
**CITY OF GRIDLEY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

CITY OF GRIDLEY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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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, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements in 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension related schedules, and 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 March 2, 2016, on our consideration of the City of Gridley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Gridley's internal control over financial reporting and compliance.



Sacramento, California
March 2, 2016

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, 2015. 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 \$26.59 million (net position). Of this amount, the City has an unrestricted balance of \$870 thousand, \$2.22 million is restricted for capital projects, and \$23.51 million is the net investment in capital assets.
- The City's total net position decreased by approximately \$9.56 million
- The General Fund balance (comprising of all governmental funds) is \$4.5 million as of June 30, 2015.

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, 2015 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 \$26.59 million in FY 2015. 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, 2015 and 2014 (in thousands)

	Governmental Activities			Business-Type Activities			Total Government		
	2015	2014	Net Change	2015	2014	Net Change	2015	2014	Net Change
ASSETS									
Current and other assets	\$ 6,642	\$ 5,549	\$ 1,093	\$ 7,034	\$ 9,022	\$(1,988)	\$ 13,676	\$14,571	\$ (895)
Capital assets	<u>12,242</u>	<u>12,753</u>	<u>(511)</u>	<u>15,399</u>	<u>15,414</u>	<u>(15)</u>	<u>27,641</u>	<u>28,167</u>	<u>(526)</u>
Total Assets	<u>18,884</u>	<u>18,302</u>	<u>582</u>	<u>22,433</u>	<u>24,436</u>	<u>(2,003)</u>	<u>41,317</u>	<u>42,738</u>	<u>(1,421)</u>
DEFERRED OUTFLOWS OF RESOURCES									
2015 Pension contributions	<u>563</u>	<u>-</u>	<u>563</u>	<u>200</u>	<u>-</u>	<u>200</u>	<u>763</u>	<u>-</u>	<u>763</u>
LIABILITIES									
Long-term liabilities	5,673	581	5,092	6,937	4,313	2,624	12,610	4,894	7,716
Other liabilities	<u>635</u>	<u>970</u>	<u>(335)</u>	<u>670</u>	<u>719</u>	<u>(49)</u>	<u>1,305</u>	<u>1,689</u>	<u>(384)</u>
Total Liabilities	<u>6,308</u>	<u>1,551</u>	<u>4,757</u>	<u>7,607</u>	<u>5,032</u>	<u>2,575</u>	<u>13,915</u>	<u>6,583</u>	<u>7,332</u>
DEFERRED INFLOWS OF RESOURCES									
Changes in net pension liability	<u>1,077</u>	<u>-</u>	<u>1,077</u>	<u>494</u>	<u>-</u>	<u>494</u>	<u>1,571</u>	<u>-</u>	<u>1,571</u>
NET POSITION									
Net investment in capital assets	12,174	12,653	(479)	11,334	11,194	140	23,508	23,847	(339)
Restricted	2,216	2,380	(164)	-	-	-	2,216	2,380	(164)
Unrestricted	<u>(2,326)</u>	<u>1,718</u>	<u>(4,044)</u>	<u>3,197</u>	<u>8,210</u>	<u>(5,013)</u>	<u>871</u>	<u>9,928</u>	<u>(9,057)</u>
Total Net Position	<u>\$ 12,064</u>	<u>\$ 16,751</u>	<u>\$ (4,687)</u>	<u>\$ 14,531</u>	<u>\$ 19,404</u>	<u>\$ (4,873)</u>	<u>\$ 26,595</u>	<u>\$36,155</u>	<u>\$ (9,560)</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 \$23.51 million (88.38%) 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.

The \$2.22 million (8.35%) at June 30, 2015 in net position represent resources that are subject to external restrictions on how they may be used. Restricted net position at June 30, 2015 is comprised of \$2.22 million in special revenue programs.

The remaining unrestricted balance is \$870 thousand (3.27%) at June 30, 2015 and may be used to meet government's ongoing obligations to citizens and creditors.

Statement of Activities For the Years Ended June 30, 2015 and 2014 (in thousands)

	Governmental Activities			Business-type Activities			Total Government		
	2015	2014	Net Change	2015	2014	Net Change	2015	2014	Net Change
Revenues:									
Program revenues									
Charges for services	\$ 436	\$ 498	\$ (62)	\$ 9,297	\$ 8,781	\$ 516	\$ 9,733	\$ 9,279	\$ 454
Operating grants and contributions	3,992	1,593	2,399	359	737	(378)	4,351	2,330	2,021
Capital grants and contributions	137	787	(650)	-	-	-	137	787	(650)
General revenues									
Property Taxes	440	431	9	-	-	-	440	431	9
Sales and use taxes	991	794	197	-	-	-	991	794	197
Gas tax	192	213	(21)	-	-	-	192	213	(21)
Occupancy	25	22	3	-	-	-	25	22	3
Franchise fees	144	94	50	-	-	-	144	94	50
Other revenues	80	449	(369)	8	-	8	88	449	(361)
Investment income	6	15	(9)	16	8	8	22	23	(1)
Total Revenues	\$ 6,443	\$ 4,896	\$ 1,547	\$ 9,680	\$ 9,526	\$ 154	\$ 16,123	\$ 14,422	\$ 1,701

The Governmental Activities total revenues were \$ 6.4 million and Business Type Activity revenues were \$ 9.7 million for the year ended June 30, 2015. This represented an increase of \$1.7 million from 2014. Fluctuations of various categories of Governmental revenues (including Sales Tax and Property Tax revenues) illustrates that the City is beginning to feel the effects of a seemingly improved economy. Business type revenues including electric, water and sewer service fee revenues and connection fees have stabilized from 2014 to 2015. 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. The effects of the 2nd portion of this increase is seen in this audit.

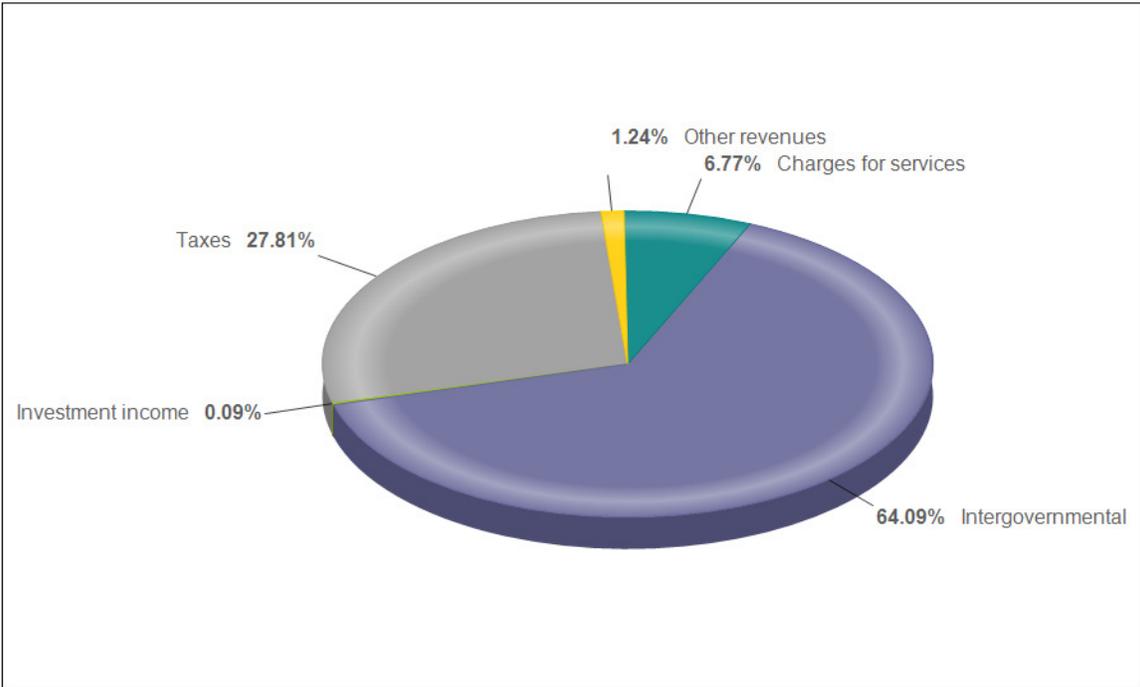
Program revenues include charges for services and grants and contributions. Program revenues provided \$ 4.57 million (32.12%) for governmental activities and approximately \$ 9.66 million (67.88%) for business type activities. No significant change in operation or service level has been undertaken in 2015, although the City has been a recipient of several new grants in 2015 which have increased the "operating grants and contributions" revenue category from 2014 to 2015. The largest of these new grants include the Gridley Springs HOME grant, which had a \$2.1 million pass through payment in 2015. Others include the Office of Traffic Safety grant and initial usage of the 2013 HOME grant.

General revenues include, among other things, taxes, assessments, and intergovernmental revenues. General revenues provided \$1.6 million (26% of the total). The majority of general revenues came from property, sales, and other taxes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

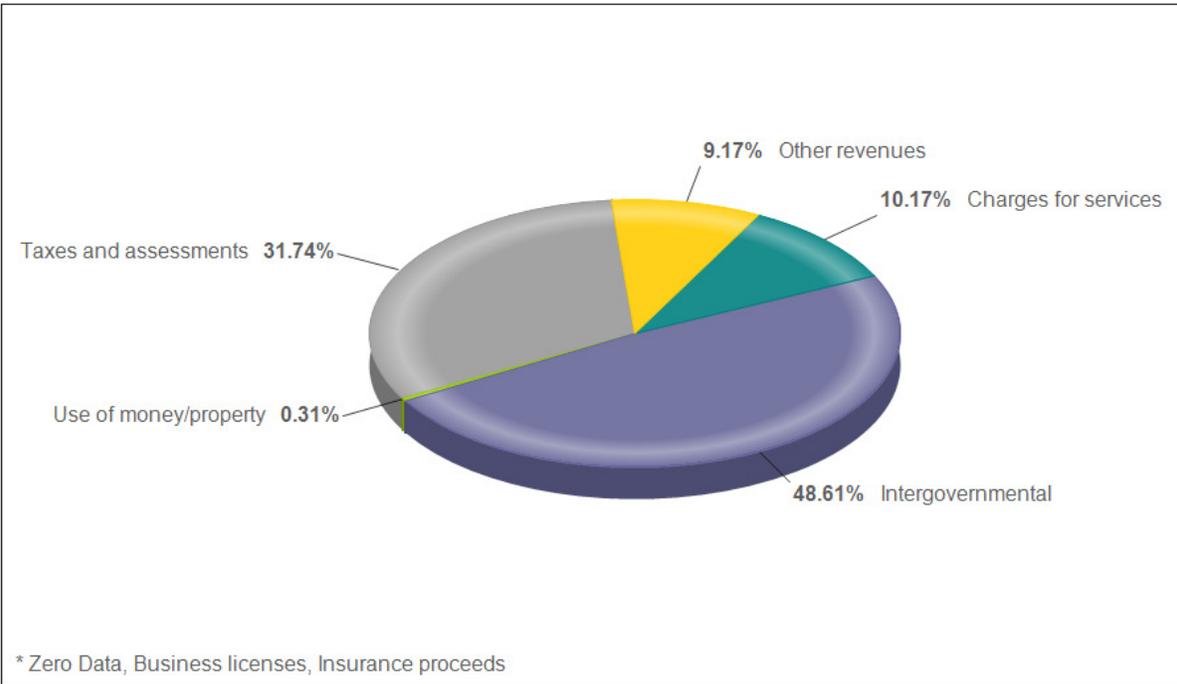
The fiscal year ended June 30, 2015 revenues are reflected graphically as follows:

2015 Governmental Revenues
Governmental Funds FY 2014-15



The fiscal year ended June 30, 2014 revenues are reflected graphically as follows:

2014 Governmental Revenues
Governmental Funds FY 2013-14



MANAGEMENT'S DISCUSSION AND ANALYSIS

**Statement of Activities
For the Years Ended June 30, 2015 and 2014
(in thousands)**

	Governmental Activities			Business-type Activities			Total Government		
	2015	2014	Net Change	2015	2014	Net Change	2015	2014	Net Change
Expenses:									
Governmental activities									
General government	\$ 305	\$ 858	\$ (553)	\$ -	\$ -	\$ -	\$ 305	\$ 858	\$ (553)
Public safety	3,910	3,973	(63)	-	-	-	3,910	3,973	(63)
Parks and recreation	402	334	68	-	-	-	402	334	68
Community development	2,372	139	2,233	-	-	-	2,372	139	2,233
Public works	948	859	89	-	-	-	948	859	89
Interest on long-term liabilities	4	8	(4)	-	-	-	4	8	(4)
Business-type activities									
Electric	-	-	-	6,354	5,279	1,075	6,354	5,279	1,075
Water	-	-	-	1,034	1,200	(166)	1,034	1,200	(166)
Sewer	-	-	-	1,362	1,476	(114)	1,362	1,476	(114)
Other	-	-	-	126	150	(24)	126	150	(24)
Interest on long-term debt	-	-	-	122	128	(6)	122	128	(6)
Total Expenses	<u>7,941</u>	<u>6,171</u>	<u>1,770</u>	<u>8,998</u>	<u>8,233</u>	<u>765</u>	<u>16,939</u>	<u>14,404</u>	<u>2,535</u>
Excess (deficiency) before transfers	<u>(1,498)</u>	<u>(1,275)</u>	<u>(223)</u>	<u>682</u>	<u>1,293</u>	<u>(611)</u>	<u>(816)</u>	<u>18</u>	<u>(834)</u>
Transfers									
Transfers	<u>2,356</u>	<u>1,473</u>	<u>883</u>	<u>(2,356)</u>	<u>(1,473)</u>	<u>(883)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>858</u>	<u>198</u>	<u>660</u>	<u>(1,674)</u>	<u>(180)</u>	<u>(1,494)</u>	<u>(816)</u>	<u>18</u>	<u>(834)</u>
Net position - beginning of year	16,751	16,532	219	19,404	19,608	(204)	36,155	36,140	15
Restatement	<u>(5,545)</u>	<u>23</u>	<u>(5,568)</u>	<u>(3,198)</u>	<u>(24)</u>	<u>3,174</u>	<u>(8,743)</u>	<u>(1)</u>	<u>(8,742)</u>
Net position - beginning of year, restated	<u>11,206</u>	<u>16,555</u>	<u>(5,349)</u>	<u>16,206</u>	<u>19,584</u>	<u>2,970</u>	<u>27,412</u>	<u>36,139</u>	<u>(8,727)</u>
Net position - end of year	<u>\$ 12,064</u>	<u>\$ 16,753</u>	<u>\$ (4,689)</u>	<u>\$ 14,532</u>	<u>\$ 19,404</u>	<u>\$ 1,476</u>	<u>\$ 26,596</u>	<u>\$ 36,157</u>	<u>\$ (9,561)</u>

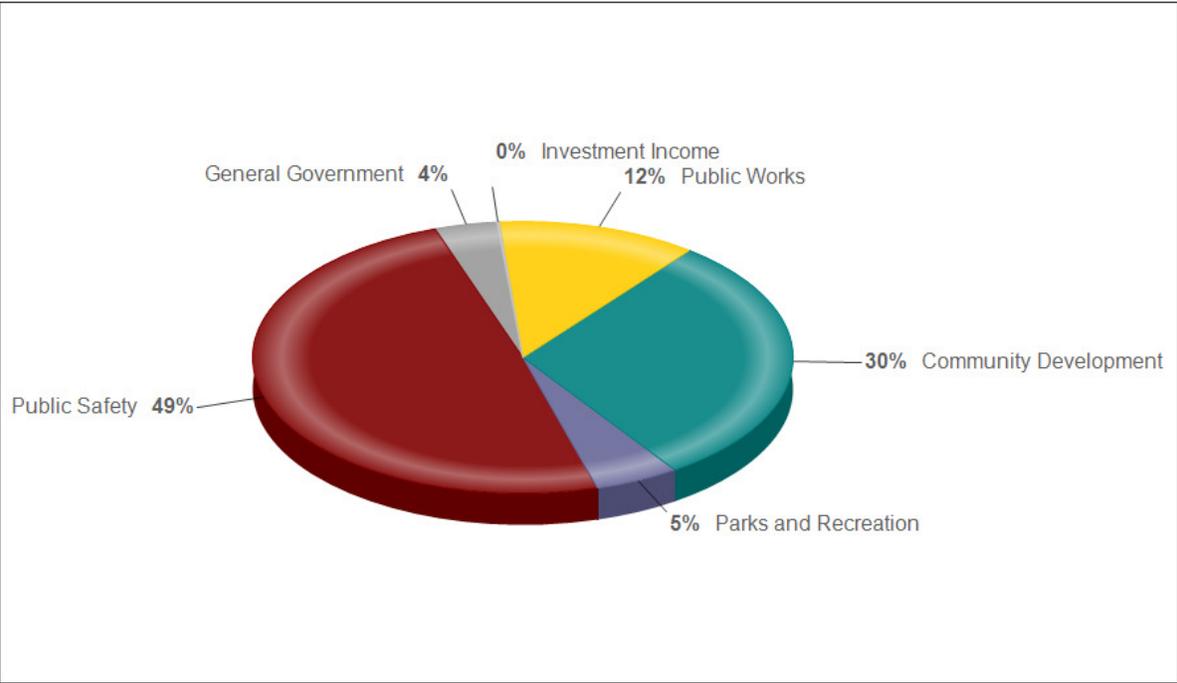
EXPENSES

Expenses for the City totaled \$16.9 million at June 30, 2015. Governmental activities incurred \$ 7.94 million in expenses and business type activities incurred \$9 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

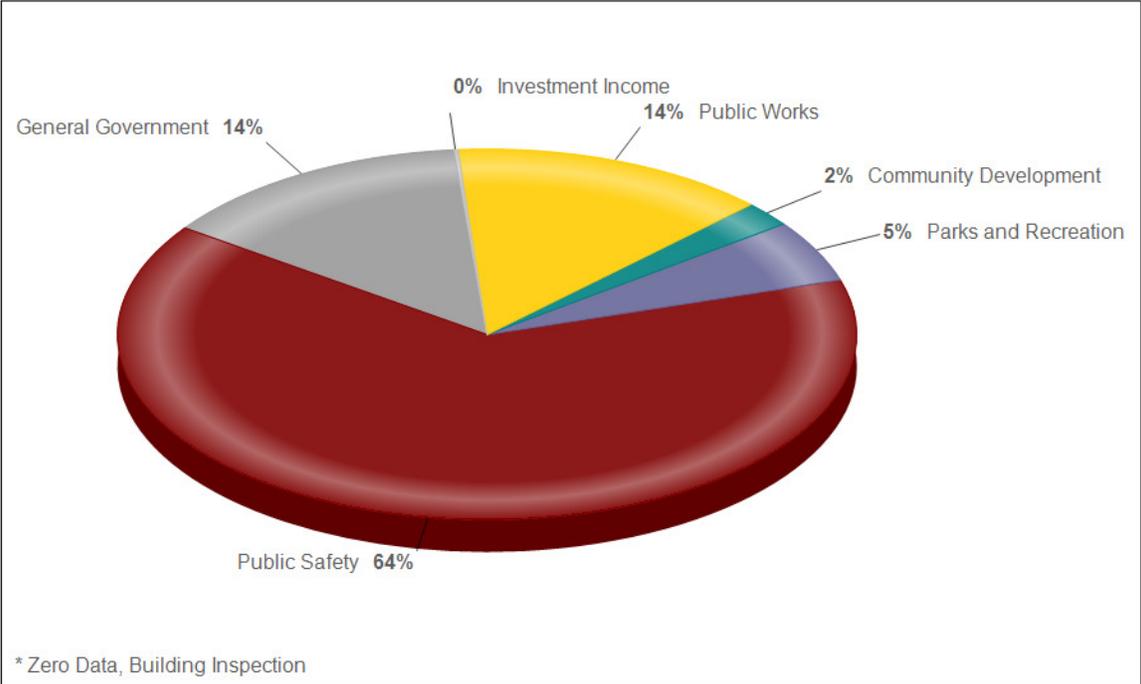
The fiscal year ended June 30, 2015 expenses are reflected graphically as follows:

2015 Governmental Expenses
Governmental Funds FY 2014-15



The fiscal year ended June 30, 2014 expenses are reflected graphically as follows:

2014 Governmental Expenses
Governmental Funds FY 2013-14



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 2014-2015, the City's governmental funds reported combined fund balances of \$5.75 million, an increase of \$1.23 million in comparison with the prior fiscal year. The City has \$5.75 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 \$.55 million from the prior fiscal year. The City has been applying for an increased number of grants to cover periodic operating needs. Parks and Recreation expenditures increased by \$.068 million while program availability increased based on community needs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

The capital assets reported reflect the re-evaluation of capital asset balances reported in 2014-15 to conform to GASB Statement No. 34 reporting requirements.

Asset Type	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Capital assets, not being depreciated:						
Land	\$ 456,981	\$ 456,981	\$ 921,793	\$ 921,793	\$ 1,378,774	\$ 1,378,774
Construction in Progress	75,961	-	769,525	335,679	845,486	335,679
Depreciable capital assets, net:						
Infrastructure	5,860,935	6,129,327	4,759,653	4,921,717	10,620,588	11,051,044
Buildings and improvements other than buildings	2,128,598	2,256,574	370,840	406,078	2,499,438	2,662,652
Improvements other than buildings	2,145,646	2,249,608	5,970,333	6,033,789	8,115,979	8,283,397
Vehicles and equipment	<u>1,573,548</u>	<u>1,660,553</u>	<u>2,606,587</u>	<u>2,794,448</u>	<u>4,180,135</u>	<u>4,455,001</u>
Capital assets	<u>\$ 12,241,669</u>	<u>\$ 12,753,043</u>	<u>\$ 15,398,731</u>	<u>\$ 15,413,504</u>	<u>\$ 27,640,400</u>	<u>\$ 28,166,547</u>

The City's investment in capital assets for its governmental and business type activities as of June 30, 2015, 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, 2015 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 2014-15, the City of Gridley had long term liabilities of \$0.49 million and \$4.26 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, 2015					
	Governmental Activities		Business-type Activities		Totals	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Obligations under capital lease	\$ 67,920	\$ 99,836	\$ 367,355	\$ 449,776	\$ 435,275	\$ 549,612
USDA Rural Development Loan	-	-	1,163,000	1,191,000	1,163,000	1,191,000
USDA Rural Development Loan- Waste Water Treatment Plant	-	-	2,534,000	2,579,000	2,534,000	2,579,000
Compensated absences	<u>423,914</u>	<u>350,411</u>	<u>192,779</u>	<u>183,870</u>	<u>616,693</u>	<u>534,281</u>
Totals	<u>\$ 491,834</u>	<u>\$ 450,247</u>	<u>\$ 4,257,134</u>	<u>\$ 4,403,646</u>	<u>\$ 4,748,968</u>	<u>\$ 4,853,893</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 a year-end deficit of \$556,859. The City has anticipated this deficit through its year-end projections and has been working to address the problem. The deficit primarily exists 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. Once the 2014-15 transfers have been posted to fund balances in 2015-16, it is anticipated that much of this deficit will be eliminated. In the short term, the City has already begun implementing cost reduction measures including a hiring freeze, an elimination of discretionary spending, and an elimination on nonessential travel and training. In the long term, cuts in service levels have been presented in the development of the fiscal year 2015-16 budget. It is anticipated that as a result of these efforts, this deficit will be fully resolved by the conclusion of 2015-16.

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, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$ 4,518,893	\$ 5,947,595	\$ 10,466,488
Accounts receivable	118,238	944,336	1,062,574
Interest receivable	2,155	3,043	5,198
Taxes receivable	51,883	-	51,883
Inventory	-	537,747	537,747
Loans receivable, net of allowance \$8,810,213 (Note 3)	462,028	-	462,028
Internal balances	398,632	(398,632)	-
Prepaid items	35,600	-	35,600
Due from fiduciary fund	150,000	-	150,000
Due from other governments	478,408	1	478,409
Advances to fiduciary funds	426,868	-	426,868
Capital assets (Note 5)			
Land and construction in progress	532,942	1,691,318	2,224,260
Other capital assets, net of depreciation	11,708,727	13,707,413	25,416,140
Total capital assets	12,241,669	15,398,731	27,640,400
Total Assets	18,884,374	22,432,821	41,317,195
DEFERRED OUTFLOWS OF RESOURCES			
2015 Pension contributions (Note 7)	520,998	185,317	706,315
Changes in net pension liability (Note 7)	42,142	14,807	56,949
Total Deferred Outflows of Resources	563,140	200,124	763,264
LIABILITIES			
Accounts payable and accrued expenses	408,587	228,163	636,750
Accrued payroll and benefits	1,011	-	1,011
Accrued interest payable	-	21,053	21,053
Unearned revenue	20,000	5,001	25,001
Deposits payable	-	187,521	187,521
Accrued compensated absences (Note 6):			
Due within one year	172,542	67,454	239,996
Due in more than one year	251,372	125,325	376,697
Long-term liabilities (Note 6):			
Due within one year	31,916	161,026	192,942
Due in more than one year	36,004	3,903,329	3,939,333
Net pension liability (Note 7):			
Due in more than one year	5,021,320	2,757,501	7,778,821
Other postemployment benefits (Note 8)			
Due in more than one year	364,154	150,918	515,072
Total Liabilities	6,306,906	7,607,291	13,914,197
DEFERRED INFLOWS OF RESOURCES			
Changes in the net pension liability (Note 7)	1,077,183	494,439	1,571,622
NET POSITION			
Net investment in capital assets	12,173,749	11,334,376	23,508,125
Restricted for:			
Special revenue programs	2,216,039	-	2,216,039
Unrestricted	(2,326,363)	3,196,839	870,476
Total Net Position	\$ 12,063,425	\$ 14,531,215	26,594,640

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 305,397	\$ 19,477	\$ 271,578	\$ 43,002	\$ 28,660	\$ -	\$ 28,660
Public safety	3,909,769	34,705	880,534	-	(2,994,530)	-	(2,994,530)
Streets and public works	947,895	189,358	577,212	69,123	(112,202)	-	(112,202)
Community development	2,372,201	127,908	2,262,649	30,751	49,107	-	49,107
Parks and recreation	401,885	64,928	-	(5,605)	(342,562)	-	(342,562)
Interest and fiscal charges	4,231	-	-	-	(4,231)	-	(4,231)
Total governmental activities	<u>7,941,378</u>	<u>436,376</u>	<u>3,991,973</u>	<u>137,271</u>	<u>(3,375,758)</u>	<u>-</u>	<u>(3,375,758)</u>
Business-type activities:							
Electric	6,354,196	6,608,583	-	-	-	254,387	254,387
Water	1,033,697	1,184,798	-	-	-	151,101	151,101
Sewer	1,362,141	1,487,533	-	-	-	125,392	125,392
Other proprietary	126,316	16,052	359,085	-	-	248,821	248,821
Interest and fiscal charges	122,407	-	-	-	-	(122,407)	(122,407)
Total business-type activities	<u>8,998,757</u>	<u>9,296,966</u>	<u>359,085</u>	<u>-</u>	<u>-</u>	<u>657,294</u>	<u>657,294</u>
Total primary government	<u>\$ 16,940,135</u>	<u>\$ 9,733,342</u>	<u>\$ 4,351,058</u>	<u>\$ 137,271</u>	<u>\$ (3,375,758)</u>	<u>\$ 657,294</u>	<u>\$ (2,718,464)</u>
General revenues:							
Property taxes					\$ 439,869	\$ -	\$ 439,869
Sales and use taxes					990,676	-	990,676
Motor vehicle and gas taxes					191,527	-	191,527
Occupancy tax					24,885	-	24,885
Franchise tax					144,448	-	144,448
Interest and investment earnings					6,301	15,833	22,134
Other revenue					79,678	8,198	87,876
Transfers (Note 4)					<u>2,355,701</u>	<u>(2,355,701)</u>	<u>-</u>
Total general revenues and transfers					<u>4,233,085</u>	<u>(2,331,670)</u>	<u>1,901,415</u>
Change in net position					857,327	(1,674,376)	(817,049)
Net position - July 1, 2014					16,751,180	19,404,024	36,155,204
Prior period restatement (Note 16)					<u>(5,545,082)</u>	<u>(3,198,433)</u>	<u>(8,743,515)</u>
Net position - July 1, 2014, restated					<u>11,206,098</u>	<u>16,205,591</u>	<u>27,411,689</u>
Net position - June 30, 2015					<u>\$ 12,063,425</u>	<u>\$ 14,531,215</u>	<u>\$ 26,594,640</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General Fund</u>	<u>08-HOME-4987 Grant Fund</u>	<u>Block Grant Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 1,410,570	\$ 5,289	\$ 114,596
Accounts receivable	118,238	-	-
Interest receivable	913	-	-
Taxes receivable	20,567	-	-
Notes receivable	-	5,000,000	2,192,241
Due from other funds	3,177,868	-	190,000
Due from other governments	156,555	-	75,000
Prepaid items	35,600	-	-
Advances to fiduciary fund	-	-	<u>250,000</u>
Total Assets	<u>\$ 4,920,311</u>	<u>\$ 5,005,289</u>	<u>\$ 2,821,837</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</u>			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 362,840	\$ -	\$ 6,038
Accrued payroll and benefits	(239)	-	-
Unearned revenue	20,000	-	-
Due to fiduciary fund	-	-	-
Due to other funds	<u>22,653</u>	<u>-</u>	<u>120,000</u>
Total Liabilities	<u>405,254</u>	<u>-</u>	<u>126,038</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenues - housing loans	<u>-</u>	<u>5,000,000</u>	<u>2,192,241</u>
FUND BALANCES (DEFICITS)			
Nonspendable	35,600	-	-
Restricted	40,000	5,289	503,558
Assigned	4,439,457	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances (Deficits)	<u>4,515,057</u>	<u>5,289</u>	<u>503,558</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,920,311</u>	<u>\$ 5,005,289</u>	<u>\$ 2,821,837</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
BALANCE SHEET (continued)
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>Grant Related Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 209,963	\$ 2,778,475	\$ 4,518,893
Accounts receivable	-	-	118,238
Interest receivable	73	1,169	2,155
Taxes receivable	-	31,316	51,883
Notes receivable	2,080,000	-	9,272,241
Due from other funds	142,000	408,171	3,918,039
Due from other governments	143,772	103,081	478,408
Prepaid items	-	-	35,600
Advances to fiduciary fund	-	-	<u>250,000</u>
Total Assets	<u>\$ 2,575,808</u>	<u>\$ 3,322,212</u>	<u>\$ 18,645,457</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</u>			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 16,551	\$ 23,208	\$ 408,637
Accrued payroll and benefits	-	1,250	1,011
Unearned revenue	-	-	20,000
Due to fiduciary fund	-	1,000	1,000
Due to other funds	<u>491,000</u>	<u>2,557,886</u>	<u>3,191,539</u>
Total Liabilities	<u>507,551</u>	<u>2,583,344</u>	<u>3,622,187</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenues - housing loans	<u>2,080,000</u>	<u>-</u>	<u>9,272,241</u>
FUND BALANCES (DEFICITS)			
Nonspendable	-	-	35,600
Restricted	-	1,667,192	2,216,039
Assigned	-	-	4,439,457
Unassigned	<u>(11,743)</u>	<u>(928,324)</u>	<u>(940,067)</u>
Total Fund Balances (Deficits)	<u>(11,743)</u>	<u>738,868</u>	<u>5,751,029</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,575,808</u>	<u>\$ 3,322,212</u>	<u>\$ 18,645,457</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, 2015

Total fund balances of governmental funds		\$ 5,751,029
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 \$7,752,900.		12,241,669
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		(8,810,163)
Unearned revenue		9,272,241
Deferred outflows of resources related to 2015 pension contributions were made subsequent to the measurement date		520,998
Deferred outflows of resources related to changes in the net pension liability are not applicable to the current period		<u>42,142</u>
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		(423,914)
Net OPEB obligation		(364,154)
Net pension liability		(5,021,320)
Deferred inflows related to changes in the net pension liability		<u>(1,077,183)</u>
Net position of governmental activities		<u>\$ 12,063,425</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, 2015

	<u>General Fund</u>	<u>08-HOME-4987 Grant Fund</u>	<u>Block Grant Funds</u>
<u>REVENUES</u>			
Taxes and assessments	\$ 1,961,071	\$ -	\$ -
License, permits, and fees	59,104	-	-
Fines and forfeitures	20,898	-	-
Use of money and property	77,395	-	343
Program Income	30	-	111,761
Intergovernmental	345,917	-	75,000
Charges for services	754,440	-	18,029
Contributions	-	-	-
Recreation and event fees	57,475	-	-
Insurance proceeds	<u>1,246</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>3,277,576</u>	<u>-</u>	<u>205,133</u>
<u>EXPENDITURES</u>			
Current:			
General administration	140,086	-	-
Public safety	3,437,255	-	-
Streets and public works	27,559	-	-
Community development	187,028	-	185,781
Parks and recreation	68,998	-	-
Capital outlay	-	-	-
Debt service:			
Principal	62,556	-	-
Interest and fiscal charges	<u>4,231</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>3,927,713</u>	<u>-</u>	<u>185,781</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(650,137)</u>	<u>-</u>	<u>19,352</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	2,388,838	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>2,388,838</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>1,738,701</u>	<u>-</u>	<u>19,352</u>
Fund Balances - July 1, 2014	<u>2,776,356</u>	<u>5,289</u>	<u>484,206</u>
Fund Balances (Deficits) - June 30, 2015	<u>\$ 4,515,057</u>	<u>\$ 5,289</u>	<u>\$ 503,558</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, 2015

	<u>Grant Related Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Taxes and assessments	\$ -	\$ 568,164	\$ 2,529,235
License, permits, and fees	-	36,166	95,270
Fines and forfeitures	-	27,605	48,503
Use of money and property	263	1,362	79,363
Program Income	-	-	111,791
Intergovernmental	2,355,659	70,075	2,846,651
Charges for services	-	11,202	783,671
Contributions	-	1,475	1,475
Recreation and event fees	-	-	57,475
Insurance proceeds	-	-	1,246
	<u>2,355,922</u>	<u>716,049</u>	<u>6,554,680</u>
<u>EXPENDITURES</u>			
Current:			
General administration	-	-	140,086
Public safety	15,494	150,882	3,603,631
Streets and public works	-	611,295	638,854
Community development	2,153,133	124,967	2,650,909
Parks and recreation	1,535	205,890	276,423
Capital outlay	299,453	7,058	306,511
Debt service:			
Principal	-	-	62,556
Interest and fiscal charges	-	-	4,231
	<u>2,469,615</u>	<u>1,100,092</u>	<u>7,683,201</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(113,693)</u>	<u>(384,043)</u>	<u>(1,128,521)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	48,635	-	2,437,473
Transfers out	-	(81,772)	(81,772)
	<u>48,635</u>	<u>(81,772)</u>	<u>2,355,701</u>
Net Change in Fund Balances	<u>(65,058)</u>	<u>(465,815)</u>	<u>1,227,180</u>
Fund Balances - July 1, 2014	<u>53,315</u>	<u>1,204,683</u>	<u>4,523,849</u>
Fund Balances (Deficits) - June 30, 2015	<u>\$ (11,743)</u>	<u>\$ 738,868</u>	<u>\$ 5,751,029</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, 2015

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	\$ 1,227,180
<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	224,652
Depreciation expense	(736,026)
<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	62,556
Proceeds of long-term liabilities	(30,640)
<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	(81,040)
Loans made during the year	2,290,844
<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	(1,985,476)
Pension expense related to deferred outflows and inflows of resources	9,718
Other postemployment benefits	(50,938)
Accrued compensated absences	<u>(73,503)</u>
Change in net position of governmental activities	<u>\$ 857,327</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

Business-type Activities - Enterprise Funds					
	Electric	Water	Sewer	Other Enterprise Funds	Totals
ASSETS					
Current Assets					
Cash and investments	\$ 1,869,207	\$ 1,236,267	\$ 2,813,764	\$ 28,357	\$ 5,947,595
Accounts receivable, net	690,119	94,395	158,867	955	944,336
Interest receivable	765	730	1,548	-	3,043
Inventory	466,130	69,716	1,901	-	537,747
Due from other funds	-	800,000	1,275,000	59,298	2,134,298
Due from other governments	1	-	-	-	1
Total Current Assets	3,026,222	2,201,108	4,251,080	88,610	9,567,020
Non Current Assets					
Capital assets, net of accumulated depreciation	3,501,562	3,783,655	8,113,514	-	15,398,731
Total Non-Current Assets	3,501,562	3,783,655	8,113,514	-	15,398,731
Total Assets	6,527,784	5,984,763	12,364,594	88,610	24,965,751
DEFERRED OUTFLOWS OF RESOURCES					
2015 pension contributions	109,615	39,717	40,560	10,232	200,124
LIABILITIES					
Current Liabilities					
Accounts payable	174,180	10,142	20,593	1,923	206,838
Accrued expenses	17,983	-	1,503	1,839	21,325
Accrued interest payable	1,513	6,052	13,488	-	21,053
Deposits payable	187,521	-	-	-	187,521
Due to other funds	1,780,000	600,000	-	2,930	2,382,930
Due to fiduciary fund	150,000	-	-	-	150,000
Unearned revenue	-	-	-	5,001	5,001
Compensated absences - current	35,681	12,715	13,698	5,360	67,454
Bonds payable - current	17,205	68,821	75,000	-	161,026
Total Current Liabilities	2,364,083	697,730	124,282	17,053	3,203,148
Non-Current Liabilities					
Compensated absences	40,228	31,635	43,195	10,267	125,325
Bonds payable	56,267	225,062	3,622,000	-	3,903,329
Net pension liability	1,510,385	547,256	558,878	140,982	2,757,501
Net OPEB obligation	77,345	34,526	33,239	5,808	150,918
Total Non-Current Liabilities	1,684,225	838,479	4,257,312	157,057	6,937,073
Total Liabilities	4,048,308	1,536,209	4,381,594	174,110	10,140,221
DEFERRED INFLOWS OF RESOURCES					
Changes in the net pension liability	270,823	98,127	100,210	25,279	494,439
NET POSITION:					
Net investment in capital assets	3,428,090	3,489,772	4,416,514	-	11,334,376
Unrestricted	(1,109,822)	900,372	3,506,836	(100,547)	3,196,839
Total Net Position	\$ 2,318,268	\$ 4,390,144	\$ 7,923,350	\$ (100,547)	\$ 14,531,215

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, 2015

	Business-type Activities - Enterprise Funds				Totals
	Electric	Water	Sewer	Other Enterprise Funds	
<u>OPERATING REVENUES</u>					
Charges for services	\$ 6,608,583	\$ 1,184,798	\$ 1,487,533	\$ 16,052	\$ 9,296,966
Intergovernmental revenues	341,354	(15,575)	(59)	33,365	359,085
Other revenue	<u>-</u>	<u>-</u>	<u>(6,564)</u>	<u>14,762</u>	<u>8,198</u>
Total Operating Revenue	<u>6,949,937</u>	<u>1,169,223</u>	<u>1,480,910</u>	<u>64,179</u>	<u>9,664,249</u>
<u>OPERATING EXPENSES</u>					
Salaries and benefits	1,136,677	420,902	505,264	97,125	2,159,968
Materials, supplies, and operational expenses	551,572	228,833	253,493	11,366	1,045,264
Repairs and maintenance	74,386	9,482	47,117	7,905	138,890
Power and utilities	3,486,390	95,222	154,064	-	3,735,676
Contractual services	67,844	2,536	21,371	1,542	93,293
Administration	162,084	54,289	55,334	8,378	280,085
Bad debt expense	724,197	21,282	182,500	-	927,979
Miscellaneous	1,961	12	14,560	-	16,533
Depreciation and amortization	<u>149,085</u>	<u>201,139</u>	<u>128,438</u>	<u>-</u>	<u>478,662</u>
Total Operating Expenses	<u>6,354,196</u>	<u>1,033,697</u>	<u>1,362,141</u>	<u>126,316</u>	<u>8,876,350</u>
Operating Income (Loss)	<u>595,741</u>	<u>135,526</u>	<u>118,769</u>	<u>(62,137)</u>	<u>787,899</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Interest income	11,500	1,864	2,386	83	15,833
Interest expense	<u>(3,936)</u>	<u>(15,744)</u>	<u>(102,727)</u>	<u>-</u>	<u>(122,407)</u>
Total Non-Operating Revenues (Expenses)	<u>7,564</u>	<u>(13,880)</u>	<u>(100,341)</u>	<u>83</u>	<u>(106,574)</u>
Income Before Transfers	<u>603,305</u>	<u>121,646</u>	<u>18,428</u>	<u>(62,054)</u>	<u>681,325</u>
<u>TRANSFERS</u>					
Transfers out	<u>(1,955,665)</u>	<u>(216,697)</u>	<u>(183,339)</u>	<u>-</u>	<u>(2,355,701)</u>
Total Transfers	<u>(1,955,665)</u>	<u>(216,697)</u>	<u>(183,339)</u>	<u>-</u>	<u>(2,355,701)</u>
Change in net position	<u>(1,352,360)</u>	<u>(95,051)</u>	<u>(164,911)</u>	<u>(62,054)</u>	<u>(1,674,376)</u>
Net Position - July 1, 2014	5,332,508	5,251,689	8,703,196	116,631	19,404,024
Prior Period Adjustment (Note 16)	<u>(1,661,880)</u>	<u>(766,494)</u>	<u>(614,935)</u>	<u>(155,124)</u>	<u>(3,198,433)</u>
Net Position - July 1, 2014, restated	<u>3,670,628</u>	<u>4,485,195</u>	<u>8,088,261</u>	<u>(38,493)</u>	<u>16,205,591</u>
Net Position - June 30, 2015	<u>\$ 2,318,268</u>	<u>\$ 4,390,144</u>	<u>\$ 7,923,350</u>	<u>\$ (100,547)</u>	<u>\$ 14,531,215</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds				
	Electric	Water	Sewer	Other Enterprise Funds	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash received from customers	\$ 5,974,741	\$ 1,117,955	\$ 1,423,585	\$ 64,185	\$ 8,580,466
Cash paid to suppliers	(4,372,344)	(375,644)	(642,646)	(27,429)	(5,418,063)
Cash paid to employees	<u>(1,117,887)</u>	<u>(462,473)</u>	<u>(363,941)</u>	<u>(98,383)</u>	<u>(2,042,684)</u>
Net Cash Provided by (Used for) Operating Activities	<u>484,510</u>	<u>279,838</u>	<u>416,998</u>	<u>(61,627)</u>	<u>1,119,719</u>
<u>CASH FLOWS FROM NON- CAPITAL FINANCING ACTIVITIES</u>					
Due from (to) other funds	1,881,629	(132,120)	46,258	(40,101)	1,755,666
Transfers to other funds	<u>(1,955,665)</u>	<u>(216,697)</u>	<u>(183,339)</u>	<u>-</u>	<u>(2,355,701)</u>
Net Cash Used for Non-Capital Financing Activities	<u>(74,036)</u>	<u>(348,817)</u>	<u>(137,081)</u>	<u>(40,101)</u>	<u>(600,035)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Acquisition of capital assets	(449,342)	-	(14,547)	-	(463,889)
Principal paid on capital debt	(16,485)	(65,936)	(73,000)	-	(155,421)
Interest paid on capital debt	<u>(3,936)</u>	<u>(15,744)</u>	<u>(102,727)</u>	<u>-</u>	<u>(122,407)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(469,763)</u>	<u>(81,680)</u>	<u>(190,274)</u>	<u>-</u>	<u>(741,717)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Interest and dividends	<u>11,500</u>	<u>1,864</u>	<u>2,386</u>	<u>83</u>	<u>15,833</u>
Net Cash Provided by Investing Activities	<u>11,500</u>	<u>1,864</u>	<u>2,386</u>	<u>83</u>	<u>15,833</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(47,789)	(148,795)	92,029	(101,645)	(206,200)
Cash and Cash Equivalents - July 1, 2014	<u>1,916,996</u>	<u>1,385,062</u>	<u>2,721,735</u>	<u>130,002</u>	<u>6,153,795</u>
Cash and Cash Equivalents - June 30, 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>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds				
	Electric	Water	Sewer	Other Enterprise Funds	Totals
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</u>					
Operating Income (Loss)	\$ 595,741	\$ 135,526	\$ 118,769	\$ (62,137)	\$ 787,899
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	149,085	201,139	128,438	-	478,662
Pension expense	9,713	3,519	3,593	905	17,730
Changes in assets and liabilities:					
Decrease (Increase) in accounts receivable	(278,846)	(29,986)	125,175	6	(183,651)
Decrease in inventory	40,168	5,631	103	-	45,902
Increase (decrease) in accounts payable	(77,988)	5,580	(1,051)	857	(72,602)
Increase in deposits payable	17,029	-	-	-	17,029
Increase (decrease) in accrued expenses	3,658	(6,421)	401	(2,680)	(5,042)
Increase in net OPEB obligation	10,819	4,830	8,422	813	24,884
Increase (decrease) in compensated absences	<u>15,131</u>	<u>(39,980)</u>	<u>33,148</u>	<u>609</u>	<u>8,908</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 484,510</u>	<u>\$ 279,838</u>	<u>\$ 416,998</u>	<u>\$ (61,627)</u>	<u>\$ 1,119,719</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Main Trust</u>	<u>Successor Agency</u>	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<u>ASSETS</u>				
Cash and investments (Note 2)	\$ 12,509	\$ 44,044	\$ 64,215	\$ 120,768
Restricted cash and investments (Note 2)	-	380,276	-	380,276
Taxes receivable	-	-	15,269	15,269
Due from City	-	-	250,000	250,000
Capital assets, non-depreciable	<u>-</u>	<u>1,302,116</u>	<u>-</u>	<u>1,302,116</u>
Total Assets	<u>\$ 12,509</u>	<u>\$ 1,726,436</u>	<u>\$ 329,484</u>	<u>\$ 2,068,429</u>
<u>LIABILITIES</u>				
Accounts payable and other liabilities	\$ -	\$ 1,853	\$ 332,061	\$ 333,914
Due to City	-	400,000	-	400,000
Interest payable	-	128,946	-	128,946
Advances from the City	-	426,868	-	426,868
Long-term liabilities	-	4,548,053	-	4,548,053
Funds held in Trust	<u>-</u>	<u>-</u>	<u>(2,577)</u>	<u>(2,577)</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 5,505,720</u>	<u>\$ 329,484</u>	<u>\$ 5,835,204</u>
<u>NET POSITION</u>				
Held in trust for private purposes	<u>\$ 12,509</u>	<u>\$ (3,779,284)</u>	<u>\$ -</u>	<u>\$ (3,766,775)</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, 2015

	<u>Main Trust</u>	<u>Successor Agency</u>	<u>Total Trust Funds</u>
<u>ADDITIONS</u>			
Property taxes	\$ -	\$ 230,551	\$ 230,551
Use of money and property	-	388	388
Other revenues	<u>300</u>	<u>-</u>	<u>300</u>
Total Additions	<u>300</u>	<u>230,939</u>	<u>231,239</u>
<u>DEDUCTIONS</u>			
Administrative expense	-	19,528	19,528
Interest costs	<u>-</u>	<u>316,956</u>	<u>316,956</u>
Total Deductions	<u>-</u>	<u>336,484</u>	<u>336,484</u>
Changes in Net Position	300	(105,545)	(105,245)
Net Position - July 1, 2014	<u>12,209</u>	<u>(3,673,739)</u>	<u>(3,661,530)</u>
Net Position - June 30, 2015	<u>\$ 12,509</u>	<u>\$ (3,779,284)</u>	<u>\$ (3,766,775)</u>

See accompanying notes to the basic financial statements.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015

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, 2015

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 refinance 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 2014-15, 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 operation.

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015. 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, 2015 was \$239,995.

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, 2015

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 place on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

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

- a. Nonspendable - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted - Amounts that are restricted for specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- c. Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2014, the City implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statements Nos. 68 and 71

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. This statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This statement requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. See note 7 for more information.

CITY OF GRIDLEY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2015 or later. The City has not determined the effects on the financial statements.

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. 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, 2016.

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. 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. 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, 2016.

S. Reclassifications

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

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2015 were classified in the accompanying financial statements as follows:

	<u>Cash and Investments</u>	<u>Restricted Cash and Investments</u>	<u>Total</u>
Governmental activities	\$ 4,518,893	\$ -	\$ 4,518,893
Business-type activities	<u>5,947,595</u>	<u>-</u>	<u>5,947,595</u>
Total government-wide cash and investments	<u>10,466,488</u>	<u>-</u>	<u>10,466,488</u>
Fiduciary activities	<u>120,768</u>	<u>380,276</u>	<u>501,044</u>
Total cash and investments	<u>\$ 10,587,256</u>	<u>\$ 380,276</u>	<u>\$ 10,967,532</u>

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Cash and investments were carried at fair value as of June 30, 2015 and consisted of the following:

Cash on hand	\$	150
Cash in banks		<u>3,306,859</u>
 Total cash		 <u>3,307,009</u>
 Local Agency Investment Fund (LAIF)		 7,280,247
California Asset Management Program (CAMP)		<u>380,276</u>
 Total investments		 <u>7,660,523</u>
 Total cash and investments	\$	 <u>10,967,532</u>

Authorized Investments of the City

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
Local Agency Bonds	5 years	None	10%
U.S. Treasury Obligations	5 years	None	None
State Obligations - CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper - Select Agencies	270 days	25%	10%
Commercial paper - Other Agencies	270 days	40%	10%
Negotiable Certificates of 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, 2015

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, 2015:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Local Agency Investment Fund	\$ 7,280,247	\$ -	\$ 7,280,247
Held by bond trustee:			
Investment pool (CAMP)	<u>380,276</u>	<u>-</u>	<u>380,276</u>
	<u>\$ 7,660,523</u>	<u>\$ -</u>	<u>\$ 7,660,523</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, 2015.

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.

CITY OF GRIDLEY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
Local Agency Investment Fund	\$ 7,280,247			Not rated
Held by bond trustee:				
Investment pool (CAMP)	<u>380,276</u>	AAAm		
	<u>\$ 7,660,523</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, 2015, the carrying amount of the City's deposits was \$3,306,859 and bank balances were \$3,511,285, 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, 2015

NOTE 3: NOTES AND LOANS RECEIVABLE

The following is a summary of notes receivable at June 30, 2015:

<u>Governmental Activities</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2015</u>
Governmental Funds				
08-HOME-4987	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
04-STBG-1961	755,793	-	-	755,793
12-HOME-7857	-	2,080,000	-	2,080,000
Rehabilitation Loans	<u>1,306,644</u>	<u>210,844</u>	<u>(81,040)</u>	<u>1,436,448</u>
Total Governmental Funds	7,062,437	2,290,844	(81,040)	9,272,241
Less Allowance for Notes Receivable	<u>(6,824,733)</u>	<u>(2,080,000)</u>	<u>94,520</u>	<u>(8,810,213)</u>
Total Notes Receivable, net	<u>\$ 237,704</u>	<u>\$ 210,844</u>	<u>\$ 13,480</u>	<u>\$ 462,028</u>
<u>Fiduciary</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2015</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 form 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, 2015.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4: INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund long-term advances due after one year at June 30, 2015 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, 2015 was as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Description</u>	<u>Amount</u>
<u>Major Governmental Funds</u>			
Grant-Related Fund	Hospital JPA	Temporary pooled cash adjustment	\$ 250,000
Block Grant Funds	Sewer Fund	Temporary pooled cash adjustment	100,000
Grant-Related Fund	Sewer Fund	Temporary pooled cash adjustment	75,000
Block Grant Funds	Senior Taxi Fund	Temporary pooled cash adjustment	20,000
Grant-Related Fund	Senior Taxi Fund	Temporary pooled cash adjustment	16,000
Grant-Related Fund	General Fund	Temporary pooled cash adjustment	150,000
General Fund	Solid Waste Fund	Temporary pooled cash adjustment	8,460
General Fund	Senior Taxi Fund	Temporary pooled cash adjustment	<u>14,193</u>
Total Major Governmental Funds			<u>633,653</u>
<u>Non-Major Governmental Funds</u>			
BINTF Seizure	Grant-Related Fund	Temporary pooled cash adjustment	142,000
Solid Waste Rec Fund	Block Grant Fund	Temporary pooled cash adjustment	60,000
Recreation Related Fund	SB 325 Fund	Temporary pooled cash adjustment	150,000
Traffic Safety Fund	Gas Tax Fund	Temporary pooled cash adjustment	100,000
Public Financing Authority	General Fund	Temporary pooled cash adjustment	1,000
General Impact Fund	General Fund	Temporary pooled cash adjustment	150,000
Recreation Related Fund	General Fund	Temporary pooled cash adjustment	500,000
Development Agreement Fee	General Fund	Temporary pooled cash adjustment	800,000
SB 325 Fund	Gas Tax Fund	Temporary pooled cash adjustment	5,241
Gas Tax Fund	Successor Agency	Temporary pooled cash adjustment	400,000
Planning and Development	Successor Agency	Temporary pooled cash adjustment	250,000
Planning and Development	Senior Tax Fund	Temporary pooled cash adjustment	<u>645</u>
Total Non-Major Governmental Funds			<u>2,558,886</u>
<u>Fiduciary Funds</u>			
Successor Agency	General Fund	Temporary pooled cash adjustment	<u>1,200,000</u>
Total Fiduciary Funds			

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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	Water Fund	Temporary pooled cash adjustment	800,000
Water Fund	Sewer Fund	Temporary pooled cash adjustment	600,000
Electric Fund	Sewer Fund	Temporary pooled cash adjustment	500,000
Electric Fund	Block Grant Fund	Temporary pooled cash adjustment	130,000
Electric Fund	General Fund	Temporary pooled cash adjustment	200,000
Electric Fund	SB 325 Fund	Temporary pooled cash adjustment	150,000
Electric Fund	Successor Agency	Temporary pooled cash adjustment	<u>150,000</u>
	Total Major Proprietary Funds		<u>2,530,000</u>
<u>Non-Major Proprietary Fund</u>			
Senior Taxi Fund	SB 325 Fund	Temporary pooled cash adjustment	<u>2,930</u>
	Total Interfund Payables/Receivables		\$ <u>6,925,469</u>

Interfund Transfers to/from Other Funds

Transfers between funds during the fiscal year ended June 30, 2015 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount</u>
Governmental Funds:			
<u>Non-Major Governmental Funds</u>			
Gas tax fund	General fund	Prior year cost allocations	\$ 19,926
Gas tax fund	General fund	Sick reserve allocation	5,318
Gas tax fund	Grant related fund	Prior year cost allocations	48,635
Maintenance district funds	General fund	Sick reserve allocation	2,040
Traffic safety fund	General fund	Prior year cost allocations	<u>5,853</u>
	Total Non-Major Governmental Funds		<u>81,772</u>
<u>Enterprise Funds</u>			
Electric fund	General fund	Transfer for unfunded city operations	1,600,000
Electric fund	General fund	Prior year cost allocations	338,146
Electric fund	General fund	Sick reserve allocation	17,519
Water fund	General fund	Prior year cost allocations	75,859
Water fund	General fund	Cost recovery fee	115,696
Water fund	General fund	Sick reserve allocation	25,142
Sewer fund	General fund	Prior year cost allocations	39,061
Sewer fund	General fund	Cost recovery fee	121,476
Sewer fund	General fund	Sick reserve allocation	<u>22,802</u>
	Total Enterprise Funds		<u>2,355,701</u>
	Total Interfund Transfers		\$ <u>2,437,473</u>

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5: CAPITAL ASSETS

Governmental activities:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2015</u>
Capital assets not being depreciated					
Land	\$ 456,981	\$ -	\$ -	\$ -	\$ 456,981
Construction-in-progress	<u>-</u>	<u>75,961</u>	<u>-</u>	<u>-</u>	<u>75,961</u>
Total capital assets not being depreciated	<u>456,981</u>	<u>75,961</u>	<u>-</u>	<u>-</u>	<u>532,942</u>
Capital assets being depreciated					
Infrastructure	7,999,087	-	-	-	7,999,087
Buildings and improvements	3,936,572	-	-	-	3,936,572
Improvements other than buildings	2,597,529	-	-	-	2,597,529
Vehicles and equipment	<u>4,779,748</u>	<u>148,691</u>	<u>-</u>	<u>-</u>	<u>4,928,439</u>
Total capital assets being depreciated	<u>19,312,936</u>	<u>148,691</u>	<u>-</u>	<u>-</u>	<u>19,461,627</u>
Less accumulated depreciation					
Infrastructure	(1,869,760)	(268,392)	-	-	(2,138,152)
Buildings and improvements	(1,679,998)	(127,976)	-	-	(1,807,974)
Improvements other than buildings	(347,921)	(103,962)	-	-	(451,883)
Vehicles and equipment	<u>(3,119,195)</u>	<u>(235,696)</u>	<u>-</u>	<u>-</u>	<u>(3,354,891)</u>
Total accumulated depreciation	<u>(7,016,874)</u>	<u>(736,026)</u>	<u>-</u>	<u>-</u>	<u>(7,752,900)</u>
Total capital assets, net	<u>\$ 12,753,043</u>	<u>\$ (511,374)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,241,669</u>

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

Governmental Activities:

General Government	\$ 110,404
Public Safety	242,888
Streets and Public Works	272,330
Parks and Recreation	<u>110,404</u>
Total governmental activities depreciation expense	<u>\$ 736,026</u>

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5: CAPITAL ASSETS (CONTINUED)

Business-type activities:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2015</u>
Capital assets not being depreciated				
Land	\$ 921,793	\$ -	\$ -	\$ 921,793
Construction-in-progress	<u>335,679</u>	<u>433,846</u>	<u>-</u>	<u>769,525</u>
Total capital assets not being depreciated	<u>1,257,472</u>	<u>433,846</u>	<u>-</u>	<u>1,691,318</u>
Capital assets being depreciated				
Infrastructure	6,340,385	-	-	6,340,385
Buildings and improvements	1,139,546	-	-	1,139,546
Improvements other than buildings	7,698,050	-	-	7,698,050
Vehicles and equipment	<u>6,467,675</u>	<u>30,043</u>	<u>-</u>	<u>6,497,718</u>
Total capital assets being depreciated	<u>21,645,656</u>	<u>30,043</u>	<u>-</u>	<u>21,675,699</u>
Less accumulated depreciation				
Infrastructure	(1,418,668)	(162,064)	-	(1,580,732)
Buildings and improvements	(733,468)	(35,238)	-	(768,706)
Improvements other than buildings	(1,664,261)	(63,456)	-	(1,727,717)
Vehicles and equipment	<u>(3,673,227)</u>	<u>(217,904)</u>	<u>-</u>	<u>(3,891,131)</u>
Total accumulated depreciation	<u>(7,489,624)</u>	<u>(478,662)</u>	<u>-</u>	<u>(7,968,286)</u>
Total capital assets, net	<u>\$ 15,413,504</u>	<u>\$ (14,773)</u>	<u>\$ -</u>	<u>\$ 15,398,731</u>

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

Electricity	\$ 149,085
Water	201,139
Sewer	<u>128,438</u>
Total business-type activities depreciation expense	<u>\$ 478,662</u>

CITY OF GRIDLEY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

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, 2015:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Current Portion</u>
Governmental activities:					
Capital leases:					
Fire truck	\$ 99,836	\$ -	\$ (31,916)	\$ 67,920	\$ 31,916
Police vehicles	-	30,640	(30,640)	-	-
Compensated absences	<u>350,411</u>	<u>74,228</u>	<u>(725)</u>	<u>423,914</u>	<u>172,542</u>
Total Governmental activities	<u>\$ 450,247</u>	<u>\$ 104,868</u>	<u>\$ (63,281)</u>	<u>\$ 491,834</u>	<u>\$ 204,458</u>
Business-type activities:					
Capital Lease - Water	\$ 359,819	\$ -	\$ (65,937)	\$ 293,882	\$ 68,821
Capital Lease - Electric	89,957	-	(16,484)	73,473	17,205
USDA Rural Development Loan	1,191,000	-	(28,000)	1,163,000	29,000
USDA Rural Development Loan	2,579,000	-	(45,000)	2,534,000	46,000
Compensated Absences	<u>183,870</u>	<u>52,728</u>	<u>(43,819)</u>	<u>192,779</u>	<u>67,454</u>
Total Business-type activities	<u>\$ 4,403,646</u>	<u>\$ 52,728</u>	<u>\$ (199,240)</u>	<u>\$ 4,257,134</u>	<u>\$ 228,480</u>

A description of the long-term liabilities related to governmental activities at June 30, 2015 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. As of June 30, 2015, the balance of the lease is \$67,920.

Governmental Activities Long-Term Liabilities Amortization:

Capital Lease - Fire Truck			
<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 31,916	\$ 4,203	\$ 36,119
2017	<u>36,004</u>	<u>4,319</u>	<u>40,323</u>
Total	<u>\$ 67,920</u>	<u>\$ 8,522</u>	<u>\$ 76,442</u>

CITY OF GRIDLEY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

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, 2015, the Water fund and Electric fund's balance of the lease were \$293,882 and \$73,473, respectively.

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, 2015, the balance on the loan is \$1,163,000.

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, 2015, the balance on the loan is \$2,534,000.

Business-Type Long-Term Liabilities Amortization

Capital Lease - Water			
For the Year Ending June 30	Principal	Interest	Total
2016	\$ 68,821	\$ 12,859	\$ 81,680
2017	71,832	9,847	81,679
2018	74,975	6,704	81,679
2019	78,254	3,424	81,678
Total	\$ 293,882	\$ 32,834	\$ 326,716

Capital Lease - Electric			
For the Year Ending June 30	Principal	Interest	Total
2016	\$ 17,205	\$ 3,215	\$ 20,420
2017	17,958	2,462	20,420
2018	18,744	1,676	20,420
2019	19,566	856	20,422
Total	\$ 73,473	\$ 8,209	\$ 81,682

CITY OF GRIDLEY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

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
2016	\$ 29,000	\$ 37,326	\$ 66,326
2017	30,000	36,368	66,368
2018	31,000	35,376	66,376
2019	32,000	34,353	66,353
2020 - 2024	176,000	155,253	331,253
2025 - 2029	207,000	124,166	331,166
2030 - 2034	244,000	87,588	331,588
2035 - 2039	286,000	44,623	330,623
2040 - 2041	<u>128,000</u>	<u>4,193</u>	<u>132,193</u>
Total	\$ <u>1,163,000</u>	\$ <u>559,246</u>	\$ <u>1,722,246</u>

USDA Rural Development Loan			
For the Year Ending June 30	Principal	Interest	Total
2016	\$ 46,000	\$ 63,350	\$ 109,350
2017	47,000	62,200	109,200
2018	49,000	61,025	110,025
2019	50,000	59,800	109,800
2020 - 2024	268,000	279,675	547,675
2025 - 2029	304,000	244,425	548,425
2030 - 2034	343,000	204,525	547,525
2035 - 2039	390,000	159,375	549,375
2040 - 2044	440,000	108,125	548,125
2045 - 2049	497,000	50,350	547,350
2050	<u>100,000</u>	<u>2,500</u>	<u>102,500</u>
Total	\$ <u>2,534,000</u>	\$ <u>1,295,350</u>	\$ <u>3,829,350</u>

CITY OF GRIDLEY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN

A. General Information about the Pensions Plans

Plan Description

The City's two defined benefit pension plans, Miscellaneous Plan of the City of Gridley and Safety Plan of the City of Gridley (Plans), provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employees within the State of California.

Both plans each have less than 100 employees and are part of the Public Agency portion of CalPERS and are, therefore, cost-sharing, multiple-employers plans administered by CalPERS. CalPERS require that plans, with less than 100 active members, must participate in a risk pool. As such, both the Miscellaneous and Safety Plans are required to participate in a risk pool.

State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. The City of Gridley selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office: 400 P Street, Sacramento, California 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: 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 Employee's Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

Hire Date	<u>Miscellaneous</u>		<u>Safety</u>	
	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, 2015

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 both Plans 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.

For the year ended June 30, 2015, contributions for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$ 370,671	\$ 335,645
Contributions - employee	<u>146,198</u>	<u>96,616</u>
Total	<u>\$ 516,869</u>	<u>\$ 432,261</u>

B. Net Pension Liability

The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. In addition, the total pension liability for each Plan used to calculate the net pension liability for the Safety plan was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures.

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous and Safety Plans as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous Plan	\$ 5,053,146
Safety Plan	<u>2,725,675</u>
Total Net Pension Liability	<u>\$ 7,778,821</u>

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 plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous Tier I</u>	<u>Miscellaneous Tier II</u>	<u>Safety Tier I</u>
Proportion - June 30, 2013	0.07314 %	0.00005 %	0.04162 %
Proportion - June 30, 2014	<u>0.08116 %</u>	<u>0.00005 %</u>	<u>0.04380 %</u>
Change - Increase (Decrease)	0.00802 %	- %	0.00218 %

CITY OF GRIDLEY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous & Safety Plans</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Salary Increases	3.30% - 10.10% - Varies by Entry Age and Service
Investment Rate of Return	7.50% - net of pension plan investment and administrative 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, 2013 valuation were based on the results of a January 2014 actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each 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, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension 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 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.

The table below reflects the 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. These geometric rates of return are net of administrative expenses.

<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	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	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 Town'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 Town'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% (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>Discount Rate +1% (8.50%)</u>
Safety	\$ 4,287,232	\$ 2,725,676	\$ 1,439,020
Miscellaneous - Tier I	\$ 7,454,414	\$ 5,050,333	\$ 3,055,173
Miscellaneous - Tier II	\$ 5,010	\$ 2,812	\$ 987

Pension Plan Fiduciary Net Position

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

CITY OF GRIDLEY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

C. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$9,718. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 706,315	\$ -
Differences between actual and expected experience	56,949	-
Adjustment due to differences in proportions	-	57,140
Net differences between projected and actual earnings on plan investments	-	1,514,482
Total	\$ 763,264	\$ 1,571,622

\$706,315 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,		
2015	\$	(367,991)
2016		(367,809)
2017		(375,017)
2018		(403,856)

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, 2015, the City reported 9 retired employees. The City currently has 47 active participants.

CITY OF GRIDLEY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, the City's annual cost for the healthcare plan was \$170,466. The City's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2015 were as follows:

Annual required contribution	
Service cost at year-end	\$ 36,189
30-year amortization of funded liability	<u>140,199</u>
Total annual required contribution	<u>176,388</u>
Interest on net OPEB obligation	21,963
Adjustment to net OPEB obligation	<u>(27,885)</u>
Total annual OPEB cost	<u>170,466</u>
Employer contributions	<u>(94,644)</u>
Net increase in net OPEB obligation	75,822
Net OPEB obligation, July 1, 2014	<u>439,250</u>
Net OPEB obligation, June 30, 2015	<u>\$ 515,072</u>

CITY OF GRIDLEY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Year Ended	Annual OPEB cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation
June 30, 2013	\$ 172,318	\$ 89,324	52 %	\$ 351,570
June 30, 2014	\$ 173,212	\$ 85,532	49 %	\$ 439,250
June 30, 2015	\$ 170,466	\$ 94,644	56 %	\$ 515,072

As of June 30, 2015, \$364,154 of the net pension obligation was recorded in governmental activities and \$150,918 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, 2015, was as follows:

Actuarial accrued liability (AAL)	
Active employees	\$ 854,282
Retired employees	<u>1,408,686</u>
	<u>2,262,968</u>
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,262,968</u>
Funded Ratio (actuarial value of plan assets / AAL)	0 %
Covered payroll	\$ 15,407,546
UAAL as a percentage of covered payroll	15 %

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 2012 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, 2015

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, 2015, 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	\$ 35,600	\$ -	\$ -	\$ -	\$ -	\$ 35,600
Restricted:						
Grants	-	5,289	503,558	-	-	508,847
Taxes & fees	40,000	-	-	-	1,552,928	1,592,928
Capital projects	-	-	-	-	107,470	107,470
Contributions	-	-	-	-	6,794	6,794
Assigned:						
Improvement reserve	3,939,331	-	-	-	-	3,939,331
Building maintenance	500,126	-	-	-	-	500,126
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,743)</u>	<u>(928,324)</u>	<u>(940,067)</u>
Total	<u>\$ 4,515,057</u>	<u>\$ 5,289</u>	<u>\$ 503,558</u>	<u>\$ (11,743)</u>	<u>\$ 738,868</u>	<u>\$ 5,751,029</u>

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.

CITY OF GRIDLEY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 10: RISK MANAGEMENT (CONTINUED)

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.

Audited condensed financial information for the NCCSIF for the fiscal year ended June 30, 2015 was as follows:

Total Assets	\$ 51,027,028
Total Liabilities	<u>41,646,903</u>
Net Position	<u>\$ 9,380,125</u>
Total Revenues	\$ 16,447,026
Total Expenses	<u>17,130,833</u>
Change in Net Position	<u>\$ (683,807)</u>

NOTE 11: EXCESS EXPENDITURES AND TRANSFERS OVER APPROPRIATIONS

The following funds incurred expenditures and/or transfers in excess of appropriations in the following amounts for the year ended June 30, 2015:

Fund	Excess Expenditures
Grant Related Funds	\$ 11,205

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

CITY OF GRIDLEY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 12: DEFICIT FUND BALANCES

As of June 30, 2015, the following funds had a fund deficit:

Fund	Deficit
Grant Related Funds	\$ 11,743
Public Financing Authority	258
Traffic Safety	87,369
Planning & Development	205,759
Recreation Related	577,292
Solid Waste - Rec	57,646

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

NOTE 13: 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, 2015, 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>.

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, 2015

NOTE 14: 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 15: 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 16: PRIOR PERIOD ADJUSTMENT

As a result of implementing GASB Statement Nos. 68 and 71, the City has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position by \$8,743,515. The decrease resulted from the following:

<u>Description of Restatement</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Recording of net pension liability	\$ (6,034,812)	\$ (3,219,319)	\$ (9,254,131)
Application of 2014 contributions	489,730	185,203	674,933
Water fund restatement noted below	<u>-</u>	<u>(164,317)</u>	<u>(164,317)</u>
Total Prior Period Adjustment	<u>\$ (5,545,082)</u>	<u>\$ (3,198,433)</u>	<u>\$ (8,743,515)</u>

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

<u>Fund</u>	<u>Description of Restatement</u>	<u>Amount</u>
<u>Business-Type Activities</u>		
Electric	Implementation of GASB Nos. 68 and 71	\$ (1,661,880)
Water	Implementation of GASB Nos. 68 and 71	(602,147)
Sewer	Implementation of GASB Nos. 68 and 71	(614,935)
Other Enterprise Funds	Implementation of GASB Nos. 68 and 71	(155,154)
Water	To correct revenue and AR balances	<u>(164,317)</u>
	Total Business-Type Net Position Restatement	<u>\$ (3,198,433)</u>

NOTE 17: SUBSEQUENT EVENTS

The City has evaluated subsequent events through the date of this report, which is March 2, 2016, 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, 2015

	2014 - 2015		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Taxes and assessments	\$ 1,929,016	\$ 1,929,016	\$ 1,961,071	\$ 32,055
License, permits, and fees	96,338	96,338	59,104	(37,234)
Fines and forfeitures	16,356	16,356	20,898	4,542
Use of money and property	36,503	36,503	77,395	40,892
Program income	-	-	30	30
Intergovernmental	528,736	528,736	345,917	(182,819)
Charges for services	572,975	572,975	754,440	181,465
Recreation and event fees	61,385	61,385	57,475	(3,910)
Insurance proceeds	500	500	1,246	746
Other revenues	<u>200</u>	<u>200</u>	<u>-</u>	<u>(200)</u>
Total Revenues	<u>3,242,009</u>	<u>3,242,009</u>	<u>3,277,576</u>	<u>35,567</u>
 <u>EXPENDITURES</u>				
Current:				
General administration	586,926	586,926	140,086	446,840
Public safety	4,066,724	4,066,724	3,437,255	629,469
Building Inspection	46,407	46,407	-	46,407
Streets and public works	435,394	435,394	27,559	407,835
Community development	176,692	176,692	187,028	(10,336)
Parks and recreation	46,407	46,407	68,998	(22,591)
Debt Service				
Principal	62,337	62,337	62,556	(219)
Interest and fiscal charges	<u>10,872</u>	<u>10,872</u>	<u>4,231</u>	<u>6,641</u>
Total Expenditures	<u>5,431,759</u>	<u>5,431,759</u>	<u>3,927,713</u>	<u>1,504,046</u>
Excess (deficiency) of revenues over expenditures	<u>(2,189,750)</u>	<u>(2,189,750)</u>	<u>(650,137)</u>	<u>(1,468,479)</u>
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>-</u>	<u>-</u>	<u>2,388,838</u>	<u>2,388,838</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,388,838</u>	<u>2,388,838</u>
Net change in fund balance	<u>\$ (2,189,750)</u>	<u>\$ (2,189,750)</u>	<u>1,738,701</u>	<u>\$ 920,359</u>
Fund balance - July 1, 2014			2,776,356	
Fund balance - June 30, 2015			<u>\$ 4,515,057</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, 2015

	<u>2014 - 2015</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>				
Program income	\$ <u>20,000</u>	\$ <u>20,000</u>	\$ -	(20,000)
Total Revenues	<u>20,000</u>	<u>20,000</u>	-	<u>(20,000)</u>
<u>EXPENDITURES</u>				
Current:				
Community development	<u>1,800</u>	<u>1,800</u>	-	<u>1,800</u>
Total Expenditures	<u>1,800</u>	<u>1,800</u>	-	<u>1,800</u>
Net change in fund balance	<u>\$ 18,200</u>	<u>\$ 18,200</u>	-	<u>\$ (18,200)</u>
Fund balance - July 1, 2014			<u>5,289</u>	
Fund balance - June 30, 2015			<u>\$ 5,289</u>	

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, 2015

	<u>2014 - 2015</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	\$ -	\$ -	\$ 343	\$ 343
Program income	100,916	100,916	111,761	10,845
Intergovernmental	-	-	75,000	75,000
Charges for services	<u>2,000</u>	<u>2,000</u>	<u>18,029</u>	<u>16,029</u>
Total Revenues	<u>102,916</u>	<u>102,916</u>	<u>205,133</u>	<u>102,217</u>
<u>EXPENDITURES</u>				
Current:				
Community development	<u>17,817</u>	<u>196,628</u>	<u>185,781</u>	<u>10,847</u>
Total Expenditures	<u>17,817</u>	<u>196,628</u>	<u>185,781</u>	<u>10,847</u>
Net change in fund balance	<u>\$ 85,099</u>	<u>\$ (93,712)</u>	<u>19,352</u>	<u>\$ 113,064</u>
Fund balance - July 1, 2014			<u>484,206</u>	
Fund balance - June 30, 2015			<u>\$ 503,558</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, 2015

	<u>2014 - 2015</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	\$ 230	\$ 230	\$ 263	\$ 33
Intergovernmental	<u>50,000</u>	<u>50,000</u>	<u>2,355,659</u>	<u>2,305,659</u>
Total Revenues	<u>50,230</u>	<u>50,230</u>	<u>2,355,922</u>	<u>2,305,692</u>
 <u>EXPENDITURES</u>				
Current:				
Public safety	63,200	63,200	15,494	47,706
Parks and recreation	-	-	1,535	(1,535)
Community development	47,610	2,109,622	2,153,133	(43,511)
Capital outlay	<u>194,800</u>	<u>285,588</u>	<u>299,453</u>	<u>(13,865)</u>
Total Expenditures	<u>305,610</u>	<u>2,458,410</u>	<u>2,469,615</u>	<u>(11,205)</u>
Excess (deficiency) of revenues over expenditures	<u>(255,380)</u>	<u>(2,408,180)</u>	<u>(113,693)</u>	<u>2,294,487</u>
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	48,635	48,635	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>48,635</u>	<u>48,635</u>	<u>-</u>
Net change in fund balance	<u>\$ (255,380)</u>	<u>\$ (2,359,545)</u>	<u>(65,058)</u>	<u>\$ 2,294,487</u>
Fund balance - July 1, 2014			<u>53,315</u>	
Fund balance (deficit) - June 30, 2015			<u>\$ (11,743)</u>	

**CITY OF GRIDLEY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY ACCOUNTING AND CONTROL
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015
Last 10 Years***

	2015		Safety Tier I
	Miscellaneous Tier I	Tier II	
Proportion of the net pension liability	0.08116 %	0.00005 %	0.04380 %
Proportionate share of the net pension liability	\$ 5,050,333	\$ 2,813	\$ 2,725,675
Covered - employee payroll	\$ 2,002,257	\$ 137,006	\$ 1,144,457
Proportionate share of the net pension liability as a percentage of covered - employee payroll	252.23 %	2.05 %	238.16 %
Plan's fiduciary net position	13,071,423	13,757	8,932,296
Plan fiduciary net position as a percentage of the total pension liability	258.82 %	489.05 %	327.71 %

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is 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, 2015
Last 10 Years***

	2015		
	Miscellaneous		Safety
	Tier I	Tier II	Tier I
Contractually required contribution (actuarially determined)	\$ 325,419	\$ 15,891	\$ 335,563
Contributions in relation to the actuarially determined contributions	<u>327,966</u>	<u>42,705</u>	<u>335,644</u>
Contribution deficiency (excess)	<u>\$ (2,547)</u>	<u>\$ (26,814)</u>	<u>\$ (81)</u>
Covered - employee payroll	2,002,257	137,006	1,144,457
Contributions as a percentage of covered - employee payroll	16.38 %	31.17 %	29.33 %

Notes to Schedule:

Valuation Date: June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage payroll
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, includes inflation
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies; 2.75% thereafter
Mortality rate table	Derived using CalPERS' membership data for all funds

*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, 2011	\$ 2,096,000	\$ -	\$ 2,096,000	0%	\$ 6,800,000	31 %
July 1, 2012	\$ 2,094,380	\$ -	\$ 2,094,380	0%	\$ 14,958,782	14 %
July 1, 2013	\$ 2,160,297	\$ -	\$ 2,160,297	0%	\$ 15,257,958	14 %
July 1, 2014	\$ 2,262,968	\$ -	\$ 2,262,968	0%	\$ 15,407,546	15 %

COMBINING FINANCIAL SCHEDULES

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2015

	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	\$ 770,331	\$ 811,783	\$ 742	\$ 34,172	\$ 17,753
Interest receivable	427	432	-	8	-
Taxes receivable	-	-	-	-	-
Due from other funds	-	-	-	302,930	-
Due from other governments	-	-	-	29,559	4,395
Total Assets	<u>\$ 770,758</u>	<u>\$ 812,215</u>	<u>\$ 742</u>	<u>\$ 366,669</u>	<u>\$ 22,148</u>
LIABILITIES AND FUND BALANCES					
(DEFICITS)					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ 4,568	\$ 9,517
Accrued payroll and benefits	(36)	-	-	-	-
Due to fiduciary fund	-	-	1,000	-	-
Due to other funds	150,000	800,000	-	5,241	100,000
Total Liabilities	<u>149,964</u>	<u>800,000</u>	<u>1,000</u>	<u>9,809</u>	<u>109,517</u>
FUND BALANCES (DEFICITS):					
Nonspendable	-	-	-	-	-
Restricted	620,794	12,215	-	356,860	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	(258)	-	(87,369)
Total Fund Balances (Deficits)	<u>620,794</u>	<u>12,215</u>	<u>(258)</u>	<u>356,860</u>	<u>(87,369)</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 770,758</u>	<u>\$ 812,215</u>	<u>\$ 742</u>	<u>\$ 366,669</u>	<u>\$ 22,148</u>

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2015

	Special Revenue Funds				
	<u>Railroad Maintenance</u>	<u>Public Safety Augmentation</u>	<u>Planning and Development</u>	<u>Solid Waste - Rec</u>	<u>Gas Tax</u>
ASSETS					
Cash and investments	\$ 10,908	\$ 67,106	\$ 49,133	\$ 2,354	\$ 719,985
Interest receivable	-	-	-	-	302
Taxes receivable	-	1,755	-	-	-
Due from other funds	-	-	-	-	105,241
Due from other governments	-	-	-	-	69,127
Total Assets	<u>\$ 10,908</u>	<u>\$ 68,861</u>	<u>\$ 49,133</u>	<u>\$ 2,354</u>	<u>\$ 894,655</u>
LIABILITIES AND FUND BALANCES					
(DEFICITS)					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ 4,247	\$ -	\$ 458
Accrued payroll and benefits	-	-	-	-	-
Due to fiduciary fund	-	-	-	-	-
Due to other funds	-	-	250,645	60,000	400,000
Total Liabilities	<u>-</u>	<u>-</u>	<u>254,892</u>	<u>60,000</u>	<u>400,458</u>
FUND BALANCES (DEFICITS):					
Nonspendable	-	-	-	-	-
Restricted	10,908	68,861	-	-	494,197
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	(205,759)	(57,646)	-
Total Fund Balances (Deficits)	<u>10,908</u>	<u>68,861</u>	<u>(205,759)</u>	<u>(57,646)</u>	<u>494,197</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 10,908</u>	<u>\$ 68,861</u>	<u>\$ 49,133</u>	<u>\$ 2,354</u>	<u>\$ 894,655</u>

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2015

	Special Revenue Funds				Total Non-major Governmental Funds
	Butte Interagency Narcotics Task Force	Maintenance Districts	05-PTAA-1446	Recreation Related	
ASSETS					
Cash and investments	\$ 148,794	\$ 67,836	\$ 1	\$ 77,577	\$ 2,778,475
Interest receivable	-	-	-	-	1,169
Taxes receivable	-	29,561	-	-	31,316
Due from other funds	-	-	-	-	408,171
Due from other governments	-	-	-	-	103,081
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,081</u>
Total Assets	\$ 148,794	\$ 97,397	\$ 1	\$ 77,577	\$ 3,322,212
LIABILITIES AND FUND BALANCES					
(DEFICITS)					
LIABILITIES:					
Accounts payable	\$ -	\$ 834	\$ -	\$ 3,584	\$ 23,208
Accrued payroll and benefits	-	1	-	1,285	1,250
Due to fiduciary fund	-	-	-	-	1,000
Due to other funds	142,000	-	-	650,000	2,557,886
	<u>142,000</u>	<u>-</u>	<u>-</u>	<u>650,000</u>	<u>2,557,886</u>
Total Liabilities	142,000	835	-	654,869	2,583,344
FUND BALANCES (DEFICITS):					
Nonspendable	-	-	-	-	-
Restricted	6,794	96,562	1	-	1,667,192
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	(577,292)	(928,324)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(577,292)</u>	<u>(928,324)</u>
Total Fund Balances (Deficits)	6,794	96,562	1	(577,292)	738,868
Total Liabilities and Fund Balances (Deficits)	\$ 148,794	\$ 97,397	\$ 1	\$ 77,577	\$ 3,322,212

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds				
	General Impact Fee	Development Agreement Fee	Public Financing Authority	SB 325	Traffic Safety
REVENUES					
Taxes and assessments	\$ -	\$ -	\$ -	\$ 227,798	\$ -
Licenses, permits, and fees	-	-	-	-	154
Fines and forfeitures	-	-	-	-	27,605
Use of money and property	19	-	-	381	46
Intergovernmental	-	-	-	-	-
Charges for services	11,123	-	-	-	-
Contributions	-	-	-	-	-
Total Revenues	<u>11,142</u>	<u>-</u>	<u>-</u>	<u>228,179</u>	<u>27,805</u>
EXPENDITURES					
Current:					
Public safety	-	-	-	-	-
Streets and public works	-	-	-	159,398	38,195
Community development	17	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	<u>17</u>	<u>-</u>	<u>-</u>	<u>159,398</u>	<u>38,195</u>
Excess (Deficiency) of Revenues over Expenditures	<u>11,125</u>	<u>-</u>	<u>-</u>	<u>68,781</u>	<u>(10,390)</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	(5,853)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,853)</u>
Net change in fund balances	11,125	-	-	68,781	(16,243)
Fund balances (deficits) - July 1, 2014	<u>609,669</u>	<u>12,215</u>	<u>(258)</u>	<u>288,079</u>	<u>(71,126)</u>
Fund balances (deficits) - June 30, 2015	<u>\$ 620,794</u>	<u>\$ 12,215</u>	<u>\$ (258)</u>	<u>\$ 356,860</u>	<u>\$ (87,369)</u>

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	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	\$ -	\$ -	\$ -	\$ -	\$ 195,376
Licenses, permits, and fees	-	23,578	6,060	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	39	10	-	444
Intergovernmental	-	-	37	-	69,943
Charges for services	-	-	-	-	-
Contributions	-	-	-	-	-
Total Revenues	<u>-</u>	<u>23,617</u>	<u>6,107</u>	<u>-</u>	<u>265,763</u>
<u>EXPENDITURES</u>					
Current:					
Public safety	-	-	-	-	-
Streets and public works	-	36	-	-	337,540
Community development	-	-	124,567	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>36</u>	<u>124,567</u>	<u>-</u>	<u>337,540</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>23,581</u>	<u>(118,460)</u>	<u>-</u>	<u>(71,777)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers out	-	-	-	-	(73,879)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(73,879)</u>
Net change in fund balances	-	23,581	(118,460)	-	(145,656)
Fund balances (deficits) - July 1, 2014	<u>10,908</u>	<u>45,280</u>	<u>(87,299)</u>	<u>(57,646)</u>	<u>639,853</u>
Fund balances (deficits) - June 30, 2015	<u>\$ 10,908</u>	<u>\$ 68,861</u>	<u>\$ (205,759)</u>	<u>\$ (57,646)</u>	<u>\$ 494,197</u>

CITY OF GRIDLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds				Total Non-major Governmental Funds
	Butte Interagency Narcotics Task Force	Maintenance Districts	05-PTAA-1446	Recreation Related	
REVENUES					
Taxes and assessments	\$ -	\$ 144,990	\$ -	\$ -	\$ 568,164
Licenses, permits, and fees	-	-	-	6,374	36,166
Fines and forfeitures	-	-	-	-	27,605
Use of money and property	178	243	-	2	1,362
Intergovernmental	5,700	-	-	(5,605)	70,075
Charges for services	-	-	-	79	11,202
Contributions	-	-	-	1,475	1,475
Total Revenues	<u>5,878</u>	<u>145,233</u>	<u>-</u>	<u>2,325</u>	<u>716,049</u>
EXPENDITURES					
Current:					
Public safety	150,882	-	-	-	150,882
Streets and public works	-	76,126	-	-	611,295
Community development	-	383	-	-	124,967
Parks and recreation	-	-	-	205,890	205,890
Capital outlay	-	-	-	7,058	7,058
Total Expenditures	<u>150,882</u>	<u>76,509</u>	<u>-</u>	<u>212,948</u>	<u>1,100,092</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(145,004)</u>	<u>68,724</u>	<u>-</u>	<u>(210,623)</u>	<u>(384,043)</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	-	(2,040)	-	-	(81,772)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,040)</u>	<u>-</u>	<u>-</u>	<u>(81,772)</u>
Net change in fund balances	(145,004)	66,684	-	(210,623)	(465,815)
Fund balances (deficits) - July 1, 2014	<u>151,798</u>	<u>29,878</u>	<u>1</u>	<u>(366,669)</u>	<u>1,204,683</u>
Fund balances (deficits) - June 30, 2015	<u>\$ 6,794</u>	<u>\$ 96,562</u>	<u>\$ 1</u>	<u>\$ (577,292)</u>	<u>\$ 738,868</u>

CITY OF GRIDLEY
COMBINING SCHEDULE OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2015

	Solid Waste Fund	Senior Taxi Fund	Totals
<u>ASSETS</u>			
Current Assets			
Cash and investments	\$ (2,533)	\$ 30,890	\$ 28,357
Accounts receivable, net	-	955	955
Due from other funds	8,460	50,838	59,298
Total Current Assets	5,927	82,683	88,610
Total Assets	5,927	82,683	88,610
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
2015 pension contributions	-	10,232	10,232
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	-	1,923	1,923
Accrued expenses	-	1,839	1,839
Due to other funds	-	2,930	2,930
Deferred revenue	5,001	-	5,001
Compensated absences - current	-	5,360	5,360
Total Current Liabilities	5,001	12,052	17,053
Non-Current Liabilities			
Compensated absences	-	10,267	10,267
Net pension liability	-	140,982	140,982
Net OPEB obligation	-	5,808	5,808
Total Non-Current Liabilities	-	157,057	157,057
Total Liabilities	5,001	169,109	174,110
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Changes in the net pension liability	-	25,279	25,279
<u>NET POSITION</u>			
Unrestricted	926	(101,473)	(100,547)
Total Net Position	\$ 926	\$ (101,473)	\$ (100,547)

CITY OF GRIDLEY
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 NON-MAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Solid Waste Fund</u>	<u>Senior Taxi Fund</u>	<u>Totals</u>
<u>OPERATING REVENUES</u>			
Charges for services	\$ -	\$ 16,052	\$ 16,052
Intergovernmental revenues	-	33,365	33,365
Other revenue	-	<u>14,762</u>	<u>14,762</u>
Total Operating Revenue	<u>-</u>	<u>64,179</u>	<u>64,179</u>
<u>OPERATING EXPENSES</u>			
Salaries and benefits	-	97,125	97,125
Materials, supplies, and operational expenses	-	11,366	11,366
Repairs and maintenance	-	7,905	7,905
Contractual services	856	686	1,542
Administration	-	<u>8,378</u>	<u>8,378</u>
Total Operating Expenses	<u>856</u>	<u>125,460</u>	<u>126,316</u>
Operating Income (Loss)	<u>(856)</u>	<u>(61,281)</u>	<u>(62,137)</u>
<u>NON-OPERATING REVENUES</u>			
Interest income	-	<u>83</u>	<u>83</u>
Total Non-Operating Revenues	<u>-</u>	<u>83</u>	<u>83</u>
Income (Loss) Before Transfers	<u>(856)</u>	<u>(61,198)</u>	<u>(62,054)</u>
Change in net position	(856)	(61,198)	(62,054)
Net Position - July 1, 2014	1,782	114,849	116,631
Prior Period Adjustment (Note 16)	<u>-</u>	<u>(155,124)</u>	<u>(155,124)</u>
Net Position - July 1, 2014, restated	<u>1,782</u>	<u>(40,275)</u>	<u>(38,493)</u>
Net Position - June 30, 2015	<u>\$ 926</u>	<u>\$ (101,473)</u>	<u>\$ (100,547)</u>

CITY OF GRIDLEY
COMBINING SCHEDULE OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Solid Waste Fund	Senior Taxi Fund	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers	\$ 856	\$ 63,329	\$ 64,185
Cash paid to suppliers	(856)	(26,573)	(27,429)
Cash paid to employees	(2,890)	(95,493)	(98,383)
Net Cash Used for Operating Activities	(2,890)	(58,737)	(61,627)
<u>CASH FLOWS FROM NON- CAPITAL FINANCING ACTIVITIES</u>			
Due from other funds	-	(40,101)	(40,101)
Net Cash Used for Non-Capital Financing Activities	-	(40,101)	(40,101)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest and dividends	-	83	83
Net Cash Provided by Investing Activities	-	83	83
Net Decrease in Cash and Cash Equivalents	(2,890)	(98,755)	(101,645)
Cash and Cash Equivalents - July 1, 2014	357	129,645	130,002
Cash and Cash Equivalents - June 30, 2015	\$ (2,533)	\$ 30,890	\$ 28,357

CITY OF GRIDLEY
STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

**RECONCILIATION OF OPERATING
INCOME TO NET CASH USED
FOR OPERATING ACTIVITIES:**

	<u>Solid Waste Fund</u>	<u>Senior Taxi Fund</u>	<u>Totals</u>
Operating Income (Loss)	\$ (856)	\$ (61,281)	\$ (62,137)
Adjustments to reconcile operating income to net cash used for operating activities:			
Pension expense	-	905	905
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	856	(850)	6
Increase in accounts payable	-	857	857
Increase (decrease) in accrued wages	(2,890)	210	(2,680)
Increase in net OPEB obligation	-	813	813
Increase in compensated absences	<u>-</u>	<u>609</u>	<u>609</u>
Net Cash Used for Operating Activities	<u>\$ (2,890)</u>	<u>\$ (58,737)</u>	<u>\$ (61,627)</u>

CITY OF GRIDLEY
COMBINING STATEMENT OF NET POSITION
AGENCY FUNDS
JUNE 30, 2015

	<u>Vision Care Fund</u>	<u>Gridley Bid Fund</u>	<u>Hospital Joint Powers Authority Fund</u>	<u>Hospital JPA Administration Fund</u>	<u>Totals</u>
<u>ASSETS</u>					
Current Assets					
Cash and investments	\$ 3,304	\$ 27	\$ 60,394	\$ 490	\$ 64,215
Taxes receivable	-	-	15,269	-	15,269
Due from other funds	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Total Assets	<u>\$ 3,304</u>	<u>\$ 27</u>	<u>\$ 325,663</u>	<u>\$ 490</u>	<u>\$ 329,484</u>
<u>LIABILITIES</u>					
Accounts payable and accrued liabilities	\$ -	\$ (33)	\$ 332,094	\$ -	\$ 332,061
Deposits in trust	<u>3,304</u>	<u>60</u>	<u>(6,431)</u>	<u>490</u>	<u>(2,577)</u>
Total Liabilities	<u>\$ 3,304</u>	<u>\$ 27</u>	<u>\$ 325,663</u>	<u>\$ 490</u>	<u>\$ 329,484</u>

CITY OF GRIDLEY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</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	\$ 94,456	\$ 542,618	\$ 576,680	\$ 60,394
Taxes payable	-	15,269	-	15,269
Due from other funds	250,000	-	-	250,000
Total Assets	<u>\$ 344,456</u>	<u>\$ 557,887</u>	<u>\$ 576,680</u>	<u>\$ 325,663</u>
LIABILITIES				
Accounts payable	\$ 331,822	\$ 331,822	\$ 331,550	\$ 332,094
Deposits in trust	(5,142)	-	1,289	(6,431)
Total Liabilities	<u>\$ 326,680</u>	<u>\$ 331,822</u>	<u>\$ 332,839</u>	<u>\$ 325,663</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, 2015

	<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	\$ (576,062)	\$ 280,000	\$ 40,000	\$ 499,866	\$ 1,091,277	\$ 75,489	\$ 1,410,570
Accounts receivable	118,238	-	-	-	-	-	118,238
Interest receivable	29	-	-	260	624	-	913
Taxes receivable	20,567	-	-	-	-	-	20,567
Due from other funds	1,626,868	-	-	-	1,531,000	20,000	3,177,868
Due from other governments	156,555	-	-	-	-	-	156,555
Prepaid items	<u>35,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,600</u>
Total Assets	<u>1,381,795</u>	<u>280,000</u>	<u>40,000</u>	<u>500,126</u>	<u>2,622,901</u>	<u>95,489</u>	<u>4,920,311</u>
<u>LIABILITIES</u>							
Accounts payable and accrued liabilities	362,840	-	-	-	-	-	362,840
Accrued payroll and benefits	(239)	-	-	-	-	-	(239)
Unearned revenue	20,000	-	-	-	-	-	20,000
Due to other funds	<u>22,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,653</u>
Total Liabilities	<u>405,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>405,254</u>
<u>FUND BALANCES</u>							
Nonspendable	35,600	-	-	-	-	-	35,600
Restricted	-	40,000	-	500,126	-	-	540,126
Assigned	<u>940,941</u>	<u>240,000</u>	<u>40,000</u>	<u>-</u>	<u>2,622,901</u>	<u>95,489</u>	<u>3,939,331</u>
Total Fund Balances	<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>

CITY OF GRIDLEY
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
JUNE 30, 2015

	<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>REVENUES</u>							
Taxes and assessments	\$ 1,961,071	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,961,071
License, permits, and fees	59,104	-	-	-	-	-	59,104
Fines and forfeitures	20,898	-	-	-	-	-	20,898
Use of money and property	77,263	-	-	-	132	-	77,395
Program Income	30	-	-	-	-	-	30
Intergovernmental	350,515	-	-	-	(4,598)	-	345,917
Charges for services	754,440	-	-	-	-	-	754,440
Recreation and event fees	57,475	-	-	-	-	-	57,475
Insurance proceeds	<u>1,246</u>	-	-	-	-	-	<u>1,246</u>
Total Revenues	<u>3,282,042</u>	-	-	-	<u>(4,466)</u>	-	<u>3,277,576</u>
<u>EXPENDITURES</u>							
Current:							
General administration	109,487	-	-	-	30,599	-	140,086
Public safety	3,437,255	-	-	-	-	-	3,437,255
Streets and public works	22,436	-	-	-	5,123	-	27,559
Community development	187,028	-	-	-	-	-	187,028
Parks and recreation	68,998	-	-	-	-	-	68,998
Debt service:							
Principal	62,556	-	-	-	-	-	62,556
Interest and fiscal charges	<u>4,231</u>	-	-	-	-	-	<u>4,231</u>
Total Expenditures	<u>3,891,991</u>	-	-	-	<u>35,722</u>	-	<u>3,927,713</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(609,949)</u>	-	-	-	<u>(40,188)</u>	-	<u>(650,137)</u>
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers in	2,316,017	150,000	-	-	-	95,489	2,561,506
Transfers out	<u>(172,668)</u>	-	-	-	-	-	<u>(172,668)</u>
Total Other Financing Sources (Uses)	<u>2,143,349</u>	<u>150,000</u>	-	-	-	<u>95,489</u>	<u>2,388,838</u>
Net Change in Fund Balances	1,533,400	150,000	-	-	(40,188)	95,489	1,738,701
Fund Balances (Deficits) - July 1, 2014	<u>(556,859)</u>	<u>130,000</u>	<u>40,000</u>	<u>500,126</u>	<u>2,663,089</u>	-	<u>2,776,356</u>
Fund Balances - June 30, 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>

**CITY OF GRIDLEY
SINGLE AUDIT AND OTHER REPORTS
FOR THE YEAR ENDED
JUNE 30, 2015**

**MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
2515 VENTURE OAKS WAY, SUITE 135
SACRAMENTO, CA 95833**

**CITY OF GRIDLEY
SINGLE AUDIT AND RELATED REPORTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gridley, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Gridley's basic financial statements, and have issued our report thereon dated March 2, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant may exist that were no identified. However, as described in the accompanying schedule of findings, we identified a deficiency in internal control that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings 2015-001 to be a significant deficiency.

Compliance and Other Matters

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

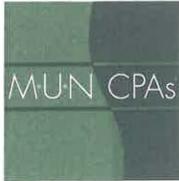
City of Gridley's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Gridley's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Sacramento, California
March 2, 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Gridley's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Gridley's major federal programs for the year ended June 30, 2015. City of Gridley's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Gridley's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Gridley's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Gridley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of City of Gridley, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Gridley's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Gridley's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gridley, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Gridley's basic financial statements. We issued our report thereon dated March 2, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Sacramento, California
March 2, 2016

**CITY OF GRIDLEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number/Grant Number</u>	<u>Federal Expenditures</u>
U.S Department of Transportation			
Pass-Through State of California Office of Traffic Safety: National Priority Safety Programs	20.616	PS1509 GRANT	\$ <u>7,298</u>
Total U.S. Department of Transportation			<u>7,298</u>
U.S Department of Housing and Urban Development			
Direct Programs:			
HOME Investment Partnership Program	14.239	12-HOME-7857	2,085,336
HOME Investment Partnership Program	14.239	13-HOME-8995	81,480
Pass-Through State of California Department of Housing and Community Development Block Grant:			
Community Development Block Grants	14.228	Outstanding Loans	1,701,936
HOME Investment Partnership Program	14.239	Outstanding Loans	5,490,303
HOME Investment Partnership Program	14.238	13 CDBG 8970	<u>2,808</u>
Total U.S. Department of Housing and Urban Development			<u>9,361,863</u>
U.S. Department of Agriculture			
Direct Programs:			
Cooperative Forestry Assistance	10.664	Reso #2014-R-11	<u>10,343</u>
Total U.S. Department of Agriculture			<u>10,343</u>
Total Expenditures of Federal Awards			<u>\$ 9,379,504</u>

**CITY OF GRIDLEY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1: REPORTING ENTITY

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

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on accounting principles generally accepted in the United States of America. The information in this schedule is presented on the accrual basis of accounting and in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS

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

NOTE 4: CLAIMS

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

**CITY OF GRIDLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of Major Programs:	
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii, CFDA 14.228	
Home Investment Partnerships Program, CFDA 14.239	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**CITY OF GRIDLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION II: FINANCIAL STATEMENT FINDINGS

Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*

Finding 2015-001: Year-End Closing Procedures (Significant Deficiency) Repeat Finding

Criteria

Certain deficiencies in internal control system over financial reporting could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Condition

During the year-end audit, 28 journal entries needed to be posted due to errors identified during the audit. Based on the significant amount of journal entries, it appears that there is a need for additional review related to the City's balance sheet account reconciliations, such as capital assets, loans receivable, inventory, accounts payable and accrued expenses.

Cause

This year's closing process was delayed due to staffing changes in the Finance Department.

Recommendation

The City does have month-end and year-end procedures in place; however it was evident due to the above, that those procedures were not enforced. The City should ensure timely and accurate completion of monthly reconciliation of all balance sheet accounts to their subsidiary ledgers in order to ensure the accuracy of the monthly financial statements and underlying subsidiary ledgers. If reconciliations are performed infrequently, errors and adjustments can occur, resulting in the need for significant corrections when the reconciliations are performed. Any reconciling differences should be corrected before the books are closed for the month-end and year-end.

Management's Response

The City will ensure that next year's year-end processes will be done timely and more efficiently. This will be easier to accomplish next year since a detailed task timeline was developed during this audit to guide staff in future audits.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings and questions costs for Federal Awards, which include audit findings as defined in section 510(a).

**CITY OF GRIDLEY
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2015**

Finding 2014-001: Year-End Closing Procedures

Condition

During the year-end audit, over 40 journal entries needed to be posted due to errors identified during the audit. Based on the significant amount of journal entries, it appears that there is a need for additional review related to the City's balance sheet account reconciliations, such as capital assets, loans receivable, inventory, and accounts payable.

Recommendation

The City does have month-end and year-end procedures in place; however it was evident due to the above, that those procedures were not enforced. The City should ensure timely and accurate completion of monthly reconciliation of all balance sheet accounts to their subsidiary ledgers in order to ensure the accuracy of the monthly financial statements and underlying subsidiary ledgers. If reconciliations are performed infrequently, errors and adjustments can occur, resulting in the need for significant corrections when the reconciliations are performed. Any reconciling differences should be corrected before the books are closed for the month-end and year-end.

Status

Not implemented. See 2015-001.

Finding 2014-002: Loans Receivable

Condition

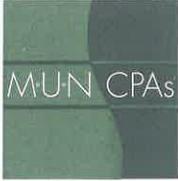
During our testing of the loans receivable balance we noted several instances where the account balance at 6/30/2014 did not reconcile to the supporting loan statements. Currently, loan receivable balances are only reconciled at year-end as part of the year-end closing entries. Also, currently, there is no analysis prepared on uncollectible loan accounts.

Recommendation

The loan receivable balances should be reconciled on a monthly or quarterly basis to the loan statements. In addition, the Corbin Willits Multiple Operations Management (MOM) accounting software does not have a loans receivable module to track individual loan receivable balances. The City currently uses excel spreadsheets to record and track individual loan receivable balances. We recommend that the City revise their tracking method by upgrading their current software to include a loans receivable module or revise the excel spreadsheets to include all loans and not just the amortizing loans. We also recommend that outstanding loans with delinquent loan payments be followed up on. Management should prepare an analysis on uncollectible accounts annually. This analysis should consider prior charge-off experience, as well as other information management may have about an account, such as indication of financial difficulty. Management should adjust the allowance for doubtful accounts after reviewing the analysis of uncollectible accounts and making appropriate collection efforts in order to collect as much as possible and to ensure that the estimated loss from uncollectible accounts is reflected in the balance sheet.

Status

Recommendation implemented.



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Management Letter

March 2, 2016

To the City Council
City of Gridley, California

In planning and performing our audit of the financial statements of the City of Gridley as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Gridley's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated March 2, 2016, on the financial statements of the City of Gridley.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We did not audit the City of Gridley's responses to the comments, and accordingly, we express no opinion on them.

Sincerely,

A handwritten signature in blue ink that reads "Mann Urrutia Nelson CPAs". The signature is written in a cursive, flowing style.

Mann, Urrutia, Nelson CPAs and Associates LLP

**CITY OF GRIDLEY
SUMMARY OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2015**

Throughout our audit it was evident that staffing resources in the Finance Department are at a low level and could contribute to deficiencies in the internal control system over financial reporting, potentially adversely affecting the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The Finance Department is aware of the issues noted below; however, the lack of resources has prevented them from implementing such control recommendations.

Financial Reporting (Repeat)

- 1.) Currently, bank reconciliations and the cash reports included Treasurer's Report are prepared in excel. Preparing reconciliations in excel increases the risk of error. Excel formulas can be manipulated and errors can be rolled over to the next period. We recommend that the bank reconciliations and cash reports be prepared in the accounting software.

Management Response:

The City's MOMs software system has a bank reconciliation module, and staff has discussed utilizing it with the MOMs engineers, but the implementation window is around April of every year (they have to start on the new fiscal year). We will aim to begin this process in April of 2016.

- 2.) Per discussion with Finance Director, the Treasurer's Report was not prepared during the Fiscal year 2014-15. We recommend that the Finance Department prepares this report on a quarterly basis and presents this report to the City Council.

Management Response:

A comprehensive Fiscal year 2014-15 Treasurer's Report was prepared, but not until October 2015. Staff is aware of and agrees with the recommendation, and will make an effort to provide more regular treasury updates to the Council; particularly as the City embarks on implementing a more robust investment program.

- 3.) The City currently uses the MOMs accounting software system. The software does not interface with other software programs and requires significant manipulation in order to produce relevant financial reports. The Finance Department converts a substantial amount of accounting data into excel spreadsheets in order to build reports that are useful to the City. For example, bank reconciliations, the fixed asset schedule, and the loans receivable schedules are processed in excel instead of the accounting system. Additionally, information is keyed multiple times in different spreadsheets to obtain analysis in different formats rather than by keying in information once and sorting the database to the desired formats. Such redundant processing increases the risk of inadvertent errors. This process is also extremely inefficient and requires a substantial amount of time. We recommend that implementation of a new accounting software system would be beneficial to the City. An integrated system would eliminate redundant processing and improve the City's access to information.

Management Response:

Staff is aware of and agrees with this observation. Thinking strategically, in the next two years Management Staff plans on formally reviewing if MOMs meets the City's needs; and if not, will embark on an ERP replacement process. Of course, such a process requires a significant amount of planning, time, and money, and undertaking it in the near future is not a realistic possibility given the financial and staffing challenges the City is currently experiencing.

CITY OF GRIDLEY
SUMMARY OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)
JUNE 30, 2015

Improve Bank Reconciliation Procedures

Monthly bank account reconciliations are the primary internal control procedure related to the City's cash accounts. During our testing we noted that some of the components of bank reconciliations are being performed incorrectly. While the checks are being traced appropriately to the bank statement, the deposits are not being reconciled between the bank statement and the general ledger. We noted that in the bank reconciliation each month, there are differences between the bank balances and the general ledger. It is important for the control over cash that these accounts are reconciled to the penny. Unreconciled differences can obscure significant but offsetting items (such as bank errors or improperly recorded transactions) that would be a cause for investigation if the items were apparent. Also, if small differences are not reconciled on a monthly basis, over time, they can build up to a significant amount that will be difficult to reconcile. In preparing the bank reconciliations, all items should be investigated and corrected in that period.

Management Response:

The recommendation that all deposit batches be reviewed by someone other than the preparer is cumbersome given that only five employees comprise the Finance Department. The small staff requires all four of our front staff having to be cross-trained in preparation for the times when our two Account Clerks are out of the office. This observation was made during the interim audit, when a few scenarios were identified where a check that was posted in MOMs was not posted at the bank until almost a month later. With this background in mind, we believe what will substantially aid the effectiveness of our bank reconciliation process will be to fine tune the implementation of the City's cash management policy so that the delays won't interfere or cause difficulties with our bank reconciliations. We believe this to be the largest contributor to bank reconciliation errors. However, in light of the circumstances, staff would like to find a way to comply with this recommendation. Staff will be exploring ways to implement this recommendation as soon as reasonably possible, in addition to immediately ensuring that our cash management policy is being implemented.

Cash Receipts

- 1.) During our testing we noted that there is no indication that the payments received from other departments are verified. This could lead to potential cash and deposit discrepancies. We recommend that the City implement a procedure where the verification of the deposit is performed immediately and both the Finance Department and the other departments initial for the verification of the deposit.

Management Response:

The City agrees with this finding and will implement it as soon as possible. It is an easy fix to create a form which acknowledges departure/receipt of funds from departments to Finance.

CITY OF GRIDLEY
SUMMARY OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS, CONTINUED
JUNE 30, 2015

Cash Receipts

- 2.) Currently, there is no review process noted on the cash receipt batches. The accounts receivable clerks prepare the daily deposit slips and post payments to customer accounts. Allowing these functions to be controlled by the same individuals increases the risk that errors or misappropriation could occur and go undetected. When the Finance Department staff process and record cash receipts into the general ledger system, there should be a review process performed by an individual who has no access to cash.

Management Response:

The recommendation that all cash receipt batches be reviewed by someone other than the preparer is cumbersome given that only five employees comprise the Finance Department. The small staff requires all four of our front staff having to be cross-trained in preparation for the times when our two Account Clerks are out of the office. This would mean the Finance Director to review the batches. However, in light of the circumstances, staff would like to find a way to comply with this recommendation. Staff will be exploring ways to implement this recommendation as soon as reasonably possible. Also, similar to the deposit batch issue, we believe our timely management of cash will substantially help with deposit reconciliation.

- 3.) The City currently has a Transit Operator pick up the deposit bags from the Finance Department and take the deposits to the bank. To strengthen this control, we recommend that the Finance Department implement a control to have the Transit Operator initial the deposit log indicating which deposit was picked up and taken to the bank.

Management Response:

The City agrees with this recommendation and will create a log for the Transit Operator to better track the bank deliveries.

- 4.) Currently, the meter mis-read exception reports are printed from the MOMs accounting software system on a monthly basis. These reports are reviewed, but there is no evidence indicating that the review process was performed. We recommend that the City implement a procedure where an individual who has no access to cash review the meter mis-read exception reports for accuracy and reasonableness and initial indicating his/her review process.

Management Response:

The City agrees with this finding. Our Senior Account Technician will be performing the monthly reconciliation of the exception reports.

- 5.) During our interim testing, we were made aware that the Master Fee Schedule presented on the City's website was outdated. The City corrected and uploaded an updated Master Fee Schedule on the website.

Management Response:

The City continually strives for accuracy and welcomes opportunities to identify and correct errors.

CITY OF GRIDLEY
SUMMARY OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS, CONTINUED
JUNE 30, 2015

Capital Assets (Repeat)

During our inventory testing of the capital assets, we discovered that the capital asset listing does not agree to the general ledger. We recommend that the City performs an annual physical inventory of capital assets to ensure that the listing is accurate and complete.

Management Response:

The City agrees with this observation and will undertake a capital asset audit as resources and staffing permit.

Inventory (Repeat)

During our inventory testing we noted that the majority of the inventory items were recorded at estimated cost. We recommend that inventory is recorded based on the invoiced actual cost of the item.

Management Response:

Management Staff agrees with this recommendation and continually strives for accuracy with respect to inventory tracking. In many cases, the inventory on hand is many years old and the original invoices specifying the details have been disposed of in accordance with State records retention law. In other cases, the City will base the amounts recorded on actual inventory costs.

CITY OF GRIDLEY
SUMMARY OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Cash Disbursements

Currently, the Finance Director is a check signer on the City's bank accounts, reviews the bank reconciliations and posts transactions to the MOMS accounting software. In order to strengthen controls, we recommend that the Finance Director is not a check signer on the City's bank accounts.

Status: Mitigating control implemented.

Bank statements in some instances were accumulated for several months before they were reconciled. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. We recommend that all bank accounts be reconciled each month prior to preparation of the monthly financial statements.

Status: Mitigating control implemented.

During our testing, we found several instances where invoices are not always dated and stamped when they are entered into the accounting system. In order to strengthen controls, we recommend that the City implement this procedure consistently as this would be a good control to eliminate the possibility of duplicate invoices being entered.

Status: Mitigating control implemented.

Payroll

Payroll can be run without the Finance Director's approval. The Finance Director reviews payroll after the direct deposit is withdrawn from the bank and matches it to the audit trail listing. We recommend that the payroll pre-run report is reviewed prior to approving the payroll disbursement.

Status: Mitigating control implemented.

Journal Entries

During our audit we noted that the journal entries prepared by the Finance Director are not reviewed. We recommend that the journal entries posted by the Finance Director be approved by the City Administrator. The support for the journal entry should be maintained and the preparer and reviewer should sign and date the support for the journal entry.

Status: Mitigating control implemented.

Financial Reporting

We recommend that a budget to actual report be included quarterly in the Treasurer's Report.

Status: Mitigating control implemented.

CITY OF GRIDLEY
SUMMARY OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS, CONTINUED

Financial Reporting

Currently, bank reconciliations and the cash reports included Treasurer's Report are prepared in excel. Preparing reconciliations in excel increases the risk of error. Excel formulas can be manipulated and errors can be rolled over to the next period. We recommend that the bank reconciliations and cash reports be prepared in the accounting software.

Status: Repeat Finding

The City currently uses the MOMs accounting software system. The software does not interface with other software programs and requires significant manipulation in order to produce relevant financial reports. The Finance Department converts a substantial amount of accounting data into excel spreadsheets in order to build reports that are useful to the City. For example, bank reconciliations, the fixed asset schedule, and the loans receivable schedules are processed in excel instead of the accounting system. Additionally, information is keyed multiple times in different spreadsheets to obtain analysis in different formats rather than by keying in information once and sorting the database to the desired formats. Such redundant processing increases the risk of inadvertent errors. This process is also extremely inefficient and requires a substantial amount of time. We recommend that implementation of a new accounting software system would be beneficial to the City. An integrated system would eliminate redundant processing and improve the City's access to information.

Status: Repeat Finding

The City prepares an original and a final annual budget. It was brought to our attention that there were several budgetary accounts that remained the same as in the prior fiscal year. We recommend that the City improve their budgetary controls by implementing periodic reviews of adopted budgets and revising them as necessary.

Status: Mitigating control implemented.

The City has accumulated a negative fund balance in the general fund as of June 30, 2014. We recommend that management prepare a formal plan to restore the fund balance and to maintain the fund balance at adequate levels to meet the City's short term obligations.

Status: Mitigating control implemented.

CITY OF GRIDLEY
SUMMARY OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS, CONTINUED

Capital Assets

During our inventory testing of the capital assets, we discovered that the capital asset listing does not agree to the general ledger. We recommend that the City performs an annual physical inventory of capital assets to ensure that the listing is accurate and complete.

Status: Repeat Finding

Inventory

The electrical inventory consists of various numerous components needed for the operation of the Electrical Enterprise Fund. In the current year, there was a large adjustment posted by Mann, Urrutia, Nelson CPAs as inventory was originally understated. We recommend that the City implement a procedure to ensure that the inventory schedule is reviewed with inventory records for accuracy on at least a semi-annual basis.

Status: Mitigating control implemented.

During our inventory testing we noted that the majority of the inventory items were recorded at estimated cost. We recommend that inventory is recorded based on the invoiced actual cost of the item.

Status: Repeat Finding

Compensated Absences

During our audit procedures for compensated absences calculation, we noted several instances where employees had variances in accrued hours and wages. To decrease the possibility of errors, the schedule should be reviewed against the Employee Accrual Report frequently. We recommend that the City implement a procedure to have someone outside of payroll review the schedule against the Employee Accrual Report on a quarterly basis.

Status: Mitigating control implemented.



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

March 2, 2016

To the City Council
City of Gridley, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gridley for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 18, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Gridley are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City changed accounting policies related to pension plans that are administered through trusts of equivalent arrangements by adopting Statement of Government Accounting Standards No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*.

We noted no transactions entered into by the government during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Governmental Activities, Business-Type Activities, and the General Fund's financial statements were:

Allowance for doubtful accounts

Management's estimate of the allowance for doubtful accounts is based on historical loss levels and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Capital asset lives

Management's estimates of the expected lives of capital assets impacts the computation of the depreciation expense for the year. We evaluated the estimated useful lives of the capital assets for reasonableness and consistency. The resulting depreciation expense computations were reviewed for reasonableness in relation to the financial statements taken as a whole.

Other Post-Employment Benefits (OPEB) and Net Pension Liability

Management's estimate of the OPEB and net pension liabilities is based on actuarially determined information. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

Difficulties noted during the prior year's audit and the current year status were as follows:

- In the prior year, there were over 45 journal entries that needed to be posted due to errors identified during the audit.

Current year status: In the current year, there were over 25 journal entries that needed to be posted subsequent to the auditors receiving the trial balance. The additional posting of entries required significant time to review, as well as re-evaluation and adjustment of the underlying work papers.

- In the prior year, there were several audit adjustments which were needed for the financial statement presentation for the fiscal year ended June 30, 2014 that were not recorded in the general ledger in whole or in part.

Current year status: Reconciliation of various fund equity accounts was required in the current year.

- In the prior year, the capital asset listing did not agree to the general ledger.

Current year status: In the current year, this is a repeating issue and additional time was spent reconciling capital asset balances. We recommend that the City perform an annual physical inventory of capital assets to ensure that the listing is complete and accurate and reconcile capital asset listing on a more frequent basis to ensure that it agrees to the general ledger.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached Schedule A summarizes adjustments that were detected as a result of audit procedures and corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 2, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City of Gridley's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Gridley's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the budgetary comparison for the General Fund and Other Major Funds, the schedule of changes in the net pension liability, the schedule of the proportionate share of the net pension liability, the schedule of contributions to the pension plan, and the OPEB schedule of funding progress which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the City Council and management of City of Gridley and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Mann, Urrutia, Nelson CPAs and Associates

**CITY OF GRIDLEY
SUMMARY OF AUDIT ADJUSTMENTS
June 30, 2015**

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Equity	Revenue	Expenses
<u>Current Year Differences</u>					
To remove compensated absences from gov't funds			\$ (171,847)		\$ (171,847)
To true up compensated absences/sick leave balances		\$ 131,274	\$ (131,274)		
To remove depreciation expense for CIP item	\$ 24,224		\$ 2,532		\$ (21,692)
To true-up CY discount amortization		\$ 69			\$ 69
To adjust LTD balance		\$ (31,916)	\$ 31,916		
To re-class 2008A Bond principal payments against outstanding bond balances		\$ (45,000)			\$ (45,000)
To correct old accrued balances not previously reversed in the following fiscal year		\$ (9,311)			\$ (9,311)
To remove due to/due from out of off-books funds	\$ (96,540)	\$ (96,540)			
To record addition of the truck		\$ 24,616			\$ 24,616
To correct Fund 831 debit revenue balance			\$ (164,347)	\$ 164,347	
To close-out Fund 898	\$ (5,000)	\$ (5,000)			
To record revenue from City utility charges		\$ (285,712)		\$ 285,712	
To reconcile beginning fund balance for Fund 700 to issued financials	\$ (18,222)		\$ (18,222)		
To book an allowance for the DOE and Rio Pluma receivables	\$ (825,566)				\$ 825,566
To true-up Utility AR to the AR Aging Report	\$ (83,945)			\$ (83,945)	
To record final TDA journal entries	\$ 14,838	\$ 14,838		\$ (3,186)	\$ (3,186)
To true up cash balances and beginning fund balances	\$ (106)		\$ (34)	\$ (72)	
To record the promissory note receivable for Gridley Springs	\$ 2,080,000	\$ 2,080,000			
Total Income Statement Effect				<u>\$ 362,856</u>	<u>\$ 599,215</u>
Balance Sheet Effect	<u>\$ 1,089,683</u>	<u>\$ 1,777,318</u>	<u>\$ (451,276)</u>		