
Advances to fiduciary funds	426,868	-	426,868
Capital assets (Note 5)			
Land and construction in progress	714,982	1,422,520	2,137,502
Other capital assets, net of depreciation	<u>10,879,774</u>	<u>13,504,937</u>	<u>24,384,711</u>
Total capital assets	<u>11,594,756</u>	<u>14,927,457</u>	<u>26,522,213</u>
Total Assets	<u>19,211,894</u>	<u>21,776,617</u>	<u>40,988,511</u>
DEFERRED OUTFLOWS OF RESOURCES			
Change in net pension liability (Note 7)	<u>741,149</u>	<u>254,490</u>	<u>995,639</u>
Total Deferred Outflows of Resources	<u>741,149</u>	<u>254,490</u>	<u>995,639</u>
LIABILITIES			
Accounts payable and accrued expenses	358,761	195,684	554,445
Accrued payroll and benefits	801	-	801
Accrued interest payable	-	40,583	40,583
Unearned revenue	16,377	5,001	21,378
Deposits payable	-	182,042	182,042
Accrued compensated absences (Note 6):			
Due within one year	171,944	81,801	253,745
Due in more than one year	323,809	260,371	584,180
Long-term liabilities (Note 6):			
Due within one year	-	166,790	166,790
Due in more than one year	(67,920)	3,736,539	3,668,619
Net pension liability (Note 7):			
Due in more than one year	5,389,725	2,849,386	8,239,111
Other postemployment benefits (Note 8)			
Due in more than one year	258,745	99,426	358,171
Due to other fiduciary funds	<u>12,200</u>	<u>-</u>	<u>12,200</u>
Total Liabilities	<u>6,464,442</u>	<u>7,617,623</u>	<u>14,082,065</u>
DEFERRED INFLOWS OF RESOURCES			
Change in net pension liability (Note 7)	<u>594,961</u>	<u>299,450</u>	<u>894,411</u>
NET POSITION			
Net investment in capital assets	11,662,676	11,024,128	22,686,804
Restricted for:			
Special revenue programs	2,073,995	-	2,073,995
Unrestricted	<u>(843,031)</u>	<u>3,089,906</u>	<u>2,246,875</u>
Total Net Position	<u>\$ 12,893,640</u>	<u>\$ 14,114,034</u>	<u>27,007,674</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 206,967	\$ -	\$ -	\$ -	\$ (206,967)	\$ -	\$ (206,967)
Public safety	3,412,939	-	-	-	(3,412,939)	-	(3,412,939)
Streets and public works	957,292	-	-	-	(957,292)	-	(957,292)
Community development	1,226,347	(44,011)	-	-	(1,270,358)	-	(1,270,358)
Parks and recreation	363,199	-	-	-	(363,199)	-	(363,199)
Interest and fiscal charges	2,859	-	-	-	(2,859)	-	(2,859)
Total governmental activities	<u>6,169,603</u>	<u>(44,011)</u>	<u>-</u>	<u>-</u>	<u>(6,213,614)</u>	<u>-</u>	<u>(6,213,614)</u>
Business-type activities:							
Electric	5,833,097	6,929,394	-	-	-	1,096,297	1,096,297
Water	1,015,799	1,089,504	-	-	-	73,705	73,705
Sewer	1,450,677	1,688,035	-	-	-	237,358	237,358
Other proprietary	112,897	16,382	122,763	-	-	26,248	26,248
Interest and fiscal charges	136,280	-	-	-	-	(136,280)	(136,280)
Total business-type activities	<u>8,548,750</u>	<u>9,723,315</u>	<u>122,763</u>	<u>-</u>	<u>-</u>	<u>1,297,328</u>	<u>1,297,328</u>
Total primary government	<u>\$ 14,718,353</u>	<u>\$ 9,679,304</u>	<u>\$ 122,763</u>	<u>\$ -</u>	<u>\$ (6,213,614)</u>	<u>\$ 1,297,328</u>	<u>\$ (4,916,286)</u>
General revenues:							
Property taxes					\$ -	\$ -	\$ -
Motor vehicle and gas taxes					-	-	-
Occupancy tax					-	-	-
Franchise tax					-	-	-
Other revenue					(33)	8,959	8,926
Interest and investment earnings					-	25,259	25,259
Transfers (Note 4)					1,748,727	(1,748,727)	-
Total general revenues and transfers					<u>1,748,694</u>	<u>(1,714,509)</u>	<u>34,185</u>
Change in net position					(4,464,920)	(417,181)	(4,882,101)
Net position - July 1, 2015					<u>12,063,425</u>	<u>14,531,215</u>	<u>26,594,640</u>
Net position - June 30, 2016					<u>\$ 7,598,505</u>	<u>\$ 14,114,034</u>	<u>\$ 21,712,539</u>
Check Sum					<u>\$ (5,295,135)</u>	<u>\$ -</u>	<u>\$ (5,295,135)</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General Fund</u>	<u>08-HOME-4987 Grant Fund</u>	<u>Block Grant Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 2,132,075	\$ 5,289	\$ -
Accounts receivable	45,705	-	-
Interest receivable	2,231	-	215
Taxes receivable	145,625	-	-
Notes receivable	-	5,000,000	2,357,205
Due from other funds	2,970,000	-	500,000
Due from fiduciary fund	-	-	-
Due from other governments	173,273	-	204,383
Prepaid items	41,018	-	-
Advances to fiduciary fund	<u>176,868</u>	<u>-</u>	<u>250,000</u>
Total Assets	<u>\$ 5,686,795</u>	<u>\$ 5,005,289</u>	<u>\$ 3,311,803</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</u>			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 232,312	\$ -	\$ 36,770
Accrued payroll and benefits	-	-	-
Unearned revenue	16,377	-	-
Deposits payable	350	-	-
Due to fiduciary fund	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>189,000</u>
Total Liabilities	<u>249,039</u>	<u>-</u>	<u>225,770</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenues - housing loans	<u>-</u>	<u>5,000,000</u>	<u>2,432,205</u>
FUND BALANCES			
Restricted	-	5,289	653,828
Assigned	3,053,270	-	-
Unassigned	<u>2,384,486</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>5,437,756</u>	<u>5,289</u>	<u>653,828</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,686,795</u>	<u>\$ 5,005,289</u>	<u>\$ 3,311,803</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
BALANCE SHEET (continued)
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>Grant Related Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 165,140	\$ 906,174	\$ 3,208,678
Accounts receivable	-	-	45,705
Interest receivable	466	263	3,175
Taxes receivable	-	2,151	147,776
Notes receivable	2,174,264	-	9,531,469
Due from other funds	156,000	167,000	3,793,000
Due from fiduciary fund	45,000	615,000	660,000
Due from other governments	100,087	70,058	547,801
Prepaid items	-	-	41,018
Advances to fiduciary fund	-	-	426,868
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,640,957</u>	<u>\$ 1,760,646</u>	<u>\$ 18,405,490</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</u>			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 38,366	\$ 51,363	\$ 358,811
Accrued payroll and benefits	-	801	801
Unearned revenue	-	-	16,377
Deposits payable	-	-	350
Due to fiduciary fund	12,200	-	12,200
Due to other funds	<u>325,000</u>	<u>1,174,000</u>	<u>1,688,000</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>375,566</u>	<u>1,226,164</u>	<u>2,076,539</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenues - housing loans	<u>2,099,264</u>	<u> </u>	<u>9,531,469</u>
FUND BALANCES			
Restricted	166,127	1,248,751	2,073,995
Assigned	-	2,226	3,055,496
Unassigned	<u> </u>	<u>(716,495)</u>	<u>1,667,991</u>
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>166,127</u>	<u>534,482</u>	<u>6,797,482</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,640,957</u>	<u>\$ 1,760,646</u>	<u>\$ 18,405,490</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, 2016

Total fund balances of governmental funds		\$ 6,797,482
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 \$8,462,980.		11,594,756
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		(9,100,352)
Unearned revenue		9,531,469
Deferred outflows of resources related to changes in the net pension liability are not applicable to the current period		741,149
Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.		
Long-term liabilities		67,920
Compensated absences		(495,753)
Net OPEB obligation		(258,695)
Net pension liability		(5,389,725)
Deferred inflows related to changes in the net pension liability		<u>(594,961)</u>
Net position of governmental activities		<u>\$ 12,893,290</u>
Check Sum		<u>\$ (5,294,785)</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, 2016

	<u>General Fund</u>	<u>08-HOME-4987 Grant Fund</u>	<u>Block Grant Funds</u>
<u>REVENUES</u>			
Taxes and assessments	\$ 2,168,905	\$ -	\$ -
License, permits, and fees	119,521	-	-
Fines and forfeitures	14,197	-	-
Use of money and property	89,258	-	950
Program Income	955	-	305,073
Intergovernmental	248,754	-	209,258
Charges for services	794,369	-	3,977
Contributions	-	-	-
Recreation and event fees	49,254	-	-
Insurance proceeds	3,547	-	-
Other revenues	<u>23</u>	<u>-</u>	<u>50</u>
Total Revenues	<u>3,488,783</u>	<u>-</u>	<u>519,308</u>
<u>EXPENDITURES</u>			
Current:			
General administration	148,293	-	-
Public safety	3,377,581	-	-
Streets and public works	162,539	-	-
Community development	208,997	-	369,038
Parks and recreation	109,478	-	-
Capital outlay	177,309	-	-
Debt service:			
Principal	67,920	-	-
Interest and fiscal charges	<u>2,859</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>4,254,976</u>	<u>-</u>	<u>369,038</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(766,193)</u>	<u>-</u>	<u>150,270</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	1,762,810	-	-
Transfers out	<u>(73,918)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,688,892</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	922,699	-	150,270
Fund Balances - July 1, 2015	<u>4,515,057</u>	<u>5,289</u>	<u>503,558</u>
Fund Balances - June 30, 2016	<u>\$ 5,437,756</u>	<u>\$ 5,289</u>	<u>\$ 653,828</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, 2016

	<u>Grant Related Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Taxes and assessments	\$ 9,086	\$ 271,198	\$ 2,449,189
License, permits, and fees	-	36,181	155,702
Fines and forfeitures	-	22,002	36,199
Use of money and property	1,989	16	92,213
Program Income	-	-	306,028
Intergovernmental	772,196	70,173	1,300,381
Charges for services	-	35,796	834,142
Contributions	-	100	100
Recreation and event fees	-	-	49,254
Insurance proceeds	-	-	3,547
Other revenues	-	-	73
	<u>783,271</u>	<u>435,466</u>	<u>5,226,828</u>
Total Revenues			
<u>EXPENDITURES</u>			
Current:			
General administration	-	723	149,016
Public safety	-	-	3,377,581
Streets and public works	-	564,669	727,208
Community development	280,254	89,809	948,098
Parks and recreation	-	142,884	252,362
Capital outlay	225,147	1,604	404,060
Debt service:			
Principal	-	-	67,920
Interest and fiscal charges	-	-	2,859
	<u>505,401</u>	<u>799,689</u>	<u>5,929,104</u>
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	<u>277,870</u>	<u>(364,223)</u>	<u>(702,276)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	-	263,154	2,025,964
Transfers out	<u>(100,000)</u>	<u>(103,319)</u>	<u>(277,237)</u>
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>159,835</u>	<u>1,748,727</u>
Net Change in Fund Balances	177,870	(204,388)	1,046,451
Fund Balances - July 1, 2015	<u>(11,743)</u>	<u>738,870</u>	<u>5,751,031</u>
Fund Balances - June 30, 2016	<u>\$ 166,127</u>	<u>\$ 534,482</u>	<u>\$ 6,797,482</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, 2016

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	\$ 1,046,451
<p>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.</p>	
Capital asset purchases	384,109
Depreciation expense	(746,701)
<p>Government funds only report the disposal of capital assets to the extent proceeds are received from the sale. in the Statement of Activities, a gain or loss is reported for each disposal.</p>	
	(284,321)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Proceeds from long-term liabilities are reported as other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position.</p>	
Lease principal payments	67,920
<p>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.</p>	
Loan program receipts	(44,010)
Loans made during the year	303,238
<p>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.</p>	
Allowance for notes receivable	(290,137)
Pension expense related to deferred outflows and inflows of resources	291,826
Other postemployment benefits	105,409
Accrued compensated absences	<u>(71,839)</u>
Change in net position of governmental activities	\$ <u>761,945</u>
Check sum	<u><u>\$ 5,226,865</u></u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-type Activities - Enterprise Funds				
	Electric	Water	Sewer	Other Enterprise Funds	Totals
ASSETS					
Current Assets					
Cash and investments	\$ 4,423,091	\$ 1,486,008	\$ 1,619,358	\$ 38,472	\$ 7,566,929
Accounts receivable, net	484,351	71,296	243,383	842	799,872
Interest receivable	4,603	697	1,004	94	6,398
Inventory	506,506	72,173	2,282	-	580,961
Due from other funds	620,000	55,000	2,760,000	60,000	3,495,000
Total Current Assets	6,038,551	1,685,174	4,626,027	99,408	12,449,160
Non Current Assets					
Capital assets, net of accumulated depreciation	3,607,130	3,597,021	7,723,306	-	14,927,457
Total Non-Current Assets	3,607,130	3,597,021	7,723,306	-	14,927,457
Total Assets	9,645,681	5,282,195	12,349,333	99,408	27,376,617
DEFERRED OUTFLOWS OF RESOURCES					
Change in net pension liability	140,331	50,344	51,430	12,385	254,490
LIABILITIES					
Current Liabilities					
Accounts payable	123,220	5,140	17,468	950	146,778
Accrued expenses	38,029	6,036	1,795	3,046	48,906
Accrued interest payable	1,513	6,052	33,018	-	40,583
Deposits payable	182,042	-	-	-	182,042
Due to other funds	5,600,000	-	-	-	5,600,000
Unearned revenue	-	-	-	5,001	5,001
Compensated absences - current	54,809	9,662	12,261	5,069	81,801
Bonds payable - current	17,958	71,832	77,000	-	166,790
Total Current Liabilities	6,017,571	98,722	141,542	14,066	6,271,901
Non-Current Liabilities					
Compensated absences	225,029	2,024	24,671	8,647	260,371
Bonds payable	38,309	153,230	3,545,000	-	3,736,539
Net pension liability	1,560,713	565,490	577,502	145,681	2,849,386
Net OPEB obligation	54,956	24,532	15,811	4,127	99,426
Total Non-Current Liabilities	1,879,007	745,276	4,162,984	158,455	6,945,722
Total Liabilities	7,896,578	843,998	4,304,526	172,521	13,217,623
DEFERRED INFLOWS OF RESOURCES					
Change in net pension liability	164,960	59,268	60,540	14,682	299,450
NET POSITION:					
Net investment in capital assets	3,550,863	3,371,959	4,101,306	-	11,024,128
Unrestricted	(1,826,389)	1,057,314	3,934,391	(75,410)	3,089,906
Total Net Position	\$ 1,724,474	\$ 4,429,273	\$ 8,035,697	\$ (75,410)	\$ 14,114,034

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, 2016

	Business-type Activities - Enterprise Funds				Totals
	Electric	Water	Sewer	Other Enterprise Funds	
<u>OPERATING REVENUES</u>					
Charges for services	\$ 6,929,394	\$ 1,089,504	\$ 1,688,035	\$ 16,382	\$ 9,723,315
Intergovernmental revenues	-	-	-	122,763	122,763
Other revenue	-	213	7,118	1,628	8,959
Total Operating Revenue	<u>6,929,394</u>	<u>1,089,717</u>	<u>1,695,153</u>	<u>140,773</u>	<u>9,855,037</u>
<u>OPERATING EXPENSES</u>					
Salaries and benefits	1,206,054	408,347	390,486	91,560	2,096,447
Materials, supplies, and operational expenses	588,013	225,510	227,482	8,926	1,049,931
Repairs and maintenance	38,535	7,606	53,415	3,870	103,426
Power and utilities	3,510,073	85,102	250,369	-	3,845,544
Contractual services	137,055	3,174	17,584	723	158,536
Administration	131,682	78,488	52,082	7,818	270,070
Bad debt expense	8,273	3,169	3,492	-	14,934
Miscellaneous	13,854	-	21,142	-	34,996
Depreciation and amortization	199,558	204,403	434,625	-	838,586
Total Operating Expenses	<u>5,833,097</u>	<u>1,015,799</u>	<u>1,450,677</u>	<u>112,897</u>	<u>8,412,470</u>
Operating Income	<u>1,096,297</u>	<u>73,918</u>	<u>244,476</u>	<u>27,876</u>	<u>1,442,567</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Interest income	19,624	2,321	2,899	415	25,259
Interest expense	(3,215)	(12,859)	(120,206)	-	(136,280)
Total Non-Operating Revenues (Expenses)	<u>16,409</u>	<u>(10,538)</u>	<u>(117,307)</u>	<u>415</u>	<u>(111,021)</u>
Income Before Transfers	<u>1,112,706</u>	<u>63,380</u>	<u>127,169</u>	<u>28,291</u>	<u>1,331,546</u>
<u>TRANSFERS</u>					
Transfers out	(1,706,500)	(24,251)	(14,822)	(3,154)	(1,748,727)
Total Transfers	<u>(1,706,500)</u>	<u>(24,251)</u>	<u>(14,822)</u>	<u>(3,154)</u>	<u>(1,748,727)</u>
Change in net position	(593,794)	39,129	112,347	25,137	(417,181)
Net Position - July 1, 2015	2,318,268	4,390,144	7,923,350	(100,547)	14,531,215
Net Position - June 30, 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>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ 7,115,830	\$ 1,112,816	\$ 1,610,637	\$ 140,886	\$ 9,980,169
Cash paid to suppliers	(4,504,967)	(410,508)	(637,986)	(22,310)	(5,575,771)
Cash paid to employees	<u>(1,090,719)</u>	<u>(476,571)</u>	<u>(450,585)</u>	<u>(101,996)</u>	<u>(2,119,871)</u>
Net Cash Provided by Operating Activities	<u>1,520,144</u>	<u>225,737</u>	<u>522,066</u>	<u>16,580</u>	<u>2,284,527</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING</u>					
<u>ACTIVITIES</u>					
Due from (to) other funds	3,050,000	145,350	(1,485,000)	(3,632)	1,706,718
Transfers to other funds	<u>(1,706,500)</u>	<u>(24,251)</u>	<u>(14,822)</u>	<u>(3,154)</u>	<u>(1,748,727)</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>1,343,500</u>	<u>121,099</u>	<u>(1,499,822)</u>	<u>(6,786)</u>	<u>(42,009)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING</u>					
<u>ACTIVITIES</u>					
Acquisition of capital assets	(305,126)	(17,769)	(44,417)	-	(367,312)
Principal paid on capital debt	(17,205)	(68,821)	(75,000)	-	(161,026)
Interest paid on capital debt	<u>(3,215)</u>	<u>(12,859)</u>	<u>(100,676)</u>	<u>-</u>	<u>(116,750)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(325,546)</u>	<u>(99,449)</u>	<u>(220,093)</u>	<u>-</u>	<u>(645,088)</u>
<u>CASH FLOWS FROM INVESTING</u>					
<u>ACTIVITIES</u>					
Interest and dividends	<u>15,786</u>	<u>2,354</u>	<u>3,443</u>	<u>321</u>	<u>21,904</u>
Net Cash Provided by Investing Activities	<u>15,786</u>	<u>2,354</u>	<u>3,443</u>	<u>321</u>	<u>21,904</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,553,884	249,741	(1,194,406)	10,115	1,619,334
Cash and Cash Equivalents - July 1, 2015	<u>1,869,207</u>	<u>1,236,267</u>	<u>2,813,764</u>	<u>28,357</u>	<u>5,947,595</u>
Cash and Cash Equivalents - June 30, 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>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ 1,096,297	\$ 73,918	\$ 244,476	\$ 27,876	\$ 1,442,567
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	199,558	204,403	434,625	-	838,586
Pension expense	(86,251)	(31,252)	(31,916)	(8,051)	(157,470)
Changes in assets and liabilities:					
Decrease (Increase) in accounts receivable	205,769	23,099	(84,516)	113	144,465
Increase in inventory	(40,376)	(2,457)	(381)	-	(43,214)
Decrease in accounts payable	(50,960)	(5,002)	(3,125)	(973)	(60,060)
Decrease in deposits payable	(5,479)	-	-	-	(5,479)
Increase in accrued expenses	20,046	5,686	292	1,207	27,231
Decrease in net OPEB obligation	(22,389)	(9,994)	(17,428)	(1,681)	(51,492)
Increase (decrease) in compensated absences	<u>203,929</u>	<u>(32,664)</u>	<u>(19,961)</u>	<u>(1,911)</u>	<u>149,393</u>
Net Cash Provided by Operating Activities	<u>\$ 1,520,144</u>	<u>\$ 225,737</u>	<u>\$ 522,066</u>	<u>\$ 16,580</u>	<u>\$ 2,284,527</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<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)	\$ 474	\$ 446,430	\$ 317,608	\$ 764,512
Restricted cash and investments (Note 2)	-	380,276	-	380,276
Interest receivable	-	487	14,560	15,047
Due from City	12,200	-	-	12,200
Capital assets, non-depreciable	<u>-</u>	<u>1,302,116</u>	<u>-</u>	<u>1,302,116</u>
Total Assets	<u>\$ 12,674</u>	<u>\$ 2,129,309</u>	<u>\$ 332,168</u>	<u>\$ 2,474,151</u>
<u>LIABILITIES</u>				
Accounts payable and other liabilities	\$ -	\$ 53	\$ 336,045	\$ 336,098
Due to City	-	660,000	-	660,000
Interest payable	-	268,125	-	268,125
Advances from the City	-	426,868	-	426,868
Long-term liabilities	-	4,505,995	-	4,505,995
Funds held in Trust	<u>-</u>	<u>-</u>	<u>(3,877)</u>	<u>(3,877)</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 5,861,041</u>	<u>\$ 332,168</u>	<u>\$ 6,193,209</u>
<u>NET POSITION</u>				
Held in trust for private purposes	<u>\$ 12,674</u>	<u>\$ (3,731,732)</u>	<u>\$ -</u>	<u>\$ (3,719,058)</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, 2016

	<u>Main Trust</u>	<u>Successor Agency</u>	<u>Total Trust Funds</u>
<u>ADDITIONS</u>			
Property taxes	\$ -	\$ 522,359	\$ 522,359
Use of money and property	-	1,327	1,327
Other revenues	<u>165</u>	<u>153</u>	<u>318</u>
Total Additions	<u>165</u>	<u>523,839</u>	<u>524,004</u>
<u>DEDUCTIONS</u>			
Administrative expense	-	23,465	23,465
Interest costs	<u>-</u>	<u>452,822</u>	<u>452,822</u>
Total Deductions	<u>-</u>	<u>476,287</u>	<u>476,287</u>
Changes in Net Position	165	47,552	47,717
Net Position - July 1, 2015	<u>12,509</u>	<u>(3,779,284)</u>	<u>(3,766,775)</u>
Net Position - June 30, 2016	<u>\$ 12,674</u>	<u>\$ (3,731,732)</u>	<u>\$ (3,719,058)</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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.

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, 2016

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, 2016

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 2015-16, 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, 2016

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, 2016

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, 2016

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, 2016

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, 2016. 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, 2016 was \$165,239.

J. Deferred Outflows/Inflow of Resources

In addition to assets, the statement of financial 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 financial 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, 2016

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) plans (Plans) 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 over all its liabilities, regardless of fund. Net position is divided into three categories. These categories apply only to net position, which is determined at the Government-wide level, and are described below:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that 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, 2016

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, 2015, the City implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. See Note 2.

Government Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. There was no significant impact to the City or their financial statements as a result of the implementation.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Accounting Standards Board Statement No. 79

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized costs for financial reporting purposes and for governments that participate in those pools. Application of this statement is effective for the current year except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for the City's fiscal year ending June 30, 2017. There was no significant impact to the City or their financial statements as a result of the implementation.

Government Accounting Standards Board Statement No. 82

In March 2016, GASB issued Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*. The primary objective of this statement is to address issues regarding the (1) presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016; however the City has elected to implement the statement in the current year. See Note 7.

R. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2016 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. 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. 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, 2017.

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. 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, 2017.

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.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2016 were classified in the accompanying financial statements as follows:

	Cash and Investments	Restricted Cash and Investments	Total
Governmental activities	\$ 3,208,678	\$ -	\$ 3,208,678
Business-type activities	<u>7,566,929</u>	<u>-</u>	<u>7,566,929</u>
Total government-wide cash and investments	<u>10,775,607</u>	<u>-</u>	<u>10,775,607</u>
Fiduciary activities	<u>764,512</u>	<u>380,276</u>	<u>1,144,788</u>
Total cash and investments	<u>\$ 11,540,119</u>	<u>\$ 380,276</u>	<u>\$ 11,920,395</u>

Cash and investments were carried at fair value as of June 30, 2016 and consisted of the following:

Cash on hand	\$ 150
Cash in banks	<u>4,249,439</u>
Total cash	<u>4,249,589</u>
Local Agency Investment Fund (LAIF)	7,290,530
California Asset Management Program (CAMP)	<u>380,276</u>
Total investments	<u>7,670,806</u>
Total cash and investments	<u>\$ 11,920,395</u>

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

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, 2016:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Local Agency Investment Fund	\$ 7,290,530	\$ -	\$ 7,290,530
Held by bond trustee:			
Investment pool (CAMP)	<u>380,276</u>	<u>-</u>	<u>380,276</u>
	<u>\$ 7,670,806</u>	<u>\$ -</u>	<u>\$ 7,670,806</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, 2016.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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	\$ 7,290,530			Not rated
Held by bond trustee:				
Investment pool (CAMP)	<u>380,276</u>	AAAm		
	<u>\$ 7,670,806</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, 2016, the carrying amount of the City's deposits was \$4,249,439 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, 2016

NOTE 3: NOTES AND LOANS RECEIVABLE

The following is a summary of notes receivable at June 30, 2016:

<u>Governmental Activities</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2016</u>
Governmental Funds				
Home program	\$ 7,570,304	\$ 165,319	\$ -	\$ 7,735,623
CalHome program	-	19,264	-	19,264
CDBG program	<u>1,701,937</u>	<u>118,655</u>	<u>(44,010)</u>	<u>1,776,582</u>
Total Governmental Funds	9,272,241	303,238	(44,010)	9,531,469
Less Allowance for Notes Receivable	<u>(8,810,213)</u>	<u>(303,238)</u>	<u>13,099</u>	<u>(9,100,352)</u>
Total Notes Receivable, net	<u>\$ 462,028</u>	<u>\$ -</u>	<u>\$ (30,911)</u>	<u>\$ 431,117</u>
<u>Fiduciary</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2016</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, 2016.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4: INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund long-term advances due after one year at June 30, 2016 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, 2016 was as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Description</u>	<u>Amount</u>
Major Governmental Funds			
Block Grant Funds	Recreation-related Fund	Temporary pooled cash adjustment	\$ 3,000
Block Grant Funds	Grant-Related Fund	Temporary pooled cash adjustment	156,000
Block Grant Funds	Maintenance Districts	Temporary pooled cash adjustment	30,000
Grant-Related Fund	Trust Fund	Temporary pooled cash adjustment	12,200
Grant-Related Fund	Water Fund	Temporary pooled cash adjustment	55,000
Grant-Related Fund	General Fund	Temporary pooled cash adjustment	<u>270,000</u>
Total Major Governmental Funds			<u>526,200</u>
Non-Major Governmental Funds			
BINTF Seizure	Senior Tax Fund	Temporary pooled cash adjustment	60,000
Recreation Related Fund	Electric Fund	Temporary pooled cash adjustment	620,000
Recreation Related Fund	SB 325 Fund	Temporary pooled cash adjustment	105,000
Solid Waste Rec Fund	Sewer Fund	Temporary pooled cash adjustment	60,000
Public Safety Fund	Gas Tax Fund	Temporary pooled cash adjustment	20,000
Traffic Safety Fund	Railroad Maintenance Fund	Temporary pooled cash adjustment	8,000
Public Finance Authority	Gas Tax Fund	Temporary pooled cash adjustment	1,000
Planning and Development	General Fund	Temporary pooled cash adjustment	<u>300,000</u>
Total Non-Major Governmental Funds			<u>1,174,000</u>
Fiduciary Funds			
Successor Agency	Gas Tax Funds	Temporary pooled cash adjustment	15,000
	Grant-Related Fund	Temporary pooled cash adjustment	45,000
	General Impact Fund	Temporary pooled cash adjustment	<u>600,000</u>
Total Fiduciary Funds			<u>660,000</u>

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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	Sewer Fund	Temporary pooled cash adjustment	2,700,000
Electric Fund	Block Grant Fund	Temporary pooled cash adjustment	500,000
Electric Fund	General Fund	Temporary pooled cash adjustment	<u>2,400,000</u>
Total Major Proprietary Funds			<u>5,600,000</u>
Total Interfund Payables/Receivables			<u>\$ 7,960,200</u>

Interfund Transfers to/from Other Funds

Transfers between funds during the fiscal year ended June 30, 2016 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount</u>
Governmental Funds:			
<u>Major Governmental Funds</u>			
General Fund	Maintenance district funds	Cost allocation overages	\$ 73,918
Grant-Related Fund	General Fund	Police department overtime	<u>100,000</u>
Total Major Governmental Funds			<u>173,918</u>
<u>Non-Major Governmental Funds</u>			
Gas tax fund	Maintenance district funds	Cost allocation overages	\$ 5,577
Public safety fund	Traffic safety fund	Zero out negative fund balance	92,239
Gas tax fund	General fund	Gas tax contribution	3,643
Maintenance district funds	General fund	Flood maintenance contribution	<u>1,860</u>
Total Non-Major Governmental Funds			<u>103,319</u>
<u>Enterprise Funds</u>			
Electric fund	Maintenance district funds	Cost allocation overages	65,356
Electric fund	General fund	Unfunded City operations	1,600,000
Electric fund	General fund	Electric fund contribution	41,144
Water fund	Maintenance district funds	Cost allocation overages	17,291
Water fund	General fund	Water fund contribution	6,960
Sewer fund	Maintenance district funds	Cost allocation overages	8,773
Sewer fund	General fund	Sewer fund contribution	<u>6,049</u>
Total Enterprise Funds			<u>1,745,573</u>
Senior Taxi fund	General fund	Senior Taxi fund contribution	<u>3,154</u>
Total Non-Major Enterprise Funds			
Total Interfund Transfers			<u>\$ 2,025,964</u>

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5: CAPITAL ASSETS

Governmental activities:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2016</u>
Capital assets not being depreciated					
Land	\$ 456,981	\$ -	\$ (39,210)	\$ -	\$ 417,771
Construction-in-progress	<u>75,961</u>	<u>221,250</u>	<u>-</u>	<u>-</u>	<u>297,211</u>
Total capital assets not being depreciated	<u>532,942</u>	<u>221,250</u>	<u>(39,210)</u>	<u>-</u>	<u>714,982</u>
Capital assets being depreciated					
Infrastructure	7,999,087	-	-	-	7,999,087
Buildings and improvements	3,936,572	-	(281,732)	-	3,654,840
Improvements other than buildings	2,597,529	-	-	-	2,597,529
Vehicles and equipment	<u>4,928,439</u>	<u>162,859</u>	<u>-</u>	<u>-</u>	<u>5,091,298</u>
Total capital assets being depreciated	<u>19,461,627</u>	<u>162,859</u>	<u>(281,732)</u>	<u>-</u>	<u>19,342,754</u>
Less accumulated depreciation					
Infrastructure	(2,138,152)	(268,392)	-	-	(2,406,544)
Buildings and improvements	(1,807,974)	(127,976)	36,621	-	(1,899,329)
Improvements other than buildings	(451,883)	(106,494)	-	-	(558,377)
Vehicles and equipment	<u>(3,354,891)</u>	<u>(243,839)</u>	<u>-</u>	<u>-</u>	<u>(3,598,730)</u>
Total accumulated depreciation	<u>(7,752,900)</u>	<u>(746,701)</u>	<u>36,621</u>	<u>-</u>	<u>(8,462,980)</u>
Total capital assets, net	<u>\$ 12,241,669</u>	<u>\$ (362,592)</u>	<u>\$ (284,321)</u>	<u>\$ -</u>	<u>\$ 11,594,756</u>

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

Governmental Activities:

General Government	\$ 112,005
Public Safety	246,412
Streets and Public Works	276,279
Parks and Recreation	<u>112,005</u>
Total governmental activities depreciation expense	<u>\$ 746,701</u>

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5: CAPITAL ASSETS (CONTINUED)

Business-type activities:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2016</u>
Capital assets not being depreciated					
Land	\$ 921,793	\$ -	\$ -	\$ -	\$ 921,793
Construction-in-progress	<u>769,525</u>	<u>-</u>	<u>-</u>	<u>(268,798)</u>	<u>500,727</u>
Total capital assets not being depreciated	<u>1,691,318</u>	<u>-</u>	<u>-</u>	<u>(268,798)</u>	<u>1,422,520</u>
Capital assets being depreciated					
Infrastructure	6,340,385	2,257	-	-	6,342,642
Buildings and improvements	1,139,546	-	-	-	1,139,546
Improvements other than buildings	7,698,050	126,889	-	268,798	8,093,737
Vehicles and equipment	<u>6,497,718</u>	<u>238,166</u>	<u>-</u>	<u>-</u>	<u>6,735,884</u>
Total capital assets being depreciated	<u>21,675,699</u>	<u>367,312</u>	<u>-</u>	<u>268,798</u>	<u>22,311,809</u>
Less accumulated depreciation					
Infrastructure	(1,580,732)	(162,063)	-	-	(1,742,795)
Buildings and improvements	(768,706)	(38,343)	-	-	(807,049)
Improvements other than buildings	(1,727,717)	(355,745)	-	-	(2,083,462)
Vehicles and equipment	<u>(3,891,131)</u>	<u>(282,435)</u>	<u>-</u>	<u>-</u>	<u>(4,173,566)</u>
Total accumulated depreciation	<u>(7,968,286)</u>	<u>(838,586)</u>	<u>-</u>	<u>-</u>	<u>(8,806,872)</u>
Total capital assets, net	<u>\$ 15,398,731</u>	<u>\$ (471,274)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,927,457</u>

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

Electricity	\$ 199,558
Water	204,403
Sewer	<u>434,625</u>
Total business-type activities depreciation expense	<u>\$ 838,586</u>

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Current Portion</u>
Governmental activities:					
Capital leases:					
Fire truck	\$ -	\$ -	\$ (67,920)	\$ (67,920)	\$ -
Compensated absences	<u>423,914</u>	<u>77,825</u>	<u>(5,986)</u>	<u>495,753</u>	<u>171,944</u>
Total Governmental activities	<u>\$ 423,914</u>	<u>\$ 77,825</u>	<u>\$ (73,906)</u>	<u>\$ 427,833</u>	<u>\$ 171,944</u>
Business-type activities:					
Capital Lease - Water	\$ 293,883	\$ -	\$ (68,821)	\$ 225,062	\$ 71,832
Capital Lease - Electric	73,472	-	(17,205)	56,267	17,958
USDA Rural Development Loan	1,163,000	-	(29,000)	1,134,000	30,000
USDA Rural Development Loan	2,534,000	-	(46,000)	2,488,000	47,000
Compensated Absences	<u>192,779</u>	<u>203,930</u>	<u>(54,537)</u>	<u>342,172</u>	<u>81,801</u>
Total Business-type activities	<u>\$ 4,257,134</u>	<u>\$ 203,930</u>	<u>\$ (215,563)</u>	<u>\$ 4,245,501</u>	<u>\$ 248,591</u>

A description of the long-term liabilities related to governmental activities at June 30, 2016 follows:

A. Governmental Activities

Obligations under Capital Leases

The City entered into a \$330,000 capital lease dated November 3, 2006 for the partial financing of a new aerial fire truck purchase. The total cost of the fire truck, excluding accessories, was \$686,508. The City executed a down payment of \$353,824 toward the total cost and financed the remainder as part of the lease purchase financing. Payments are due annually through November 3, 2016, including interest at 4.21% secured by the equipment. On November 17, 2015, the City paid off the remaining portion of the lease.

B. 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, 2016, the Water fund and Electric fund's balance of the lease were \$225,062 and \$56,267, respectively.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, the balance on the loan is \$1,134,000.

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, 2016, the balance on the loan is \$2,488,000.

Business-Type Long-Term Liabilities Amortization

Capital Lease - Water			
For the Year Ending June 30	Principal	Interest	Total
2017	\$ 71,832	\$ 9,847	\$ 81,679
2018	74,975	6,704	81,679
2019	78,255	3,424	81,679
Total	\$ 225,062	\$ 19,975	\$ 245,037

Capital Lease - Electric			
For the Year Ending June 30	Principal	Interest	Total
2017	\$ 17,958	\$ 2,462	\$ 20,420
2018	18,744	1,676	20,420
2019	19,565	856	20,421
Total	\$ 56,267	\$ 4,994	\$ 61,261

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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
2017	\$ 30,000	\$ 36,368	\$ 66,368
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 - 2026	188,000	143,423	331,423
2027 - 2031	221,000	110,257	331,257
2032 - 2036	260,000	71,208	331,208
2037 - 2041	305,000	25,430	330,430
Total	\$ 1,134,000	\$ 521,919	\$ 1,655,919

USDA Rural Development Loan			
For the Year Ending June 30	Principal	Interest	Total
2017	\$ 47,000	\$ 62,200	\$ 109,200
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 - 2026	282,000	266,100	548,100
2027 - 2031	319,000	229,050	548,050
2032 - 2036	361,000	187,150	548,150
2037 - 2041	410,000	139,625	549,625
2042 - 2046	462,000	85,850	547,850
2047 - 2050	405,000	25,375	430,375
Total	\$ 2,488,000	\$ 1,231,950	\$ 3,719,950

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.

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

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

Hire Date	Miscellaneous		Safety	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit Formula	2% @ 55	2% @ 62	3% @ 50	2.7% @ 55
Benefit Vesting Schedule	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
Retirement Age	55	62	50	57
Monthly Benefits, as a % of Eligible Compensation	2%	2%	3%	2%
Required Employee Contribution Rates	7.00%	6.25%	9.00%	11.50%
Required Employer Contribution Rates	19.70%	6.25%	32.40%	11.50%

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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 measurement period ending June 30, 2015 were \$701,624.

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

As of June 30, 2016, the City reported net pension liability for its proportionate share of the net pension liability of the Plan of \$-.

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, 2015, 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, 2014 rolled forward to June 30, 2015 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, 2014 and 2015 was as follows:

Proportion - June 30, 2014	0.27713%
Proportion - June 30, 2015	0.26355%
Change - Increase (Decrease)	(0.01358)%

For the year ended June 30, 2016, the City recognized pension expense of \$347,401. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 795,514	\$ -
Difference between actual contributions made by employer and the employer's proportionate share of the risk pool's total contribution	50,639	(64,602)
Differences between actual and expected experience	23,757	(43,538)
Changes in assumptions	-	(425,010)
Adjustment due to differences in proportions	125,729	(156,423)
Net differences between projected and actual earnings on plan investments	<u>-</u>	<u>(204,838)</u>
Total	<u>\$ 995,639</u>	<u>\$ (894,411)</u>

\$795,514 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Measurement Period Ended June 30,</u>	
2016	(320,372)
2017	(474,221)
2018	(131,957)
2019	232,264

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
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, 2014 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

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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, 2016

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, 2014.

<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 Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	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	2.0%	(0.55%)	(1.05%)

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

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

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

The following presents the City's proportionate share of the net pension liability for each Plan, 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)	\$ 12,402,156	\$ 8,239,111	\$ 4,810,264

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, 2016, the City reported 9 retired employees. The City currently has 2 active participants.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, the City's annual cost for the healthcare plan was \$150,356. The City's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2016 were as follows:

Annual required contribution	
Service cost at year-end	\$ 3,723
30-year amortization of funded liability	<u>150,758</u>
Total annual required contribution	<u>154,481</u>
Interest on net OPEB obligation	15,295
Adjustment to net OPEB obligation	<u>(19,420)</u>
Total annual OPEB cost	<u>150,356</u>
Employer contributions	<u>(98,092)</u>
Net increase in net OPEB obligation	52,264
Net OPEB obligation, July 1, 2015	<u>305,907</u>
Net OPEB obligation, June 30, 2016	<u><u>\$ 358,171</u></u>

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Year Ended	Annual OPEB cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation
June 30, 2014	\$ 131,402	\$ 85,532	65 %	\$ 264,873
June 30, 2015	\$ 135,068	\$ 94,644	70 %	\$ 305,907
June 30, 2016	\$ 150,356	\$ 98,092	65 %	\$ 358,171

As of June 30, 2016, \$258,745 of the net pension obligation was recorded in governmental activities and \$99,426 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, 2016, was as follows:

Actuarial accrued liability (AAL)	
Active employees	\$ 558,760
Retired employees	<u>1,874,629</u>
	<u>2,433,389</u>
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,433,389</u>
Funded Ratio (actuarial value of plan assets / AAL)	0 %
Covered payroll	\$ 311,199
UAAL as a percentage of covered payroll	782 %

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, 2016

NOTE 9: FUND BALANCE

The City uses restricted or committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

As of June 30, 2016, 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:						
Redevelopment	-	-	-	-	666,705	666,705
Grants	-	5,289	653,828	166,127	1	825,245
Taxes & fees	-	-	-	-	621,989	621,989
Capital projects	-	-	-	-	(46,738)	(46,738)
Contributions	-	-	-	-	6,794	6,794
Assigned:						
Sick payout						
reserve	195,489	-	-	-	-	195,489
Equipment						
replacement	2,317,915	-	-	-	2,226	2,320,141
Building						
maintenance	499,866	-	-	-	-	499,866
Infrastructure						
reserve	40,000	-	-	-	-	40,000
Unassigned	<u>2,384,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(716,495)</u>	<u>1,667,991</u>
Total	<u>\$ 5,437,756</u>	<u>\$ 5,289</u>	<u>\$ 653,828</u>	<u>\$ 166,127</u>	<u>\$ 534,482</u>	<u>\$ 6,797,482</u>

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

NOTE 10: RISK MANAGEMENT (CONTINUED)

Audited condensed financial information for the NCCSIF for the fiscal year ended June 30, 2016 was as follows:

Total Assets	\$ 54,079,628
Total Liabilities	<u>40,080,071</u>
Net Position	<u><u>\$ 13,999,557</u></u>
Total Revenues	\$ 18,528,917
Total Expenses	<u>13,909,485</u>
Change in Net Position	<u><u>\$ 4,619,432</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, 2016, the City's balance held in reserve totaled \$612,803. 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, 2016

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 January 13, 2017, 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, 2016

	2015 - 2016		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Taxes and assessments	\$ 1,626,410	\$ 1,626,410	\$ 2,168,905	\$ 542,495
License, permits, and fees	88,500	88,500	119,521	31,021
Fines and forfeitures	20,000	20,000	14,197	(5,803)
Use of money and property	49,222	49,222	89,258	40,036
Program income	-	-	955	955
Intergovernmental	469,248	469,248	248,754	(220,494)
Charges for services	585,080	585,080	794,369	209,289
Recreation and event fees	38,750	38,750	49,254	10,504
Insurance proceeds	500	500	3,547	3,047
Other revenues	-	-	23	23
	<u>-</u>	<u>-</u>	<u>23</u>	<u>23</u>
Total Revenues	<u>2,877,710</u>	<u>2,877,710</u>	<u>3,488,783</u>	<u>611,073</u>
<u>EXPENDITURES</u>				
Current:				
General administration	646,251	646,251	148,293	497,958
Public safety	3,760,210	3,760,210	3,377,581	382,629
Streets and public works	324,687	324,687	162,539	162,148
Community development	172,272	172,272	208,997	(36,725)
Parks and recreation	137,959	137,959	109,478	28,481
Capital Outlay	2,108	309,329	177,309	132,020
Debt Service				
Principal	-	-	67,920	(67,920)
Interest and fiscal charges	-	-	2,859	(2,859)
	<u>-</u>	<u>-</u>	<u>2,859</u>	<u>(2,859)</u>
Total Expenditures	<u>5,043,487</u>	<u>5,350,708</u>	<u>4,254,976</u>	<u>1,095,732</u>
Excess (deficiency) of revenues over expenditures	<u>(2,165,777)</u>	<u>(2,472,998)</u>	<u>(766,193)</u>	<u>(484,659)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	1,762,810	1,762,810
Transfers out	-	-	(73,918)	(73,918)
	<u>-</u>	<u>-</u>	<u>(73,918)</u>	<u>(73,918)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,688,892</u>	<u>1,688,892</u>
Net change in fund balance	<u>\$ (2,165,777)</u>	<u>\$ (2,472,998)</u>	<u>922,699</u>	<u>\$ 1,204,233</u>
Fund balance - July 1, 2015			4,515,057	
Fund balance - June 30, 2016			<u>\$ 5,437,756</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, 2016

	2015 - 2016 Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Total Revenues	_____ -	_____ -	_____ -	_____ -
<u>EXPENDITURES</u>				
Current:				
Total Expenditures	_____ -	_____ -	_____ -	_____ -
Net change in fund balance	\$ _____ -	\$ _____ -	_____ -	\$ _____ -
Fund balance - July 1, 2015			_____ 5,289	
Fund balance - June 30, 2016			\$ _____ 5,289	

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, 2016

	<u>2015 - 2016</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	\$ -	\$ -	\$ 950	\$ 950
Program income	36,718	36,718	305,073	268,355
Intergovernmental	-	-	209,258	209,258
Charges for services	<u>2,000</u>	<u>2,000</u>	<u>3,977</u>	<u>1,977</u>
Total Revenues	<u>38,718</u>	<u>38,718</u>	<u>519,258</u>	<u>480,540</u>
<u>EXPENDITURES</u>				
Current:				
Community development	<u>17,235</u>	<u>375,593</u>	<u>369,038</u>	<u>6,555</u>
Total Expenditures	<u>17,235</u>	<u>375,593</u>	<u>369,038</u>	<u>6,555</u>
Excess (deficiency) of revenues over expenditures	<u>21,483</u>	<u>(336,875)</u>	<u>150,220</u>	<u>473,985</u>
Net change in fund balance	<u>\$ 21,483</u>	<u>\$ (336,875)</u>	<u>150,220</u>	<u>\$ 473,985</u>
Fund balance - July 1, 2015			<u>503,558</u>	
Fund balance - June 30, 2016			<u>\$ 653,778</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, 2016

	2015 - 2016		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Taxes and assessments	\$ -	\$ -	\$ 9,086	\$ 9,086
Use of money and property	-	-	1,989	1,989
Intergovernmental	<u>75,411</u>	<u>75,411</u>	<u>772,196</u>	<u>696,785</u>
Total Revenues	<u>75,411</u>	<u>75,411</u>	<u>783,271</u>	<u>707,860</u>
 <u>EXPENDITURES</u>				
Current:				
Public safety	154,000	154,000	-	154,000
Streets and public works	-	1,022	-	1,022
Community development	-	234,125	280,254	(46,129)
Capital outlay	<u>46,000</u>	<u>262,926</u>	<u>225,147</u>	<u>37,779</u>
Total Expenditures	<u>200,000</u>	<u>652,073</u>	<u>505,401</u>	<u>146,672</u>
Excess (deficiency) of revenues over expenditures	<u>(124,589)</u>	<u>(576,662)</u>	<u>277,870</u>	<u>561,188</u>
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	-	-	(100,000)	(100,000)
Total Other Financing Sources (Uses)	-	-	(100,000)	(100,000)
Net change in fund balance	<u>\$ (124,589)</u>	<u>\$ (576,662)</u>	<u>177,870</u>	<u>\$ 461,188</u>
Fund balance - July 1, 2015			<u>(11,743)</u>	
Fund balance (deficit) - June 30, 2016			<u>\$ 166,127</u>	

**CITY OF GRIDLEY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY ACCOUNTING AND CONTROL
FOR THE YEAR ENDED JUNE 30, 2016**

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 Plans, Cost Sharing Defined Benefit Pension Plans
As of June 30, 2016
Last 10 Years***

	Measurement Period	
	2015	2014
Proportion of the net pension liability	0.12004 %	0.12501 %
Proportionate share of the net pension liability	\$ 8,238,421	\$ 7,778,821
Covered - employee payroll	\$ 3,745,064	\$ 3,283,720
Proportionate share of the net pension liability as a percentage of covered - employee payroll	219.98 %	236.89 %
Plan fiduciary net position as a percentage of the total pension liability	78.40 %	79.82 %

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

**CITY OF GRIDLEY
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS
Prepared for the City's Miscellaneous and Cost Sharing Plans,
Cost Sharing Defined Benefit Pension Plans
As of June 30, 2016
Last 10 Years***

	Fiscal Year-End	
	2016	2015
Contractually required contribution (actuarially determined)	\$ 701,624	\$ 676,873
Contributions in relation to the actuarially determined contributions	<u>701,624</u>	<u>706,315</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (29,442)</u>
Covered - employee payroll	3,745,064	3,283,720
Contributions as a percentage of covered - employee payroll	18.73 %	21.51 %

*Fiscal year 2015 was the 1st year of implementation, therefore only one year is 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	\$ 2,433,389	\$ -	\$ 2,433,389	0%	\$ 311,199	782 %

COMBINING FINANCIAL SCHEDULES

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2016

	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	\$ 55,122	\$ 11,783	\$ 742	\$ 304,190	\$ 17,581
Interest receivable	22	-	-	62	14
Taxes receivable	-	-	-	-	-
Due from other funds	-	-	-	105,000	-
Due from fiduciary fund	600,000	-	-	-	-
Due from other governments	-	-	-	-	909
Total Assets	<u>\$ 655,144</u>	<u>\$ 11,783</u>	<u>\$ 742</u>	<u>\$ 409,252</u>	<u>\$ 18,504</u>
LIABILITIES AND FUND BALANCES					
(DEFICITS)					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ 2,204	\$ 8,278
Accrued payroll and benefits	(36)	-	-	-	-
Due to other funds	-	-	1,000	-	8,000
Total Liabilities	<u>(36)</u>	<u>-</u>	<u>1,000</u>	<u>2,204</u>	<u>16,278</u>
FUND BALANCES (DEFICITS):					
Restricted	655,180	11,783	(258)	407,048	-
Assigned	-	-	-	-	2,226
Unassigned	-	-	-	-	-
Total Fund Balances (Deficits)	<u>655,180</u>	<u>11,783</u>	<u>(258)</u>	<u>407,048</u>	<u>2,226</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 655,144</u>	<u>\$ 11,783</u>	<u>\$ 742</u>	<u>\$ 409,252</u>	<u>\$ 18,504</u>

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2016

	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>ASSETS</u>					
Cash and investments	\$ 2,908	\$ 18,297	\$ 20,530	\$ 2,354	\$ 256,617
Interest receivable	-	10	5	-	146
Taxes receivable	-	1,904	-	-	-
Due from other funds	8,000	-	-	-	21,000
Due from fiduciary fund	-	-	-	-	15,000
Due from other governments	-	-	-	-	69,149
Total Assets	<u>\$ 10,908</u>	<u>\$ 20,211</u>	<u>\$ 20,535</u>	<u>\$ 2,354</u>	<u>\$ 361,912</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>(DEFICITS)</u>					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ 8,256	\$ -	\$ 26,381
Accrued payroll and benefits	-	-	-	-	-
Due to other funds	-	20,000	300,000	60,000	-
Total Liabilities	<u>-</u>	<u>20,000</u>	<u>308,256</u>	<u>60,000</u>	<u>26,381</u>
FUND BALANCES (DEFICITS):					
Restricted	10,908	211	(287,721)	(57,646)	335,531
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances (Deficits)	<u>10,908</u>	<u>211</u>	<u>(287,721)</u>	<u>(57,646)</u>	<u>335,531</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 10,908</u>	<u>\$ 20,211</u>	<u>\$ 20,535</u>	<u>\$ 2,354</u>	<u>\$ 361,912</u>

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2016

	Special Revenue Funds				Total Non-major Governmental Funds
	Butte Interagency Narcotics Task Force	Maintenance Districts	05-PTAA-1446	Recreation Related	
ASSETS					
Cash and investments	\$ 66,794	\$ 138,194	\$ 1	\$ 11,061	\$ 906,174
Interest receivable	-	1	-	3	263
Taxes receivable	-	247	-	-	2,151
Due from other funds	-	30,000	-	3,000	167,000
Due from fiduciary fund	-	-	-	-	615,000
Due from other governments	-	-	-	-	70,058
Total Assets	\$ 66,794	\$ 168,442	\$ 1	\$ 14,064	\$ 1,760,646
LIABILITIES AND FUND BALANCES					
(DEFICITS)					
LIABILITIES:					
Accounts payable	\$ -	\$ 1,522	\$ -	\$ 4,722	\$ 51,363
Accrued payroll and benefits	-	-	-	837	801
Due to other funds	60,000	-	-	725,000	1,174,000
Total Liabilities	60,000	1,522	-	730,559	1,226,164
FUND BALANCES (DEFICITS):					
Restricted	6,794	166,920	1	-	1,248,751
Assigned	-	-	-	-	2,226
Unassigned	-	-	-	(716,495)	(716,495)
Total Fund Balances (Deficits)	6,794	166,920	1	(716,495)	534,482
Total Liabilities and Fund Balances (Deficits)	\$ 66,794	\$ 168,442	\$ 1	\$ 14,064	\$ 1,760,646

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds				
	General Impact Fee	Development Agreement Fee	Public Financing Authority	SB 325	Traffic Safety
REVENUES					
Taxes and assessments	\$ -	\$ -	\$ -	\$ 102,710	\$ -
Licenses, permits, and fees	-	-	-	-	-
Fines and forfeitures	-	-	-	-	22,002
Use of money and property	(328)	(432)	-	267	62
Intergovernmental	-	-	-	-	-
Charges for services	35,096	-	-	-	-
Contributions	-	-	-	-	-
Total Revenues	<u>34,768</u>	<u>(432)</u>	<u>-</u>	<u>102,977</u>	<u>22,064</u>
EXPENDITURES					
Current:					
General administration	382	-	-	-	-
Streets and public works	-	-	-	52,789	24,708
Community development	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	<u>382</u>	<u>-</u>	<u>-</u>	<u>52,789</u>	<u>24,708</u>
Excess (Deficiency) of Revenues over Expenditures	<u>34,386</u>	<u>(432)</u>	<u>-</u>	<u>50,188</u>	<u>(2,644)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	92,239
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,239</u>
Net change in fund balances	34,386	(432)	-	50,188	89,595
Fund balances (deficits) - July 1, 2015	<u>620,794</u>	<u>12,215</u>	<u>(258)</u>	<u>356,860</u>	<u>(87,369)</u>
Fund balances (deficits) - June 30, 2016	<u>\$ 655,180</u>	<u>\$ 11,783</u>	<u>\$ (258)</u>	<u>\$ 407,048</u>	<u>\$ 2,226</u>

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ -	\$ -	\$ -	\$ -	\$ 156,540
Licenses, permits, and fees	-	23,546	7,465	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	43	23	-	339
Intergovernmental	-	-	-	-	70,173
Charges for services	-	-	700	-	-
Contributions	-	-	-	-	-
Total Revenues	<u>-</u>	<u>23,589</u>	<u>8,188</u>	<u>-</u>	<u>227,052</u>
<u>EXPENDITURES</u>					
Current:					
General administration	-	-	341	-	-
Streets and public works	-	-	-	-	376,499
Community development	-	-	89,809	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>90,150</u>	<u>-</u>	<u>376,499</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>23,589</u>	<u>(81,962)</u>	<u>-</u>	<u>(149,447)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	-	-
Transfers out	-	(92,239)	-	-	(9,220)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(92,239)</u>	<u>-</u>	<u>-</u>	<u>(9,220)</u>
Net change in fund balances	-	(68,650)	(81,962)	-	(158,667)
Fund balances (deficits) - July 1, 2015	<u>10,908</u>	<u>68,861</u>	<u>(205,759)</u>	<u>(57,646)</u>	<u>494,198</u>
Fund balances (deficits) - June 30, 2016	<u>\$ 10,908</u>	<u>\$ 211</u>	<u>\$ (287,721)</u>	<u>\$ (57,646)</u>	<u>\$ 335,531</u>

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds				Total Non-major Governmental Funds
	Butte Interagency Narcotics Task Force	Maintenance Districts	05-PTAA-1446	Recreation Related	
REVENUES					
Taxes and assessments	\$ -	\$ 11,948	\$ -	\$ -	\$ 271,198
Licenses, permits, and fees	-	-	-	5,170	36,181
Fines and forfeitures	-	-	-	-	22,002
Use of money and property	-	27	-	15	16
Intergovernmental	-	-	-	-	70,173
Charges for services	-	-	-	-	35,796
Contributions	-	-	-	100	100
Total Revenues	<u>-</u>	<u>11,975</u>	<u>-</u>	<u>5,285</u>	<u>435,466</u>
EXPENDITURES					
Current:					
General administration	-	-	-	-	723
Streets and public works	-	110,673	-	-	564,669
Community development	-	-	-	-	89,809
Parks and recreation	-	-	-	142,884	142,884
Capital outlay	-	-	-	1,604	1,604
Total Expenditures	<u>-</u>	<u>110,673</u>	<u>-</u>	<u>144,488</u>	<u>799,689</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(98,698)</u>	<u>-</u>	<u>(139,203)</u>	<u>(364,223)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	170,915	-	-	263,154
Transfers out	-	(1,860)	-	-	(103,319)
Total Other Financing Sources (Uses)	<u>-</u>	<u>169,055</u>	<u>-</u>	<u>-</u>	<u>159,835</u>
Net change in fund balances	-	70,357	-	(139,203)	(204,388)
Fund balances (deficits) - July 1, 2015	<u>6,794</u>	<u>96,563</u>	<u>1</u>	<u>(577,292)</u>	<u>738,870</u>
Fund balances (deficits) - June 30, 2016	<u>\$ 6,794</u>	<u>\$ 166,920</u>	<u>\$ 1</u>	<u>\$ (716,495)</u>	<u>\$ 534,482</u>

CITY OF GRIDLEY
COMBINING SCHEDULE OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2016

	<u>Solid Waste Fund</u>	<u>Senior Taxi Fund</u>	<u>Totals</u>
ASSETS			
Current Assets			
Cash and investments	\$ 5,927	\$ 32,545	\$ 38,472
Accounts receivable, net	-	842	842
Interest receivable	-	94	94
Due from other funds	-	60,000	60,000
	<u>5,927</u>	<u>93,481</u>	<u>99,408</u>
Total Current Assets			
	<u>5,927</u>	<u>93,481</u>	<u>99,408</u>
Total Assets			
	<u>5,927</u>	<u>93,481</u>	<u>99,408</u>
DEFERRED OUTFLOWS OF RESOURCES			
Change in net pension liability	-	12,385	12,385
	<u>-</u>	<u>12,385</u>	<u>12,385</u>
LIABILITIES			
Current Liabilities			
Accounts payable	-	950	950
Accrued expenses	-	3,046	3,046
Deferred revenue	5,001	-	5,001
Compensated absences - current	-	5,069	5,069
	<u>5,001</u>	<u>9,065</u>	<u>14,066</u>
Total Current Liabilities			
	<u>5,001</u>	<u>9,065</u>	<u>14,066</u>
Non-Current Liabilities			
Compensated absences	-	8,647	8,647
Net pension liability	-	145,681	145,681
Net OPEB obligation	-	4,127	4,127
	<u>-</u>	<u>158,455</u>	<u>158,455</u>
Total Non-Current Liabilities			
	<u>-</u>	<u>158,455</u>	<u>158,455</u>
Total Liabilities			
	<u>5,001</u>	<u>167,520</u>	<u>172,521</u>
DEFERRED INFLOWS OF RESOURCES			
Change in net pension liability	-	14,682	14,682
	<u>-</u>	<u>14,682</u>	<u>14,682</u>
NET POSITION			
Unrestricted	926	(76,336)	(75,410)
	<u>926</u>	<u>(76,336)</u>	<u>(75,410)</u>
Total Net Position			
	<u>\$ 926</u>	<u>\$ (76,336)</u>	<u>\$ (75,410)</u>

CITY OF GRIDLEY
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 NON-MAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Solid Waste Fund</u>	<u>Senior Taxi Fund</u>	<u>Totals</u>
<u>OPERATING REVENUES</u>			
Charges for services	\$ -	\$ 16,382	\$ 16,382
Intergovernmental revenues	-	122,763	122,763
Other revenue	-	<u>1,628</u>	<u>1,628</u>
Total Operating Revenue	<u>-</u>	<u>140,773</u>	<u>140,773</u>
<u>OPERATING EXPENSES</u>			
Salaries and benefits	-	91,560	91,560
Materials, supplies, and operational expenses	-	8,926	8,926
Repairs and maintenance	-	3,870	3,870
Contractual services	-	723	723
Administration	-	<u>7,818</u>	<u>7,818</u>
Total Operating Expenses	<u>-</u>	<u>112,897</u>	<u>112,897</u>
Operating Income	<u>-</u>	<u>27,876</u>	<u>27,876</u>
<u>NON-OPERATING REVENUES</u>			
Interest income	-	<u>415</u>	<u>415</u>
Total Non-Operating Revenues	<u>-</u>	<u>415</u>	<u>415</u>
Income Before Transfers	<u>-</u>	<u>28,291</u>	<u>28,291</u>
<u>TRANSFERS</u>			
Transfers in	-	-	-
Transfers out	-	<u>(3,154)</u>	<u>(3,154)</u>
Total Transfers	<u>-</u>	<u>(3,154)</u>	<u>(3,154)</u>
Change in net position	-	25,137	25,137
Net Position - July 1, 2015	<u>926</u>	<u>(101,473)</u>	<u>(100,547)</u>
Net Position - June 30, 2016	<u>\$ 926</u>	<u>\$ (76,336)</u>	<u>\$ (75,410)</u>

CITY OF GRIDLEY
COMBINING SCHEDULE OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Solid Waste Fund</u>	<u>Senior Taxi Fund</u>	<u>Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers	\$ -	\$ 140,886	\$ 140,886
Cash paid to suppliers	-	(22,310)	(22,310)
Cash paid to employees	-	(101,996)	(101,996)
	<u>-</u>	<u>16,580</u>	<u>16,580</u>
Net Cash Provided By Operating Activities	<u>-</u>	<u>16,580</u>	<u>16,580</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>			
Due from other funds	8,460	(12,092)	(3,632)
Transfers to other funds	-	(3,154)	(3,154)
	<u>-</u>	<u>(3,154)</u>	<u>(3,154)</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>8,460</u>	<u>(15,246)</u>	<u>(6,786)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest and dividends	-	321	321
	<u>-</u>	<u>321</u>	<u>321</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>321</u>	<u>321</u>
Net Increase in Cash and Cash Equivalents	8,460	1,655	10,115
Cash and Cash Equivalents - July 1, 2015	<u>(2,533)</u>	<u>30,890</u>	<u>28,357</u>
Cash and Cash Equivalents - June 30, 2016	<u>\$ 5,927</u>	<u>\$ 32,545</u>	<u>\$ 38,472</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH USED FOR OPERATING ACTIVITIES:</u>			
	<u>Solid Waste Fund</u>	<u>Senior Taxi Fund</u>	<u>Totals</u>
Operating Income	\$ -	\$ 27,876	\$ 27,876
Adjustments to reconcile operating income to net cash used for operating activities:			
Pension expense	-	(8,051)	(8,051)
Changes in assets and liabilities:			
Increase in accounts receivable	-	113	113
Decrease in accounts payable	-	(973)	(973)
Increase in accrued expenses	-	1,207	1,207
Decrease in net OPEB obligation	-	(1,681)	(1,681)
Decrease in compensated absences	-	(1,911)	(1,911)
	<u>-</u>	<u>(1,911)</u>	<u>(1,911)</u>
Net Cash Provided by Operating Activities	<u>\$ -</u>	<u>\$ 16,580</u>	<u>\$ 16,580</u>

CITY OF GRIDLEY
COMBINING STATEMENT OF NET POSITION
AGENCY FUNDS
JUNE 30, 2016

	Vision Care Fund	Gridley Bid Fund	Hospital Joint Powers Authority Fund	Hospital JPA Administration Fund	Totals
<u>ASSETS</u>					
Current Assets					
Cash and investments	\$ 3,304	\$ 27	\$ 313,787	\$ 490	\$ 317,608
Taxes receivable	<u> -</u>	<u> 33</u>	<u> 14,560</u>	<u> -</u>	<u> 14,593</u>
Total Assets	<u>\$ 3,304</u>	<u>\$ 60</u>	<u>\$ 328,347</u>	<u>\$ 490</u>	<u>\$ 332,201</u>
 <u>LIABILITIES</u>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 336,078	\$ -	\$ 336,078
Deposits in trust	<u> 3,304</u>	<u> 60</u>	<u> (7,731)</u>	<u> 490</u>	<u> (3,877)</u>
Total Liabilities	<u>\$ 3,304</u>	<u>\$ 60</u>	<u>\$ 328,347</u>	<u>\$ 490</u>	<u>\$ 332,201</u>

CITY OF GRIDLEY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</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
Total Assets	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27</u>
LIABILITIES				
Accounts payable	\$ (33)	\$ -	\$ -	\$ (33)
Deposits in trust	60	-	-	60
Total Liabilities	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27</u>
<u>Hospital Joint Powers Authority Fund</u>				
ASSETS				
Cash and investments	\$ 60,394	\$ 579,056	\$ (325,663)	\$ 313,787
Taxes payable	15,269	14,560	(15,269)	14,560
Due from other funds	250,000	-	(250,000)	-
Total Assets	<u>\$ 325,663</u>	<u>\$ 593,616</u>	<u>\$ (590,932)</u>	<u>\$ 328,347</u>
LIABILITIES				
Accounts payable	\$ 332,094	\$ 344,916	\$ (340,932)	\$ 336,078
Deposits in trust	(5,142)	-	(1,289)	(6,431)
Total Liabilities	<u>\$ 326,952</u>	<u>\$ 344,916</u>	<u>\$ (342,221)</u>	<u>\$ 329,647</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, 2016

	<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	\$ 1,447,851	\$ 150,954	\$ 40,000	\$ 99,866	\$ 317,915	\$ 75,489	\$ 2,132,075
Accounts receivable	45,705	-	-	-	-	-	45,705
Interest receivable	2,231	-	-	-	-	-	2,231
Taxes receivable	145,625	-	-	-	-	-	145,625
Due from other funds	496,868	130,000	-	400,000	2,000,000	120,000	3,146,868
Due from other governments	173,273	-	-	-	-	-	173,273
Prepaid items	37,144	-	-	-	-	-	37,144
	<u>2,348,697</u>	<u>280,954</u>	<u>40,000</u>	<u>499,866</u>	<u>2,317,915</u>	<u>195,489</u>	<u>5,682,921</u>
Total Assets							
<u>LIABILITIES</u>							
Accounts payable and accrued liabilities	232,312	-	-	-	-	-	232,312
Accrued payroll and benefits	(3,874)	-	-	-	-	-	(3,874)
Unearned revenue	16,377	-	-	-	-	-	16,377
Deposits payable	350	-	-	-	-	-	350
	<u>245,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,165</u>
Total Liabilities							
<u>FUND BALANCES</u>							
Assigned	-	-	40,000	499,866	2,317,915	195,489	3,053,270
Unassigned	2,103,532	280,954	-	-	-	-	2,384,486
	<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>
Total Fund Balances							

CITY OF GRIDLEY
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
JUNE 30, 2016

	<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	\$ 2,168,905	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,168,905
License, permits, and fees	119,521	-	-	-	-	-	119,521
Fines and forfeitures	14,197	-	-	-	-	-	14,197
Use of money and property	90,142	-	-	(260)	(624)	-	89,258
Program Income	1	954	-	-	-	-	955
Intergovernmental	248,754	-	-	-	-	-	248,754
Charges for services	794,369	-	-	-	-	-	794,369
Recreation and event fees	49,254	-	-	-	-	-	49,254
Insurance proceeds	3,547	-	-	-	-	-	3,547
Other revenues	<u>23</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23</u>
Total Revenues	<u>3,488,713</u>	<u>954</u>	<u>-</u>	<u>(260)</u>	<u>(624)</u>	<u>-</u>	<u>3,488,783</u>
EXPENDITURES							
Current:							
General administration	148,293	-	-	-	-	-	148,293
Public safety	3,318,448	-	-	-	59,133	-	3,377,581
Streets and public works	162,539	-	-	-	-	-	162,539
Community development	208,997	-	-	-	-	-	208,997
Parks and recreation	109,478	-	-	-	-	-	109,478
Capital outlay	-	-	-	-	177,309	-	177,309
Debt service:							
Principal	-	-	-	-	67,920	-	67,920
Interest and fiscal charges	<u>2,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,859</u>
Total Expenditures	<u>3,950,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,362</u>	<u>-</u>	<u>4,254,976</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(461,901)</u>	<u>954</u>	<u>-</u>	<u>(260)</u>	<u>(304,986)</u>	<u>-</u>	<u>(766,193)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	1,700,000	-	-	-	-	100,000	1,800,000
Transfers out	<u>(111,108)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(111,108)</u>
Total Other Financing Sources (Uses)	<u>1,588,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>1,688,892</u>
Net Change in Fund Balances	1,126,991	954	-	(260)	(304,986)	100,000	922,699
Fund Balances - July 1, 2015	<u>976,541</u>	<u>280,000</u>	<u>40,000</u>	<u>500,126</u>	<u>2,622,901</u>	<u>95,489</u>	<u>4,515,057</u>
Fund Balances - June 30, 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>