

**CITY OF GRASS VALLEY,  
CALIFORNIA**



**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2010**

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**CITY OF GRASS VALLEY, CALIFORNIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE, 2010**

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# INTRODUCTORY SECTION

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- **List of Officials**

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**CITY OF GRASS VALLEY, CALIFORNIA**  
**CITY OFFICIALS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**City Council**

Lisa Swarthout	Mayor
Janet Arbuckle	Vice Mayor
Yolanda Cookson	Council Member
Dan Miller	Council Member
Chauncey Poston	Council Member

**City Officers**

Daniel C. Holler	City Administrator
Kristi Bashor	City Clerk
Ruthann G. Ziegler	City Attorney
Tony Clarabout	Interim Fire Chief
John Foster	Chief of Police
Joe Heckel	Community Development Director
Timothy Kiser	City Engineer/ Director of Public Works
Debby Sultan	Assistant Finance Director

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# FINANCIAL SECTION

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- **Independent Auditor's Report**
  - **Management's Discussion and Analysis**
  - **Basic Financial Statements**
  - **Required Supplementary Information**
  - **Combining Nonmajor Fund Statements**

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**INDEPENDENT AUDITOR'S REPORT**

To The Honorable Mayor and  
Members of the City Council  
City of Grass Valley  
Grass Valley, California

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 Grass Valley, California (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

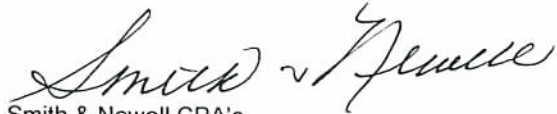
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position, and, cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 4, 2011, on our consideration of the City'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress, and budgetary comparison information 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 information and comparing the information for consistency with managements 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.

To The Honorable Mayor and  
Members of the City Council  
City of Grass Valley  
Grass Valley, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements taken as a whole. The introductory section and combining nonmajor fund statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining 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 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 financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.



Smith & Newell CPA's  
Yuba City, California  
January 4, 2011

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Grass Valley is required to issue financial statements in the format prescribed by the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). GASB 34 requires the City to provide this overview of its financial activities for the fiscal year and should be read in conjunction with the City's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

#### **Entity-wide:**

- ❑ The City's total net assets were \$73,497,692 as of June 30, 2010. Of this total, \$42,805,659 were Governmental assets and \$30,692,033 were Business-type assets.
- ❑ Entity-wide Governmental revenues include program revenues of \$2,644,678 and general revenues of \$11,375,775, for a total of \$14,020,453.
- ❑ Entity-wide Governmental expenses were \$14,904,515 with public protection the largest expense at \$6,715,401 million.
- ❑ Entity-wide Business-type program, interest, and other revenues were \$9,123,615 while Business-type expenses were \$5,127,437.

#### **Fund Level:**

- ❑ Governmental Fund balances decreased to \$22,336,248 in fiscal year 2010, down \$1,436,142 from fiscal year 2009's fund balance of \$23,772,390.
- ❑ Governmental Fund revenues decreased to \$13,522,517 in fiscal year 2010 down \$2,263,817 from the prior year. The taxes and assessments revenue category decreased \$686,255 due primarily to decreases in sales tax of \$676,609, transient occupancy tax of \$63,222, franchise taxes of \$15,247, business license tax of \$4,108, fire assessments of \$22,924, and downtown assessment of \$2,155. Increases in property taxes \$103,633, offset a portion of the decreases. Other category changes were due to decreases in intergovernmental revenues of \$876,248, charges for services of \$765,937, use of money and property of \$220,628, and fines & forfeitures of \$44,356, and an increase in other revenues of \$329,607.
- ❑ Governmental Fund expenditures increased to \$17,592,649 in fiscal year 2010, up \$1,298,368 from the prior year. The decrease in general fund expenditures of \$1,357,288, capital project expenditures of \$1,234,691 and 2008 RDA Bond expenditures of \$365,199 were offset by increases in Redevelopment Agency (RDA) projects expenditures of \$4,039,870 and other governmental fund expenditures of \$215,676.

#### **General Fund:**

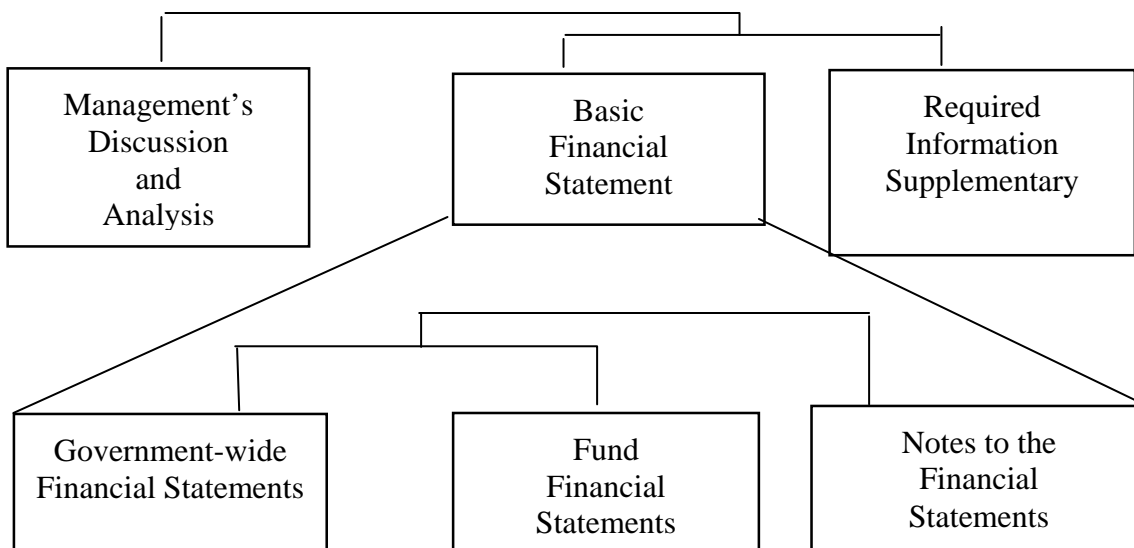
- ❑ General Fund revenues of \$9,888,529 were \$693,543 lower than the prior year due to decreases in taxes & assessments, use of money & property, and charges for services.
- ❑ General Fund expenditures of \$9,938,043 represented a decrease of \$1,357,288 over the prior year primarily because of decreases to public protection, public ways and facilities, community development, and recreation and culture.
- ❑ Other Financing Uses contributed \$147,905 in fiscal year 2010 – as compared to uses of \$44,994 in Other Financing Sources in fiscal year 2009.
- ❑ General Fund balance of \$2,665,916 as of June 30, 2010 was up \$98,391 from fiscal year 2009's fund balance of \$2,567,525.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual financial report consists of four parts - management's discussion and analysis (this part), the basic financial statements, required supplementary information, and optional combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City.

- The government-wide financial statements provide both long-term and short-term information about the City's overall financial status.
- Fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
  - ◇ Governmental funds statements tell how general government services such as police, fire and public works were financed in the short term as well as what remains for future spending.
  - ◇ Proprietary fund statements offer short-term and long-term financial information about the activities the City operates, such as utility services.
  - ◇ Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

### Components of the Financial Section



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included combining statements that provide details about our nonmajor governmental funds, nonmajor enterprise funds, internal service funds and agency funds.

#### **Government-wide Financial Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities. All current year revenues and expenses are reported in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed during the fiscal year. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the City is improving or deteriorating. To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property and sales tax base and the condition of the City's roads and other major infrastructures. The government-wide financial statements of the City are divided as follows:

- Governmental activities - Most of the City's basic services are included here, such as the police, fire, community development, public works, parks departments, and general administration. Taxes and state and federal grants finance most of these activities.
- Business type activities - Certain services provided by the City are funded by customer user fees. Among these are the City's water and sewer services and development services.

- Component units - The City includes another entity in its basic financial statements that, although legally separate, is important because the City is financially accountable for it. This component unit is the Redevelopment Agency of the City of Grass Valley.

## **Fund Financial Statements**

The Fund Financial Statements provide detailed information about each of the City's most significant funds - not the City as a whole, 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 in 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 Fund presents the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

The City has three types of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources, and (2) the remaining year-end balances available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations that explain the relationship (or differences) between governmental funds and governmental activities follow each of the governmental funds statements.
- Enterprise funds - Services for which the City charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the City's enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- Fiduciary funds - The City is responsible for assets that because of trust arrangements can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its own operations.

*Notes to the Financial Statements.* The notes provide additional information that is essential to the reader for a full understanding of the data provided in the government-wide and fund financial statements.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

Net assets may serve over time as an indicator of a government's financial position. For the City, assets exceeded liabilities by \$73,497,692 at June 30, 2010 - a 4.4% increase from the prior fiscal year. The government-wide financial statements provide long-term and short-term information about the City's overall financial conditions. This analysis summarized below, addresses the financial statements of the City as a whole.

**City of Grass Valley**  
**Summary of Net Assets**  
As of June 30, 2010

	Governmental Activities	Business-type Activities	Totals
Current and other assets	\$24,658,735	\$7,468,842	\$32,127,577
Capital assets	32,461,875	39,839,082	72,300,957
Total assets	57,120,610	47,307,924	104,428,534
Long term liabilities	12,230,922	15,651,296	27,882,218
Other liabilities	2,084,029	964,595	3,048,624
Total liabilities	14,314,951	16,615,891	30,930,842
<b>Net assets:</b>			
Invested in capital assets, net of related debt	30,394,563	24,266,847	54,661,410
Restricted	12,722,194	604,959	13,327,153
Unrestricted	(311,098)	5,820,227	5,509,129
Total net assets	\$42,805,659	\$310,692,033	\$73,497,692

Net assets represent the difference between the City's resources and its obligations. At June 30, 2010, the largest portion of the City's total net assets, 74.4%, reflects the investment in capital assets, less related debt outstanding used to acquire the capital assets. These capital assets are used by the City to provide services to the citizens. Additional capital asset information can be found in the Capital Asset and Debt Administration section of this MD&A. Restricted net assets represent amounts that may be used in accordance with external restriction. The unrestricted balance of net assets may be used at the City's discretion.

**City of Grass Valley**  
**Changes in Net Assets**  
As of June 30, 2010

	Governmental Activities	Business-type Activities	Totals
<b>Revenues</b>			
Program revenues:			
Charges for services	\$1,422,005	\$8,907,089	\$10,329,094
Operating grants and contributions	698,475		698,475
Capital grants and contributions	524,198	1,560	525,758
General revenues:			
Property taxes	4,552,281		4,552,281
Sales taxes	2,899,173		2,899,173
Franchise taxes	295,500		295,500
Public service taxes	1,933,574		1,933,574
Property transfer taxes	30,896		30,896
Transient occupancy taxes	482,106		482,106
Interest and investment earnings	162,248	27,280	189,528
Miscellaneous	1,019,997	187,686	1,207,683
Total revenues	14,020,453	9,123,615	23,144,068
<b>Expenses</b>			
General government	3,548,404		3,548,404
Public protection	6,715,401		6,715,401
Public ways and facilities	2,563,763		2,563,763
Community development	881,290		881,290
Recreation and culture	505,284		505,284
Interest on long term debt	690,373		690,373
Water		1,413,680	1,413,680
Wastewater		3,388,372	3,388,372
Development services		325,385	325,385
Total expenses	14,904,515	5,127,437	20,031,952
Excess - before transfers	(884,062)	3,996,178	3,112,116
Transfers	0	0	0
Change in net assets	(\$884,062)	\$3,996,178	\$3,112,116

**Revenue**

The City's total revenue was \$23.1 million for the fiscal year ended June 30, 2010. Revenue from governmental activities totaled \$14 million and revenue from business-type activities totaled \$ 9.1 million. Taxes provided 44.0 percent of the total revenue of the City. Charges for services, operating and capital grants and contributions provided 49.9 percent of the total revenue received during 2010, with interest and investment earnings and miscellaneous revenues making up the remainder 6.1 percent.

**Expenses**

Expenses of the City for the year totaled \$20.0 million. Governmental activity expenses totaled \$14.9 million or 74.4% of total expenses. Business-type expenses totaled \$5.1 million or 25.6% of total expenses.

## Governmental Activities

The following table shows the cost of each of the City's major programs and the net cost of the programs. The net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City's taxpayers by each of these programs.

### City of Grass Valley Net Cost of Governmental Activities As of June 30, 2010

	Total Cost of Services	Net Cost of Services
General government	\$3,548,404	\$3,493,481
Public protection	6,715,401	5,605,481
Public ways and facilities	2,563,763	1,705,479
Community Development	881,290	376,325
Recreation and culture	505,284	388,698
Interest on long term debt	690,373	690,373
Totals	\$14,904,515	\$12,259,837

The cost of all governmental activities for fiscal year 2010 was \$14.9 million. The City's taxpayers paid for approximately 82% of these costs, \$12.26 million. Fees, grants and contributions funded the balance of the costs of governmental activities. The cost of capital assets is not presented as a cost in determining the net cost of governmental activities, but is reflected as an asset in the statement of net assets.

## Business-type Activities

Program revenue of the City's business-type activities totaled \$8.9 million. Expenses of business-type activities were \$5.1 million. The cost of capital improvements are reported as capital assets in the statement of net assets, rather than as expenses in the statement of activities.

## FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The City uses fund accounting to assure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The City's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. The City's governmental funds reported combined fund balances at June 30, 2010 of \$22.3 million, a decrease of \$1,436,142 over the previous fiscal year. The General Fund increased by \$98,391. The increase in fund balance was offset by decreases in Capital Projects of \$226,163, RDA Projects of \$1,024,624, RDA Bonds of \$59,817 and Other Governmental of \$223,929.

## General Fund Budgetary Highlights

Actual expenditures were \$362,655 under final budgeted amounts. Public Protection, Public ways and facilities and recreation and culture had the only positive variances of \$540,734.

Revenues during the year were \$20,395 below the final budgeted amount. Charges for services and other revenues categories were higher than anticipated by \$74,961 and taxes and assessments, intergovernmental revenues and use of money and property categories had negative variances of \$95,356.

## CAPITAL ASSET AND DEBT ADMINISTRATION

GASB 34 requires the City to record all its capital assets including infrastructure. In fiscal year 2003, the City recorded the cost of its infrastructure assets that were acquired since July 1, 1980. The accumulated depreciation on these assets was recorded based on their original acquisition dates. At the end of 2010, the City had invested \$120 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads and water and sewer lines and treatment facilities.

<b>Capital Assets</b>	<b>Balances at June 30, 2010</b>
<b>Governmental Activities</b>	
Land (not being depreciated)	\$2,997,320
Construction in progress (not being depreciated)	905,216
Buildings and improvements	9,426,046
Equipment	5,961,985
Software	118,726
Infrastructure	38,082,616
Less: Accumulated depreciation	<u>(25,030,034)</u>
Governmental activity capital assets, net	<u>\$32,461,875</u>
<b>Business-type Activities</b>	
Land (not being depreciated)	\$239,401
Construction in progress (not being depreciated)	2,764,257
Structures and improvements	54,521,730
Equipment	1,073,762
Software	72,978
Infrastructure	4,140,056
Less: Accumulated depreciation	<u>(22,973,102)</u>
Business-type activity capital assets, net	<u>\$39,839,082</u>

This year's major capital asset additions Included:

### **Governmental Activities**

- *Street Rehabilitation & Slurry Seal \$258,712*
- *Various Street, Sidewalk and Intersection improvements \$155,590*
- *Traffic Calming, Congestion Relief and Engineering \$36,197*
- *American Recovery & Reinvestment Act Street Rehabilitation \$184,255*
- *East Main/Idaho-Maryland intersection centerpiece \$55,344*
- *Memorial Park Playground Shade Structure \$40,889*
- *Fire Station #1 \$106,942*
- *Upper Slide Ravine Infrastructure \$114,637*
- *E Main Street Lane Expansion \$283,424*
- *Fire Ladder Truck \$719,143*
- *Street Sweeper \$174,765*
- *Police Vehicle \$35,989*
- *Snow Plows \$29,459*

### **Business-type Activities**

- *Sewer System evaluation \$78,940*
- *Wastewater Treatment Plant Digester \$9,724*
- *Slate Creek pump expansion \$462,241*
- *Wastewater Treatment Plant improvements \$125,424*
- *Water Line Replacement \$13,445*
- *Alta Hill Reservoir Tanks \$1,036,497*

The City had commitments for capital projects at June 30, 2010 and most of this is for the completion of the American Recovery & Reinvestment Act Street Rehabilitation, Alta Hill Reservoir Tanks, and Wastewater Treatment Plant Improvements. More detailed information about the City's capital assets is presented in Note 3, C. to the financial statements.

## Long-term Debt

At June 30, 2009 and 2010 respectively, the City had \$28.82 million (less outstanding bond issuance cost of \$374,069) and \$28.52 million (less outstanding bond issuance cost of \$401,492) in long-term debt outstanding. The increase in long-term debt was a result of issuance of new Redevelopment Agency Bond. The City made all scheduled repayments of existing debt on time. Additional detailed information about the City's total long-term liabilities is presented in Note 3, D. to the financial statements. As of June 30, 2010, the City's debt consisted of:

### Outstanding Debt

June 30, 2010

#### Governmental Activities Debt:

2002 ABAG Lease Revenue Bonds - Redevelopment Agency portion - 3%-5% due 12/2025	\$ 1,135,000
2008 Redevelopment Agency Bonds 4.00-7.125% due 12/1/2038	,980,000
2010 Redevelopment Agency Bonds 3.00-5.25% due 12/1/2034	3,170,000
1999 Capital lease - WestAmerica Bank - City Hall remodel and Fire Station - 4.85% due 07/2014	812,698
2007 Capital Lease - GMAC - GMC Envoy – 6.75% due 05/01/12	10,567
2008 Capital Lease – GMAC – Acadia – 6.95% due 8/2012	13,733
2009 Capital Lease – Hewlett Packard – Telephone System	95,314
Compensated Absences	1,310,262
Net OPEB Obligation	<u>338,800</u>
Total Governmental Activities Debt	<u>12,866,414</u>

#### Business-type Activities Debt:

1980 State of California Loan - water treatment plant - 2.5% due 01/2012	12,903
1991 State of California Loan - water treatment plant - 3.37% due 10/2028	2,033,807
2002 State of California Loan - wastewater plant expansion - 1.8% due 08/2023	6,250,961
2009 State of California Loan – Safe Drinking Water 0% due 6/1/2032	204,687
1995 FMHA Certificates of Participation - wastewater plant upgrades - 4.5% due 08/2025	6,985,000
Compensated Absences	118,624
Net OPEB Obligation	<u>45,316</u>
Total Business-type Activities Debt	<u>15,651,296</u>

Total Outstanding Debt \$ 28,517,710

Of the above debt the only issues that are rated or insured are:

2002 ABAG Lease Revenue Bonds - insured by AMBAC - Moody's rating - Aaa.  
2008 Redevelopment Agency Bond - uninsured – Standard and Poor's rating – A.  
2010 Redevelopment Agency Bond – insured by Assured Guaranty – Standard and Poor's rating – AA+

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In March 2004, voters approved Proposition 57 (Prop. 57), the California Economic Recovery Bond Act, which allowed the state to purchase bonds to reduce the state budget deficit. As a result, the legislature enacted provisions that changed how sales tax is distributed to local governments. Under the new provisions the City's portion of statewide sales tax was decreased by .25%. This loss of funds is being offset by an increase by the same amount of property tax allocated by the County of Nevada. However, the amount of the property tax payment made under Prop 57 is adjusted from one fiscal year to the next to reflect actual sales tax receipts. This has resulted in a reduction in City revenues for the past two fiscal years and is again anticipated for FY 10/11 due to the estimating process used by the state and the lag time in sales tax payments.

The City experienced significant growth in sales taxes during the prior fiscal years ending in FY06/07. Since FY 06/07 sales tax revenues have dropped substantially, declining approximately 28.9% through FY09/10. The drop in the housing market lead to the reduction of consumers' home equity appreciation, combined with the loss of jobs and related incomes and the closing of businesses all combined to negatively impact sales tax revenue. Considering these factors it is unlikely that sales tax revenues will return to past levels any time soon. Sales tax revenues are projected to stabilize in FY10/11.

The economic decline at the local, state and national levels has also negatively impacted Property Tax revenues. There has been less new building and a general lowering of values due to economic pressures. Housing prices declined within the City with a drop in sales price, increased short sales, and foreclosures. The City anticipates no increase in property tax in FY10/11 due to continued economic conditions that will keep property values low and little new building is anticipated

The City has faced significant challenges related to the reduction of General Fund revenues and personnel related costs. To address the decline in FY09/10 revenues the City implemented work furloughs and reduced service levels (i.e. closure of city facilities to the public). The City worked with the employee bargaining units and significant concessions were made resulting in reduced costs to the City. The City completed negotiations with its six bargaining units and four of the Memorandum of Understandings now expire June 30, 2011. The issue of cost reductions will again be part of the negotiation process for FY11/12. The city has anticipates an increase in retirement costs of 4 to 6% due to a drop in interest earnings by PERS. Historically, the City has also seen an increase in health related costs and worker's compensation insurance rates will also increase. Personnel related costs will continue to present budgetary challenges.

The City balanced the FY09/10 General Fund budget utilizing \$86,943 in reserves as ongoing revenues exceed expenditures. The FY09/10 General Fund Budget was balanced by implementing one-time or short-term remedies such as work furloughs and deferral of capital outlay.

Major projects that are budgeted for FY10/11 are overlay and street projects, Neal Street parking lot and accessibility projects for Memorial & Condon Parks, Sutton Way and other sidewalks. Grant funded projects include improvements to Upper Slide Ravine Infrastructure, Fire Station #1, and street rehabilitation. The Water Enterprise Fund will complete the installation of new storage tanks and continue to update the Water Systems Master Plan and line replacements. The Sewer Enterprise Fund has budgeted for construction improvements for the Waste Water Treatment Plant upgrade, Wastewater Treatment Plant Digester Cleaning, Sewer System Evaluation and Treatment Plant Expansion will be completed. Water and Wastewater projects are dependent upon the receipt of State Grants and Loans. The delay in these payments will create cash flow challenges for the respective funds. Redevelopment projects consist of infrastructure improvements, Downtown Streetscape, implementing Owner Participation Agreements (OPAs), various property purchases and Affordable Housing Assistance

The City settled the groundwater contamination suit against Newmont Mining Company in January 2009. The City received a \$2 million settlement and paid off the advance from the General Fund of \$1.1 million in FY 08/09. Pursuant to the agreement the City will continue to receive revenue to treat the discharge from the Newmont Mine until a separate treatment facility is constructed and operated by Newmont Mining.

The State's budget deficit is a continuing source of concern for the City as the State may find ways to defer revenues owed to the City or enact other measures that would reduce City revenues or require additional expenditures. Proposition 22 passed by the voters in November prohibits the state taking local revenues or delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in our finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Department, 125 East Main Street, Grass Valley, CA. 95945 530-274-4300.

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**BASIC FINANCIAL STATEMENTS**  
Government-Wide Financial Statements

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**CITY OF GRASS VALLEY, CALIFORNIA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 9,960,410	\$ 3,963,273	\$ 13,923,683
Cash and investments with fiscal agent	5,415,107	-	5,415,107
Restricted cash and investments	-	294,349	294,349
Restricted cash and investments with fiscal agent	-	1,062,991	1,062,991
Accounts receivable	683,567	2,064,317	2,747,884
Interest receivable	38,881	-	38,881
Taxes receivable	846,872	782	847,654
Internal balances	(83,090)	83,090	-
Deposits	-	40	40
Prepaid costs	5,501	-	5,501
Loans receivable	7,791,487	-	7,791,487
Capital assets			
Non depreciable	3,902,536	3,003,658	6,906,194
Depreciable, net	28,559,339	36,835,424	65,394,763
Total capital assets	<u>32,461,875</u>	<u>39,839,082</u>	<u>72,300,957</u>
<b>Total Assets</b>	<u>57,120,610</u>	<u>47,307,924</u>	<u>104,428,534</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	1,494,436	165,505	1,659,941
Salaries and benefits payable	405,682	87,583	493,265
Interest payable	-	242,077	242,077
Retentions payable	998	211,658	212,656
Deposits payable	182,913	11,196	194,109
Unearned revenue	-	246,576	246,576
Long-term liabilities			
Due within one year	1,153,472	877,752	2,031,224
Due in more than one year	11,077,450	14,773,544	25,850,994
<b>Total Liabilities</b>	<u>14,314,951</u>	<u>16,615,891</u>	<u>30,930,842</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	30,394,563	24,266,847	54,661,410
Restricted for			
Narcotic investigation	12,823	-	12,823
SMA Park	146,645	-	146,645
North Star Rock Road Mitigation	16,543	-	16,543
Tree preservation	9,701	-	9,701
Permanent Funds			
Expendable	(604)	-	(604)
Nonexpendable	120,233	-	120,233
Redevelopment	313,422	-	313,422
Grants, taxes, and fees	12,103,431	-	12,103,431
Debt service	-	604,959	604,959
Unrestricted	(311,098)	5,820,227	5,509,129
<b>Total Net Assets</b>	<u>\$ 42,805,659</u>	<u>\$ 30,692,033</u>	<u>\$ 73,497,692</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<b>FUNCTIONS/PROGRAMS</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Governmental activities:				
General government	\$ 3,548,404	\$ 20,099	\$ 34,824	\$ -
Public protection	6,715,401	727,266	185,891	196,763
Public ways and facilities	2,563,763	166,313	364,536	327,435
Community development	881,290	431,854	73,111	-
Recreation and culture	505,284	76,473	40,113	-
Interest on long-term debt	690,373	-	-	-
<b>Total Governmental Activities</b>	<b>14,904,515</b>	<b>1,422,005</b>	<b>698,475</b>	<b>524,198</b>
Business-type activities:				
Water	1,413,680	3,911,181	-	780
Sewer	3,388,372	4,673,115	-	780
Development services	325,385	322,793	-	-
<b>Total Business-type Activities</b>	<b>5,127,437</b>	<b>8,907,089</b>	<b>-</b>	<b>1,560</b>
<b>Total</b>	<b>\$ 20,031,952</b>	<b>\$ 10,329,094</b>	<b>\$ 698,475</b>	<b>\$ 525,758</b>

**General revenues:**

Taxes:

- Property taxes
- Sales and use taxes
- Franchise taxes
- Public service taxes
- Property transfer taxes
- Transient occupancy taxes
- Interest and investment earnings
- Miscellaneous

**Total General Revenues**

**Change in Net Assets**

**Net Assets - Beginning**

**Net Assets - Ending**

The notes to the basic financial statements are an integral part of this statement.

**Net (Expense) Revenue and  
Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (3,493,481)	\$ -	\$ (3,493,481)
(5,605,481)	-	(5,605,481)
(1,705,479)	-	(1,705,479)
(376,325)	-	(376,325)
(388,698)	-	(388,698)
(690,373)	-	(690,373)
<u>(12,259,837)</u>	<u>-</u>	<u>(12,259,837)</u>
-	2,498,281	2,498,281
-	1,285,523	1,285,523
-	(2,592)	(2,592)
<u>-</u>	<u>3,781,212</u>	<u>3,781,212</u>
<u>(12,259,837)</u>	<u>3,781,212</u>	<u>(8,478,625)</u>
4,552,281	-	4,552,281
2,899,173	-	2,899,173
295,500	-	295,500
1,933,574	-	1,933,574
30,896	-	30,896
482,106	-	482,106
162,248	27,280	189,528
1,019,997	187,686	1,207,683
<u>11,375,775</u>	<u>214,966</u>	<u>11,590,741</u>
(884,062)	3,996,178	3,112,116
<u>43,689,721</u>	<u>26,695,855</u>	<u>70,385,576</u>
<u>\$ 42,805,659</u>	<u>\$ 30,692,033</u>	<u>\$ 73,497,692</u>

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**BASIC FINANCIAL STATEMENTS**  
**Fund Financial Statements**

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**CITY OF GRASS VALLEY, CALIFORNIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	<b>General</b>	<b>Capital Projects</b>	<b>RDA Projects</b>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 2,844,920	\$ -	\$ 2,247,840
Cash and investments with fiscal agent	20,000	-	863,878
Accounts receivable	132,000	18,147	-
Interest receivable	32,609	-	-
Taxes receivable	719,450	-	71,488
Due from other funds	94,103	1,315	618
Advance to other funds	-	-	593,056
Prepaid expenses	5,501	-	-
Loans receivable	-	-	-
	<b>Total Assets</b>	<b>\$ 19,462</b>	<b>\$ 3,776,880</b>
	<b>\$ 3,848,583</b>	<b>\$ 19,462</b>	<b>\$ 3,776,880</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 594,259	\$ 181,454	\$ 22,373
Salaries and benefits payable	365,495	9,660	10,947
Retentions payable	-	998	-
Deposits payable	182,913	-	-
Due to other funds	40,000	67,465	-
Advance from other funds	-	593,056	-
	<b>Total Liabilities</b>	<b>852,633</b>	<b>33,320</b>
	<b>1,182,667</b>	<b>852,633</b>	<b>33,320</b>
<b>Fund Balances</b>			
Reserved for:			
Encumbrances	94,516	535,562	136,583
Narcotic investigation	12,823	-	-
SMA Park	146,645	-	-
North Star Rock Road Mitigation	16,543	-	-
Tree preservation	9,701	-	-
Whispering Pines	153,160	-	-
PARSAC Liability	75,000	-	-
Long-term receivables	-	-	593,056
Permanent funds	-	-	-
Unreserved, reported in:			
General			
Undesignated	2,157,528	-	-
Special Revenue			
Undesignated	-	-	-
Capital Projects			
Designated	-	-	3,013,921
Undesignated	-	(1,368,733)	-
Permanent			
Undesignated	-	-	-
	<b>Total Fund Balances</b>	<b>(833,171)</b>	<b>3,743,560</b>
	<b>\$ 3,848,583</b>	<b>\$ 19,462</b>	<b>\$ 3,776,880</b>
<b>Total Liabilities and Fund Balances</b>			

The notes to the basic financial statements are an integral part of this statement.

<u>2008 RDA Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 4,388,517	\$ 9,481,277
4,531,229	-	5,415,107
-	80,267	230,414
6,272	-	38,881
-	55,934	846,872
-	89,076	185,112
-	-	593,056
-	-	5,501
-	7,791,487	7,791,487
<u>\$ 4,537,501</u>	<u>\$ 12,405,281</u>	<u>\$ 24,587,707</u>

\$ -	\$ 45,612	\$ 843,698
-	19,580	405,682
-	-	998
-	-	182,913
618	117,029	225,112
-	-	593,056
<u>618</u>	<u>182,221</u>	<u>2,251,459</u>

-	15,631	782,292
-	-	12,823
-	-	146,645
-	-	16,543
-	-	9,701
-	-	153,160
-	-	75,000
-	7,791,487	8,384,543
-	120,233	120,233
-	-	2,157,528
-	4,296,313	4,296,313
4,536,883	-	7,550,804
-	-	(1,368,733)
-	(604)	(604)
<u>4,536,883</u>	<u>12,223,060</u>	<u>22,336,248</u>
<u>\$ 4,537,501</u>	<u>\$ 12,405,281</u>	<u>\$ 24,587,707</u>

**CITY OF GRASS VALLEY, CALIFORNIA**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2010**

<b>Total Fund Balance - Total Governmental Funds</b>	<b>\$ 22,336,248</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	31,164,801
Other long term assets are not available to pay for current period expenditures and therefore, are not reported in the funds or are deferred in the governmental funds.	
Accounts receivable	418,287
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Bonds payable	(9,649,508)
Capital leases payable	(836,998)
Compensated absences	(1,310,262)
Net OPEB obligation	(338,840)
Internal service funds are used by management to charge the cost of certain activities, such as insurance and equipment maintenance and operations, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	
	<u>1,021,931</u>
<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 42,805,659</u></u></b>

The notes to the basic financial statements are an integral part of this statement.

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**CITY OF GRASS VALLEY, CALIFORNIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Capital Projects</u>	<u>RDA Projects</u>
<b><u>REVENUES</u></b>			
Taxes and assessments	\$ 7,114,145	\$ -	\$ 1,546,859
Fines and forfeitures	-	-	-
Intergovernmental revenues	1,207,520	25,647	-
Use of money and property	21,134	80	32,287
Charges for services	609,324	-	-
Other revenues	936,406	19,598	-
<b>Total Revenues</b>	<b>9,888,529</b>	<b>45,325</b>	<b>1,579,146</b>
<b><u>EXPENDITURES</u></b>			
Current:			
General government	2,179,566	-	1,216,972
Public protection	5,871,880	-	-
Public ways and facilities	984,801	-	-
Community development	298,283	-	-
Recreation and culture	261,337	-	-
Debt service			
Principal	242,606	-	2,975,000
Interest and other charges	67,770	4,036	601,804
Bond issue cost	-	-	202,619
Capital outlay	31,800	1,266,171	251,812
<b>Total Expenditures</b>	<b>9,938,043</b>	<b>1,270,207</b>	<b>5,248,207</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(49,514)</b>	<b>(1,224,882)</b>	<b>(3,669,061)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers in	150,418	998,719	16,537
Transfers out	(2,513)	-	(470,827)
Refunding bonds issued	-	-	3,170,000
Discount on tax allocation bond	-	-	(42,273)
Premium paid on refunding	-	-	(29,000)
<b>Total Other Financing Sources (Uses)</b>	<b>147,905</b>	<b>998,719</b>	<b>2,644,437</b>
<b>Net Change in Fund Balances</b>	<b>98,391</b>	<b>(226,163)</b>	<b>(1,024,624)</b>
<b>Fund Balances - Beginning</b>	<b>2,567,525</b>	<b>(607,008)</b>	<b>4,768,184</b>
<b>Fund Balances - Ending</b>	<b>\$ 2,665,916</b>	<b>\$ (833,171)</b>	<b>\$ 3,743,560</b>

The notes to the basic financial statements are an integral part of this statement.

<u>2008 RDA Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 698,724	\$ 9,359,728
-	108,236	108,236
-	613,721	1,846,888
31,327	76,740	161,568
-	334,540	943,864
-	146,229	1,102,233
<u>31,327</u>	<u>1,978,190</u>	<u>13,522,517</u>
-	23,590	3,420,128
-	272,919	6,144,799
-	172,076	1,156,877
-	576,463	874,746
-	-	261,337
-	-	3,217,606
-	-	673,610
-	-	202,619
<u>91,144</u>	<u>-</u>	<u>1,640,927</u>
<u>91,144</u>	<u>1,045,048</u>	<u>17,592,649</u>
<u>(59,817)</u>	<u>933,142</u>	<u>(4,070,132)</u>
-	371,872	1,537,546
-	(1,528,943)	(2,002,283)
-	-	3,170,000
-	-	(42,273)
-	-	(29,000)
<u>-</u>	<u>(1,157,071)</u>	<u>2,633,990</u>
<u>(59,817)</u>	<u>(223,929)</u>	<u>(1,436,142)</u>
<u>4,596,700</u>	<u>12,446,989</u>	<u>23,772,390</u>
<u>\$ 4,536,883</u>	<u>\$ 12,223,060</u>	<u>\$ 22,336,248</u>

**CITY OF GRASS VALLEY, CALIFORNIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Net Change in Fund Balances - Total Governmental Funds** \$ (1,436,142)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital outlay	1,640,927
Depreciation expense	(2,086,644)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the cost of the capital assets disposed. There were no significant proceeds.

(99,151)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal retirements	3,217,606
Proceeds from issuance of debt, net of bond discount of \$42,273, cost of issuance of \$202,619 and premium paid on refunding of \$29,000.	(2,896,108)

Some revenues reported in the statement of activities will not be collected for several months after the City's year end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds.

Change in accounts receivable	418,287
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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 the governmental funds.

Change in compensated absences	(27,889)
Change in net OPEB obligation	(178,611)
Amortization on bond discount	(6,297)
Amortization on bond issuance costs	(6,172)

Internal service funds are used by management to charge the cost of certain activities, such as insurance and equipment maintenance and operations, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

576,132

**Change in Net Assets of Governmental Activities**

\$ (884,062)

The notes to the basic financial statements are an integral part of this statement.

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**CITY OF GRASS VALLEY, CALIFORNIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2010**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Other Enterprise Funds</b>	
<b>ASSETS</b>				
Current Assets				
Cash and investments	\$ 1,747,671	\$ 1,806,846	\$ 207,755	\$ 3,762,272
Accounts receivable	428,536	1,635,616	165	2,064,317
Taxes receivable	-	782	-	782
Due from other funds	-	-	-	-
Deposits	-	40	-	40
<b>Total Current Assets</b>	<b>2,176,207</b>	<b>3,443,284</b>	<b>207,920</b>	<b>5,827,411</b>
Noncurrent Assets:				
Restricted Assets:				
Cash and investments	249,837	44,512	-	294,349
Cash and investments with fiscal agent	-	1,062,991	-	1,062,991
Capital Assets:				
Non-depreciable	2,889,883	113,775	-	3,003,658
Depreciable, net	5,149,361	31,600,216	969	36,750,546
Total capital assets	8,039,244	31,713,991	969	39,754,204
<b>Total Noncurrent Assets</b>	<b>8,289,081</b>	<b>32,821,494</b>	<b>969</b>	<b>41,111,544</b>
<b>Total Assets</b>	<b>10,465,288</b>	<b>36,264,778</b>	<b>208,889</b>	<b>46,938,955</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	60,119	98,667	6,719	165,505
Salaries and benefits payable	28,449	46,247	12,887	87,583
Interest payable	17,188	224,889	-	242,077
Retentions payable	211,658	-	-	211,658
Deposits payable	11,196	-	-	11,196
Due to other funds	-	-	-	-
Unearned revenue	-	246,576	-	246,576
Compensated absences payable	16,925	32,254	5,434	54,613
Capital lease payable	-	-	-	-
Certificates of participation	-	305,000	-	305,000
Loans payable	87,146	430,993	-	518,139
<b>Total Current Liabilities</b>	<b>432,681</b>	<b>1,384,626</b>	<b>25,040</b>	<b>1,842,347</b>
Noncurrent Liabilities				
Compensated absences payable	19,668	37,541	6,801	64,010
Capital lease payable	-	-	-	-
Certificates of participation	-	6,680,000	-	6,680,000
Loans payable	2,164,249	5,819,969	-	7,984,218
Net OPEB obligation	17,948	21,632	5,736	45,316
<b>Total Noncurrent Liabilities</b>	<b>2,201,865</b>	<b>12,559,142</b>	<b>12,537</b>	<b>14,773,544</b>
<b>Total Liabilities</b>	<b>2,634,546</b>	<b>13,943,768</b>	<b>37,577</b>	<b>16,615,891</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	5,787,849	18,478,029	969	24,266,847
Restricted for debt service	249,837	355,122	-	604,959
Unrestricted	1,793,056	3,487,859	170,343	5,451,258
<b>Total Net Assets</b>	<b>\$ 7,830,742</b>	<b>\$ 22,321,010</b>	<b>\$ 171,312</b>	<b>30,323,064</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				368,969
<b>Net Assets of the Business-Type Activities</b>				<b>\$ 30,692,033</b>

The notes to the basic financial statements are an integral part of this statement.

**Governmental  
Activities**  

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**Internal  
Service  
Funds**

---

\$ 680,134  
34,866  
-  
41,050  
-  

---

756,050

-  
-  
-  
1,381,952  

---

1,381,952  

---

1,381,952  

---

2,138,002

650,738  
-  
-  
-  
-  
1,050  
-  
-  
21,777  
-  
-  

---

673,565

-  
73,537  
-  
-  
-  

---

73,537  

---

747,102

1,286,638  
-  
104,262  

---

\$ 1,390,900

**CITY OF GRASS VALLEY, CALIFORNIA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Totals</b>
	<b>Water</b>	<b>Sewer</b>	<b>Other Enterprise Funds</b>	
<b><u>OPERATING REVENUES</u></b>				
Charges for services	\$ 3,911,181	\$ 4,673,046	\$ 322,793	\$ 8,907,020
Other revenue	-	69	-	69
<b>Total Operating Revenues</b>	<b>3,911,181</b>	<b>4,673,115</b>	<b>322,793</b>	<b>8,907,089</b>
<b><u>OPERATING EXPENSES</u></b>				
Billing and administration	257,889	313,182	69,593	640,664
Water treatment plant	252,918	-	-	252,918
Purchase of water	262,885	-	-	262,885
Water distribution system	337,516	-	-	337,516
Wastewater collection	-	381,460	-	381,460
Wastewater lift stations	-	-	-	-
Wastewater treatment plant	-	1,228,436	-	1,228,436
Planning	-	-	32,974	32,974
Building	-	-	216,708	216,708
Depreciation	244,163	1,167,954	783	1,412,900
<b>Total Operating Expenses</b>	<b>1,355,371</b>	<b>3,091,032</b>	<b>320,058</b>	<b>4,766,461</b>
<b>Operating Income (Loss)</b>	<b>2,555,810</b>	<b>1,582,083</b>	<b>2,735</b>	<b>4,140,628</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>				
Impact/connection fees	33,228	152,959	-	186,187
Intergovernmental Revenues	-	-	-	-
Interest income	8,673	13,418	1,971	24,062
Interest expense	(70,249)	(429,408)	-	(499,657)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(28,348)</b>	<b>(263,031)</b>	<b>1,971</b>	<b>(289,408)</b>
<b>Income (Loss) Before Transfers</b>	<b>2,527,462</b>	<b>1,319,052</b>	<b>4,706</b>	<b>3,851,220</b>
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Change in Net Assets</b>	<b>2,527,462</b>	<b>1,319,052</b>	<b>4,706</b>	<b>3,851,220</b>
<b>Total Net Assets - Beginning</b>	<b>5,303,280</b>	<b>21,001,958</b>	<b>166,606</b>	
<b>Total Net Assets - Ending</b>	<b>\$ 7,830,742</b>	<b>\$ 22,321,010</b>	<b>\$ 171,312</b>	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				144,958
<b>Change in Net Assets of the Business-Type Activities</b>				<b>\$ 3,996,178</b>

The notes to the basic financial statements are an integral part of this statement.

**Governmental  
Activities**  

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**Internal  
Service  
Funds**

---

\$ 220,000  
18,414

---

238,414

-  
-  
-  
-  
-  
-  
-

---

144,442

---

144,442

---

93,972

-  
162,765  
3,910  
(4,294)

---

162,381

256,353

464,737

-

---

721,090

---

669,810

---

\$ 1,390,900

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**CITY OF GRASS VALLEY, CALIFORNIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Totals</b>
	<b>Water</b>	<b>Sewer</b>	<b>Other Enterprise Funds</b>	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from customers	\$ 3,736,884	\$ 4,672,548	\$ 337,094	\$ 8,746,526
Payments to suppliers	(1,235,439)	(2,219,588)	(272,390)	(3,727,417)
Payments to employees	(269,236)	(268,690)	(64,173)	(602,099)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>2,232,209</b>	<b>2,184,270</b>	<b>531</b>	<b>4,417,010</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Impact/Connection fees	33,228	152,750	-	185,978
Intergovernmental revenue	-	-	-	-
Transfers from other funds	-	-	-	-
Interfund loans received	-	57,059	-	57,059
Interfund loans made	-	-	-	-
Interfund loans repaid	(56,997)	(62)	(238)	(57,297)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(23,769)</b>	<b>209,747</b>	<b>(238)</b>	<b>185,740</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Purchase of capital assets	(1,053,661)	(681,770)	-	(1,735,431)
Proceeds from capital debt	204,684	-	-	204,684
Principal paid on capital debt	(84,349)	(718,359)	-	(802,708)
Interest paid on capital debt	(70,909)	(441,301)	-	(512,210)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(1,004,235)</b>	<b>(1,841,430)</b>	<b>-</b>	<b>(2,845,665)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest received on investments	8,673	13,418	1,972	24,063
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>8,673</b>	<b>13,418</b>	<b>1,972</b>	<b>24,063</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,212,878</b>	<b>566,005</b>	<b>2,265</b>	<b>1,781,148</b>
<b>Balances - Beginning of the Year</b>	<b>784,630</b>	<b>2,348,344</b>	<b>205,490</b>	<b>3,338,464</b>
<b>Balances - End of the Year</b>	<b>\$ 1,997,508</b>	<b>\$ 2,914,349</b>	<b>\$ 207,755</b>	<b>\$ 5,119,612</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>				
Operating income (loss)	\$ 2,555,810	\$ 1,582,083	\$ 2,735	\$ 4,140,628
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	244,163	1,167,954	783	1,412,900
Decrease (increase) in:				
Accounts receivable	(168,837)	(567)	14,301	(155,103)
Deposits	-	12,000	-	12,000
Increase (decrease) in:				
Accounts payable	(466,182)	(313,502)	(22,708)	(802,392)
Salaries and benefits payable	(3,520)	1,453	2,033	(34)
Retentions payable	84,062	(308,190)	-	(224,128)
Deposits payable	(5,460)	-	-	(5,460)
Compensated absences	(14,188)	35,146	1,943	22,901
Net OPEB obligation	6,361	7,893	1,444	15,698
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 2,232,209</b>	<b>\$ 2,184,270</b>	<b>\$ 531</b>	<b>\$ 4,417,010</b>

The notes to the basic financial statements are an integral part of this statement.

**Governmental  
Activities**

**Internal  
Service  
Funds**

\$ 358,271  
-  
-  

---

358,271

-  
162,765  
464,737  
-  
1,050  
(27,594)  

---

600,958

(629,841)  
114,448  
(19,134)  
(4,294)  

---

(538,821)

---

3,910

---

3,910

424,318

---

255,816

\$ 680,134

\$ 93,972

144,442

119,857

-  
-  
-  
-  
-  

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-

\$ 358,271

**CITY OF GRASS VALLEY, CALIFORNIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2010**

	<b>Payroll Fund</b>	<b>Agency Funds</b>
<b><u>ASSETS</u></b>		
Cash and investments	\$ 89,095	\$ 316,776
Cash and investments with fiscal agent	9,380	510,591
Taxes receivable	-	7,197
<b>Total Assets</b>	98,475	834,564
<b><u>LIABILITIES</u></b>		
Salaries and benefits payable	98,475	-
Agency funds held for others	-	834,564
<b>Total Liabilities</b>	98,475	834,564
<b><u>NET ASSETS</u></b>		
Held in trust for other purposes	\$ -	\$ -

The notes to the basic financial statements are an integral part of this statement.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Payroll Fund</b>
<b><u>ADDITIONS</u></b>	
Contributions	\$ 1,155,774
<b>Total Additions</b>	1,155,774
<b><u>DEDUCTIONS</u></b>	
Taxes and benefits paid	1,155,774
<b>Total Deductions</b>	1,155,774
<b>Total Change in Net Assets</b>	-
<b>Net Assets - Beginning</b>	-
<b>Net Assets - Ending</b>	\$ -

The notes to the basic financial statements are an integral part of this statement.

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**BASIC FINANCIAL STATEMENTS**  
Notes to Basic Financial Statements

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**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City operates under a Council form of government and provides the following services: public safety, highways and streets, health and sanitation, culture-recreation, public improvements, planning and zoning, general administrative services, and water and sewer.

The accounting methods and procedures adopted by the City conform to generally accepted accounting principles as applied to governmental entities. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable under the criteria set by Governmental Accounting Standards Board (GASB) Statement No. 14.

The governmental reporting entity consists of the City and its component units. Component units are legally separate organizations for which the City Council is financially accountable or other organizations whose component units nature and significant relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the City's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the City.

Reporting for component units on the City's financial statements can be blended or discretely presented. Blended component units are, although legally separate entities, in substance part of the City's operations and, therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, would be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

For financial purposes, the City's basic financial statements include all financial activities that are controlled by or are dependent upon action taken by the City Council. The financial statements of the individual component units may be obtained by writing to the City of Grass Valley, 125 East Main Street, Grass Valley, CA 95945-6588.

Component units that are blended into the reporting activity types of the City's report are presented below:

**Redevelopment Agency of the City of Grass Valley**

The California redevelopment process provides communities at a local level with a comprehensive tool for economic development. These tools are the powers of land assembly and site preparation for private development, the ability to finance necessary public improvements, the authority to impose conditions and restrictions for the quality of developments of an area, and the capability to broaden financing capabilities utilizing a variety of public and private sources. The Agency provides services entirely for the benefit of the City of Grass Valley. The governing body is substantially the same as the primary government and the City and the component unit are financially interdependent; hence, the unit is presented by blending with the primary government.

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The statement of net assets and statement of activities display information on all of the nonfiduciary activities of the City, and its blended component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which are normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the City's business-type activities and 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. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**B. Basis of Presentation (Continued)**

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets, liabilities, 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
- Total assets, liabilities, 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.

The City reports the following major governmental funds:

- The General Fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as public protection, public ways and facilities, community development, and recreation and culture services.
- The Capital Projects Fund is a capital project fund used to account for capital improvements of the City.
- The RDA Projects Fund is a capital project fund used to account for RDA improvements of the City.
- The 2008 RDA Bonds fund is a capital project fund used to account for RDA bond funding for improvements.

The City reports the following major enterprise funds:

- The Water Fund is an enterprise fund used to account for activity related to providing customers with water service and billing for service provided by the City.
- The Sewer Fund is an enterprise fund used to account for activity related to providing customers with sewer service and billing for service provided by the City.

The City reports the following additional fund types:

- Internal Service Funds account for the City's vehicle replacement and technology programs which provide services to other departments on a cost reimbursement basis.
- Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.
- Agency Funds account for assets held by the City as an agent for various local governments and for individuals.

**C. Basis of Accounting and Measurement Focus**

The government-wide and proprietary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales tax, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting and Measurement Focus (Continued)**

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements for the business-type activities and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise fund, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues reported in the governmental funds to be available if they are collected within sixty days after the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Governmental capital assets acquisitions are reported as expenditures in the various functions of the governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

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 ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service 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.

Fiduciary funds include trust funds and agency funds. All trust funds are reported using the economic measurement focus and the accrual basis of accounting. Agency funds are reported using the accrual basis of accounting to recognize receivables and payables.

**D. Cash and Cash Equivalents**

For purposes of the accompanying statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments, except cash with fiscal agent, of the proprietary fund types are pooled with the City's cash and investments.

**E. Cash and Investments**

The City pools cash and investments of all funds except for amounts held by fiscal agent. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. State statutes authorize the City to invest its cash surplus in obligations of the U.S. treasury, agencies and instrumentalities, corporate bonds, medium term notes, banker's acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund. Investment income from pooled investments is allocated to all funds in the pool. Interest is allocated on the basis of average month end cash balance amounts for each fund as a percentage of the total balance.

Investments are reported in the accompanying balance sheet at fair value which is determined using selected bases annually. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. Managed funds not listed on an established market are reported at the estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Receivables**

In the government-wide and proprietary fund financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include taxes, grants, and interest. Business-type activities report user fees and interest earnings as their major receivables. The sewer and water revenues are recognized based on cycle billings rendered to customers.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, grants, interest, and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred 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.

**G. Interfund Transactions**

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables 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) as appropriate and are subject to elimination upon consolidation. 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 or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each governmental function and therefore are not eliminated in the process of preparing the government-wide statement of activities.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are treated as an adjustment to expenditures or expenses; that is, a corresponding increase in expenditures or expenses in the reimbursing fund and a corresponding decrease in expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

See Note 3 for details of interfund transactions, including receivables and payables at year end.

**H. Inventory and Prepaid Costs**

Governmental fund inventories are recorded as expenditures at the time the inventory is purchased. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs.

**I. Loans Receivables**

For the purpose of the fund financial statements, Special Revenue Fund expenditures relating to long-term loans receivable arising from mortgage subsidy programs are charged to operations upon funding and the loans receivable are recorded. The balance of the long-term receivable includes loans that may be forgiven if certain terms and conditions of the loans are met.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Capital Assets**

The accounting treatment over property, plant and equipment (capital assets) 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 Financial Statements**

In the government-wide financial statements, property, plant, equipment and infrastructure are accounted for as capital assets in both the governmental and business type activities column. Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks and similar items) are defined by the City as an asset with a cost greater than \$5,000 and useful life of more than two years. Such assets are recorded at historical or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the date of donation.

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 Assets. 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:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	3-25 years
Structures and improvements	5-50 years
Infrastructure	20-75 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

**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.

**K. Unearned Revenue/Deferred Revenue**

Unearned revenue is recorded for assets recognized in connection with a transaction before the earnings process is complete. Those assets are offset by a corresponding liability for unearned revenue.

Deferred revenue is recorded under the modified accrual basis of accounting when revenue which has been earned during the current period has met the measurable criteria but has not met the available criteria.

See Note 3 for details of unearned/deferred revenue at year end.

**L. Long-Term Debt**

The accounting treatment of long-term debt 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.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of loans payable, accrued compensated absences, tax allocation bonds payable, and capital leases payable.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Long-Term Debt (Continued)**

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The long-term debt associated with proprietary funds is accounted for the same as in the government-wide statements.

**M. Compensated Absences**

The City's policy regarding compensated absences is to permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as debt in the government-wide and proprietary fund financial statements. The current portion of this debt is estimated based on historical trends. In the governmental fund financial statements the expenditures and liabilities related to those obligations are recognized only when they mature, while the proprietary funds report the liability as it is incurred. The City includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences. Compensated absences liability is typically liquidated by the General fund for all non proprietary fund compensated absences.

**N. Other Post-Employment Benefits (OPEB)**

The City of Grass Valley sponsors, under a defined benefit plan, a retiree healthcare plan to qualifying employees retiring directly from the City. The benefit level is determined by date of hire, length of service and bargaining agreements. The City has contracted for medical coverage to be provided through an agent multiple-employer CalPERS Healthcare (PEMHCA) plan.

**O. Net Assets**

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- Invested in capital assets, net of related debt - 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.
- Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for capital projects, debt service requirements and other special revenue fund purposes.
- Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted net assets are available, unrestricted resources are depleted first before the restricted resources are used.

**P. Fund Balances**

In the governmental fund financial statements, reserves and designations segregate portions of fund balance. Reservations of fund balance are for amounts that are not available or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance are established by action of management and represent tentative plans that are subject to change.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Fund Balances (Continued)**

As of June 30, 2010, reservations of fund balances included:

Reserved for Encumbrances - to reflect the outstanding contractual obligations for which goods and services have not been received.

Reserved for Narcotic Investigation - to reflect funds held for future investigation payments.

Reserved for SMA Park - to reflect funds held for future park improvements.

Reserved for North Star Rock Road Mitigation – to reflect funds held for future road project.

Reserved for Tree Preservation – to reflect funds held for future tree maintenance.

Reserved for Whispering Pines - to reflect funds the City has set aside as a contingency for Whispering Pines delinquency assessments.

Reserved for PARSAC Liability - to reflect funds the City has set aside to fund the PARSAC liability.

Reserved for Long-Term Receivables - to reflect the portion of assets which do not represent available, spendable resources.

Reserved for Permanent Funds - to reflect assets held in permanent funds which cannot be used to support City programs.

As of June 30, 2010, designations of fund balances included:

Designated for Capital Outlay - to reflect funds the City has set aside to fund future capital asset acquisitions.

In proprietary fund financial statements net assets are accounted for the same as in the government-wide statements.

**Q. Property Tax**

Nevada County assesses properties, bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on July 1. Secured property taxes become a lien on real property on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1. Property taxes become delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

**R. Grant Revenues**

Certain grant revenues are recognized when specific related expenditures have been incurred. In other grant programs, monies are virtually unrestricted as to purpose of expenditure and are only revocable for failure to comply with prescribed compliance requirements. These revenues are recognized at the time of receipt, or earlier if susceptible to accrual criteria is met. Cash received prior to incurrence of the related expenditure is recorded as unearned revenue.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**S. Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Government funds - by character  
    Current (further classified by function)  
    Debt service  
    Capital outlay

Proprietary funds - By Operating and Non-operating.

**T. Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Deficit Fund Balance/Net Assets**

The following major governmental fund had a deficit fund balance at June 30, 2010:

The Capital Projects fund had a fund balance deficit of \$833,171, which is expected to be eliminated in future years through additional funding.

The following non-major governmental funds had deficit fund balances at June 30, 2010:

The 09-HOME-6272 fund had a fund balance deficit of \$2,089, which is expected to be eliminated in future years through additional funding.

The 08-PTAE-5407 fund had a fund balance deficit of \$15,766, which is expected to be eliminated in future years through additional funding.

The 08-PTAG-5347 fund had a fund balance deficit of \$1,839, which is expected to be eliminated in future years through additional funding.

The EPA Brownfield fund had a fund balance deficit of \$698, which is expected to be eliminated in future years through additional funding.

**B. Implementation of Governmental Accounting Standards Board (GASB) Statements**

**GASB Statement No. 51**

GASB has issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce prior inconsistencies in accounting for these assets. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The City currently reports purchased software as part of its capital assets. As permitted by GASB Statement No. 51, the financial statements have not been restated for prior year costs associated with internally generated computer software or for assets such as easements which are considered to have an indefinite useful life. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 3: DETAILED NOTES**

**A. Cash and Investments**

As of June 30, 2010, the City's cash and investments are reported in the financial statements as follows:

Primary government	\$ 20,696,130
Agency funds	<u>925,842</u>
Total Cash and Investments	<u><u>\$ 21,621,972</u></u>

As of June 30, 2010, the City's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 875
Deposits (less outstanding warrants)	485,323
Deposits with fiscal agents	<u>2,362,923</u>
Total Cash	<u>2,849,121</u>
Investments:	
In City's pool	14,137,705
Investments with fiscal agents	<u>4,635,146</u>
Total Investments	<u>18,772,851</u>
Total Cash and Investments	<u><u>\$ 21,621,972</u></u>

**Cash**

At year end, the carrying amount of the City's cash deposits (including amount in checking and savings accounts) was \$485,323 and the bank balance was \$785,117. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. In addition, the City had cash deposits with fiscal agents of \$2,362,923 and cash on hand of \$875.

Custodial Credit Risk for Deposits - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The City's investment policy requires that deposits in banks must meet the requirements of California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the City's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits more than the \$250,000 insured amount are collateralized. The City's investment policy does not further limit its deposits.

**Investments**

As of June 30, 2010, the City had the following investments;

	Interest Rates	Maturities			Fair Value	Weighted Average Maturity (Years)
		0-1 year	1-5 years	Over 5 years		
<b>Pooled Investments</b>						
Local Agency Investment Fund (LAIF)	Variable	\$ 12,119,303	\$ -	\$ -	\$ 12,119,303	-
U.S. Government Securities	2.25-9.50%	<u>-</u>	<u>2,007,695</u>	<u>10,707</u>	<u>2,018,402</u>	<u>3.92</u>
Total Pooled Investments		<u>12,119,303</u>	<u>2,007,695</u>	<u>10,707</u>	<u>14,137,705</u>	<u>.56</u>
<b>Investments Held by Fiscal Agents</b>						
Local Agency Investment Fund (LAIF)	Variable	4,531,230	-	-	4,531,230	-
U.S. Government Securities	3.50%	<u>103,916</u>	<u>-</u>	<u>-</u>	<u>103,916</u>	<u>-</u>
Total Investments Held by Fiscal Agents		<u>4,635,146</u>	<u>-</u>	<u>-</u>	<u>4,635,146</u>	<u>-</u>
Total Investments		<u><u>\$ 16,754,449</u></u>	<u><u>\$ 2,007,695</u></u>	<u><u>\$ 10,707</u></u>	<u><u>\$ 18,772,851</u></u>	<u><u>.42</u></u>

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 3: DETAILED NOTES (CONTINUED)**

**A. Cash and Investments (Continued)**

**Investments (Continued)**

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Of the City's \$18,772,851 investment portfolio, over 89% of the investments have a maturity of one year or less. Of the remainder, less than 1% have a maturity of more than 5 years.

The City of Grass Valley's investments (including investments held by bond trustees) include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

	Fair Value at Year End
Government National Mortgage Association (GNMA) - Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these Securities, and makes the fair values of these securities highly sensitive to changes in interest rates.	\$ 10,707

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and City investment policy limit investments in commercial paper to the rating of A1 or better by Standards & Poor's or P-1 or better by Moody's Investors Service; corporate bonds to the rating of A or better by both Standards & Poor's and Moody's Investors Service. No limits are placed on U.S. government agency securities. The City does not have a formal investment policy that would further limit its investment choices.

<u>Investment at June 30, 2010</u>	<u>Standard &amp; Poor's Rating</u>	<u>% of Portfolio</u>
Federal Home Loan Mortgage Corporation	AAA	2.69%
Federal Home Loan Bank	AAA	8.01%
U.S. Governmental National Mortgage Associations	N/A	0.06%
LAIF	Unrated	89.24%
Total		100.00%

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. To mitigate the custodial credit risk the City requires that all of its managed investments be held in the name of the City. The City does not have a formal investment policy that would further limit the exposure to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law restricts the City's investments in commercial paper to 40% of its investment pool and to 10% per issuer and corporate bonds and medium term notes to 30% of its investment pool and to 10% per issuer, and banker's acceptance to 15 percent of its investment pool and to 10% per issuer. Approximately 11% of the City's investments at year end are in U.S. Government agency Securities and approximately 89% in the California Local Agency Investment Fund (LAIF). There is no limitation on amounts invested in these types of issues.

Investment in Local Agency Investment Fund - The City of Grass Valley 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. At June 30, 2010, the City's investment position in the State of California Local Agency Investment Fund (LAIF) was \$16,650,533. The total amount invested by all public agencies in LAIF on that day was \$69,555,776,591. Of that amount, 94.58% is invested in non-derivative financial products and 5.42% in structured notes and asset-backed securities. The value of the pool shares in LAIF is determined on an amortized cost basis, which approximates fair value. The Local Investment Advisory Board, which consists of five members designated by the State statutes, has oversight responsibility for LAIF.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 3: DETAILED NOTES (CONTINUED)**

**B. Restricted Cash and Investments**

The City reflects cash and investments held for debt service reserve for the Wastewater certificates of participation as restricted cash in the Water and Sewer enterprise fund. At June 30, 2010, the amount held at fair value was \$1,312,828.

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2010
<b>Governmental Activities</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,654,365	\$ 342,955	\$ -	\$ -	\$ 2,997,320
Construction in progress	2,930,971	1,266,173	( 99,151)	( 3,192,777)	905,216
Total Capital Assets, Not Being Depreciated	<u>5,585,336</u>	<u>1,609,128</u>	<u>( 99,151)</u>	<u>( 3,192,777)</u>	<u>3,902,536</u>
Capital Assets, Being Depreciated:					
Buildings and improvements	9,426,046	-	-	-	9,426,046
Equipment	5,000,066	1,132,301	( 241,951)	71,569	5,961,985
Software	118,726	-	-	-	118,726
Infrastructure	34,889,839	-	-	3,192,777	38,082,616
Total Capital Assets, Being Depreciated	<u>49,434,677</u>	<u>1,132,301</u>	<u>( 241,951)</u>	<u>3,264,346</u>	<u>53,589,373</u>
Less accumulated depreciation for:					
Buildings and improvements	( 4,128,401)	( 370,187)	-	-	( 4,498,588)
Equipment	( 3,919,883)	( 439,878)	241,951	2,002	( 4,115,808)
Software	( 107,564)	( 4,696)	-	-	( 112,260)
Infrastructure	( 14,903,372)	( 1,400,006)	-	-	( 16,303,378)
Total Accumulated Depreciation	<u>( 23,059,220)</u>	<u>( 2,214,767)</u>	<u>241,951</u>	<u>2,002</u>	<u>( 25,030,034)</u>
Total Capital Assets, Being Depreciated, Net	<u>26,375,457</u>	<u>( 1,082,466)</u>	<u>-</u>	<u>3,266,348</u>	<u>28,559,339</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 31,960,793</u>	<u>\$ 526,662</u>	<u>(\$ 99,151)</u>	<u>\$ 73,571</u>	<u>\$ 32,461,875</u>
	Balance July 1, 2009	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2010
<b>Business-Type Activities</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 239,401	\$ -	\$ -	\$ -	\$ 239,401
Construction in progress	5,441,633	1,726,853	-	( 4,404,229)	2,764,257
Total Capital Assets, Not Being Depreciated	<u>5,681,034</u>	<u>1,726,853</u>	<u>-</u>	<u>( 4,404,229)</u>	<u>3,003,658</u>
Capital Assets, Being Depreciated:					
Buildings and improvements	50,117,501	-	-	4,404,229	54,521,730
Equipment	1,155,858	40,371	( 50,901)	( 71,569)	1,073,762
Software	72,978	-	-	-	72,978
Infrastructure	4,140,056	-	-	-	4,140,056
Total Capital Assets, Being Depreciated	<u>55,486,396</u>	<u>40,371</u>	<u>( 50,901)</u>	<u>4,332,660</u>	<u>59,808,526</u>
Less accumulated depreciation for:					
Buildings and improvements	( 14,143,956)	( 1,009,563)	-	-	( 15,153,519)
Equipment	( 847,536)	( 60,371)	50,307	( 2,002)	( 859,602)
Software	( 65,142)	( 2,439)	-	-	( 67,581)
Infrastructure	( 6,535,554)	( 356,846)	-	-	( 6,892,400)
Total Accumulated Depreciation	<u>( 21,592,188)</u>	<u>( 1,429,219)</u>	<u>50,307</u>	<u>( 2,002)</u>	<u>( 22,973,102)</u>
Total Capital Assets, Being Depreciated, Net	<u>33,894,208</u>	<u>( 1,388,848)</u>	<u>( 594)</u>	<u>4,330,658</u>	<u>36,835,424</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 39,575,242</u>	<u>\$ 338,005</u>	<u>(\$ 594)</u>	<u>(\$ 73,571)</u>	<u>\$ 39,839,082</u>

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 3: DETAILED NOTES (CONTINUED)**

**C. Capital Assets (Continued)**

**Depreciation**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 92,345
Public safety	341,121
Public ways and facilities	1,437,697
Recreation and culture	<u>215,481</u>
Subtotal Governmental Funds	<u>2,086,644</u>

Depreciation on capital assets held by the City's internal service funds are charged to various functions based on their usage of assets. 128,123

Total Depreciation Expense - Governmental Functions \$ 2,214,767

Depreciation expense was charged to the business-type functions as follows:

Water	\$ 244,163
Sewer	1,167,954
Development Services	<u>783</u>
Subtotal Proprietary Funds	<u>1,412,900</u>

Depreciation on capital assets held by the City's internal service funds are charged to various functions based on their usage of assets. 16,319

Total Depreciation Expense - Business-Type Functions \$ 1,429,219

**D. Unearned Revenue**

At June 30, 2010, components of unearned revenue reported were as follows:

	<u>Unearned</u>
Sewer fund	
Sewer Connection Rights	\$ 246,576
Total Unearned Revenue	<u>\$ 246,576</u>

**E. Long-Term Liabilities**

The following is a summary of all long-term liabilities transactions for the year ended June 30, 2010:

	Balance <u>July 1, 2009</u>	Additions	Retirements	Balance <u>June 30, 2010</u>	Amounts Due Within <u>One Year</u>
<b>Governmental Activities</b>					
Bonds	\$ 10,090,000	\$ 3,170,000	\$ 2,975,000	\$ 10,285,000	\$ 160,000
Less: bond discount	( 188,919)	( 77,143)	6,297	( 259,765)	( 9,383)
Less: bond issue costs	( 185,150)	( 167,749)	6,172	( 346,727)	( 12,882)
Less: premium paid on refunding	<u>-</u>	<u>( 29,000)</u>	<u>-</u>	<u>( 29,000)</u>	<u>( 1,160)</u>
Bonds, Net	9,715,931	2,896,108	2,962,531	9,649,508	136,575
Capital Leases (Note 3F)	1,079,603	114,448	261,739	932,312	199,125
Compensated Absences (Note 1M)	1,282,374	551,284	523,396	1,310,262	817,772
Net OPEB Obligation (Note 5)	<u>160,229</u>	<u>242,676</u>	<u>64,065</u>	<u>338,840</u>	<u>-</u>
Total Governmental Activities					
- Long-Term Liabilities	<u>\$ 12,238,137</u>	<u>\$ 3,804,516</u>	<u>\$ 3,811,731</u>	<u>\$ 12,230,922</u>	<u>\$ 1,153,472</u>
<b>Business-Type Activities</b>					
Loans	\$ 8,805,381	\$ 204,684	\$ 507,709	\$ 8,502,356	\$ 518,138
Certificates of Participation	7,280,000	-	295,000	6,985,000	305,000
Compensated Absences (Note 1M)	95,722	91,609	68,707	118,624	54,614
Net OPEB Obligation (Note 5)	<u>29,618</u>	<u>27,636</u>	<u>11,938</u>	<u>45,316</u>	<u>-</u>
Total Business-Type Activities					
- Long-Term Liabilities	<u>\$ 16,210,721</u>	<u>\$ 323,929</u>	<u>\$ 883,354</u>	<u>\$ 15,651,296</u>	<u>\$ 877,752</u>

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 3: DETAILED NOTES (CONTINUED)**

**E. Long-Term Liabilities (Continued)**

	Governmental Activities	Business-Type Activities
At June 30, 2010, Tax Allocation Bonds consisted of the following:		
Association of Bay Area Governments Lease Revenue Bonds in the amount of \$1,470,000, dated January 10, 2002, payable in annual installments of \$35,000 to \$100,000, with an interest rate of 3% to 5% and maturity on December 1, 2025. The bond proceeds were used for prior advance refunding of the 1995 Tax Allocation Bonds used to purchase Grass Valley Memorial Park Facilities.	\$ 1,135,000	\$ -
2008 Tax Allocation Bonds in the amount of \$5,980,000, dated December 1, 2008, payable in annual installments of \$55,000 to \$660,000, with an interest rate of 4.00% to 7.125% and maturity on December 1, 2038. The bond proceeds will be used to finance redevelopment activities. Of the balance, \$547,487 had been used for acquisition of capital assets.	5,980,000	-
2010 Tax Allocation Bonds in the amount of \$3,170,000, dated April 14, 2010, payable in annual installments of \$60,000 to \$300,000, with an interest rate of 3% to 5.25% and maturity on December 1, 2034. The bond proceeds were used to refund the 2000 Tax Allocation Bonds.	3,170,000	-
Total Bonds	\$ 10,285,000	\$ -

At June 30, 2010, loans consisted of the following:

Davis Grunsky Loan in the amount of \$152,468, payable in annual installments of \$631 to \$6,502, with an interest rate of 2.5% and maturity on January 1, 2012. The loan proceeds were used to finance improvements to the City's water system.	\$ -	\$ 12,903
California Department of Water Resources Safe Drinking Water Loan in the amount of \$3,255,000, dated March 12, 1991, payable in annual installments of \$28,660 to \$73,492, with an interest rate of 3.37% and maturity on October 1, 2028. The loan proceeds were used to finance required improvements to the City's drinking water system.	-	2,033,807
California Department of Water Resources Safe Drinking Water Loan in the amount of \$204,685, dated July 8, 2009, payable in semi-annual installments of \$5,117, with an interest rate of 0% and maturity of June 1, 2032. The loan proceeds were used to finance required improvements to the City's drinking water system.	-	204,685
California Water Resources Control Board Revolving Loan in the amount of \$9,027,724, dated March 20, 2001, payable in annual installments of \$378,896-\$532,072 with an interest rate of 1.8% and maturity in 2023. The loan proceeds were used to finance the sewer plan expansion.	-	6,250,961
Total Loans	\$ -	\$ 8,502,356

At June 30, 2010, Certificates of Participation consisted of the following:

Wastewater, Certificates of Participation in the amount of \$10,100,000, dated 1995, payable in semi-annual installments of \$160,000 to \$595,000, with an interest rate of 4.5% and maturity on August 1, 2025.	\$ -	\$ 6,985,000
Total Certificates of Participation	\$ -	\$ 6,985,000

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 3: DETAILED NOTES (CONTINUED)**

**E. Long-Term Liabilities (Continued)**

The annual aggregate maturities for the years subsequent to June 30, 2010, are as follows:

<u>Tax Allocation Bonds</u>		<u>Governmental Activities</u>		<u>Business-Type Activities</u>		
<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		<u>Total</u>
2011	\$ 105,000	\$ 540,376	\$ -	\$ -		\$ 645,376
2012	155,000	597,763	-	-		752,763
2013	215,000	590,913	-	-		805,913
2014	220,000	583,738	-	-		803,738
2015	210,000	574,631	-	-		784,631
2016-2020	1,315,000	2,700,044	-	-		4,015,044
2021-2025	1,725,000	2,301,981	-	-		4,026,981
2026-2030	1,950,000	1,798,037	-	-		3,748,037
2031-2035	2,005,000	1,235,809	-	-		3,240,809
2036-2040	2,385,000	354,645	-	-		2,739,645
Total	<u>\$ 10,285,000</u>	<u>\$11,277,937</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 21,562,937</u>
<u>Loans</u>		<u>Governmental Activities</u>		<u>Business-Type Activities</u>		
<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		<u>Total</u>
2011	\$ -	\$ -	\$ 518,124	\$ 180,821		\$ 698,945
2012	-	-	538,900	170,295		709,195
2013	-	-	543,385	159,205		702,590
2014	-	-	554,248	148,342		702,590
2015	-	-	565,466	137,124		702,590
2016-2020	-	-	3,004,751	508,197		3,512,948
2021-2025	-	-	2,228,946	196,606		2,425,552
2026-2030	-	-	538,302	31,304		569,606
2021-2035	-	-	10,234	-		10,234
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,502,356</u>	<u>\$ 1,531,894</u>		<u>\$ 10,034,250</u>
<u>Certificates of Participation</u>		<u>Governmental Activities</u>		<u>Business-Type Activities</u>		
<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		<u>Total</u>
2011	\$ -	\$ -	\$ 305,000	\$ 307,463		\$ 612,463
2012	-	-	320,000	293,400		613,400
2013	-	-	335,000	278,663		613,663
2014	-	-	350,000	263,250		613,250
2015	-	-	365,000	247,163		612,163
2016-2020	-	-	2,095,000	966,938		3,061,938
2021-2025	-	-	2,620,000	438,750		3,058,750
2026-2030	-	-	595,000	13,388		608,388
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,985,000</u>	<u>\$ 2,809,015</u>		<u>\$ 9,794,015</u>

**Current Refunding**

On April 13, 2010, the Redevelopment Agency of the City of Grass Valley issued \$3,170,000 of tax allocation bonds with an interest rate of 3.00% to 5.25% to refund prior tax allocation bonds with interest rates ranging from 5.00% to 6.40% and a par value of \$3,185,000. The prior tax allocation bonds matured annually on December 1 between 2010 and 2034 and were callable on June 1, 2010. The net proceeds from issuance of the tax allocation bonds were used to retire the prior tax allocation bonds on May 17, 2010.

As a result of refunding, the Redevelopment Agency of the City of Grass Valley reduced its total debt service requirements by \$215,136, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$167,265.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 3: DETAILED NOTES (CONTINUED)**

**E. Long-Term Liabilities (Continued)**

**Prior Advance Refunding**

On January 10, 2002, the Agency issued \$535,000 and \$1,470,000 in refunding debt to advance refund the outstanding Police Facility Lease and the outstanding 1995 Tax Allocation bonds. The purpose of the refunding was to reduce the total debt service payments. At June 30, 2010, the outstanding Police Facility lease was retired and the outstanding Tax Allocation bonds were \$1,060,000 and are considered defeased.

**F. Leases**

**Operating Leases**

Rental expenses incurred under operating leases are not considered material.

**Capital Leases**

The City has entered into certain capital lease agreements under which the related buildings and equipment will become the property of the City when all terms of the lease agreements are met.

	Stated Interest Rate	Present Value of Remaining Payments at June 30, 2010
Governmental fund activities	3.00-7.60	\$ 932,312
Total Capital Lease Obligations		\$ 932,312

Buildings and equipment and related accumulated depreciation under capital lease are as follows:

	Governmental Activities
Buildings and Improvements	\$ 3,040,071
Equipment	176,082
Less: accumulated depreciation	( 1,131,297)
Net Value	\$ 2,084,856

As of June 30, 2010, capital lease annual amortization was as follows:

	Governmental Activities
Year ending June 30:	
2011	\$ 241,624
2012	241,133
2012	230,026
2014	228,885
2015	103,277
Total requirements	1,044,945
Less interest	( 112,633)
Present Value of Remaining Payments	\$ 932,312

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 3: DETAILED NOTES (CONTINUED)**

**G. Interfund Transactions**

**Due To/From Other Funds**

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following are due from and due to balances as of June 30, 2010:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 94,103	\$ 40,000
Capital Projects	1,315	67,465
RDA Projects	618	-
2008 RDA Bonds	-	618
Nonmajor Governmental Funds	89,076	117,029
Internal Service Funds	<u>41,050</u>	<u>1,050</u>
Total	<u>\$ 226,162</u>	<u>\$ 226,162</u>

**Advances To/From Other funds**

Advances to/from other funds are non current interfund loans and are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriations and are not expendable available financial resources. The following are advance to/from other funds as of June 30, 2010:

	<u>Advance to Other Funds</u>	<u>Advance From Other Funds</u>
Capital Projects	\$ -	\$ 593,056
RDA Projects	593,056	-
Total	<u>\$ 593,056</u>	<u>\$ 593,056</u>

**Transfers**

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following are the interfund transfers for the fiscal year ended June 30, 2010:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 150,418	\$ 2,513
Capital Projects Fund	998,719	-
RDA Projects	16,537	470,827
Nonmajor Governmental Funds	371,872	1,528,943
Internal Service Funds	<u>464,737</u>	<u>-</u>
Total	<u>\$ 2,002,283</u>	<u>\$ 2,002,283</u>

**NOTE 4: EMPLOYEES' RETIREMENT PLAN**

**Plan Description**

The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by statute. Copies of PERS' annual financial report may be obtained from their executive office – 400 P Street, Sacramento, CA 95814.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 4: EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

**Funding Policy**

Active plan members in PERS are required to contribute 7 percent (9 percent for safety employees) of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2009/2010 was 13.035 percent for miscellaneous employees, 28.180 percent for safety police employees and 20.174 for safety fire employees. The contribution requirements of the plan are established by State statute and the employer contribution rate is established and may be amended by PERS.

**Annual Pension Cost**

For fiscal year 2009/2010, the City's annual pension cost of \$1,095,630 for PERS was equal to the City's actual contributions. The required contributions for fiscal year 2009/2010 were determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.25 percent to 14.45 percent depending on age, service, and type of employment, and (c) 3.25 percent per year cost of living adjustment. Both (a) and (b) included an inflation component of 3.00 percent. The actuarial value of PERS assets were determined using techniques that smooth the effect of short term volatility in the market value of investments over a two to five year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percent of pay over a closed-20-year period. The tables below present three year trend information:

Miscellaneous:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 449,217	100%	-
June 30, 2009	514,098	100%	-
June 30, 2010	440,852	100%	-

Safety Police:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 531,540	100%	-
June 30, 2009	565,467	100%	-
June 30, 2010	482,937	100%	-

Safety Fire:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 135,326	100%	-
June 30, 2009	148,180	100%	-
June 30, 2010	171,841	100%	-

**Funded Status and Funding Progress**

Since the City Miscellaneous, Safety Police and Safety Fire plans have less than 100 active members in at least one valuation since June 30, 2003, they are required to participate in a risk pool and do not present individual plan funded status.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 5: OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

The City contributes to California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit postemployment healthcare plan administrator ("the Retiree Health Plan"). An employee is eligible for lifetime medical benefits under the Plan, along with his/her spouse at the time of retirement, if he or she retires from the City under CalPERS.

The City also provides additional benefits to long-service retirees who meet other age and/or service requirements. An employee cannot terminate service with the City before meeting the age condition and be entitled to receive benefits.

**Funding Policy**

The Minimum Employer Contribution, subject to adjustments per AB2544, is paid on behalf of eligible retirees by the City in accordance with PEMHCA requirements. If the employee satisfies the age and service conditions set by agreement for their unit and retires after July 1, 2006, the City will contribute an additional amount toward the cost of coverage (currently \$250 per month); the benefit amount is fixed for each employee at the date of his or her retirement. Different benefit amounts are payable to employees who retired prior to July 1, 2006.

As required by GASB 45, an actuary will determine the City's Annual Required Contributions (ARC) at least once every two 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 (UAAL) 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. The Board of Supervisors 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 circumstances of the City.

**Annual OPEB Cost and Net OPEB Obligation**

The following table shows the components of the City's annual OPEB cost for the fiscal year ended June 30, 2010 the amount actually contributed to the plan, and changes in the City's net OPEB Obligation (Asset).

<u>Item</u>	<u>FYE 6/30/10</u>
Annual Required Contribution	\$ 168,712
Interest on Net OPEB Obligation	2,913
Amortization of Unfunded Actuarial Accrued Liability	98,198
Annual Required Contribution Adjustment	<u>489</u>
Annual OPEB Cost/Expense	270,312
Contributions Made:	( 76,003)
Increase in Net OPEB Obligation	194,309
Net OPEB Obligation Beginning	<u>189,847</u>
Net OPEB Obligation Ending	<u>\$ 384,156</u>

The City's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation/(Asset) for the fiscal year ended June 30, 2009 and June 30, 2010 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/(Asset)</u>
June 30, 2009	\$ 253,492	\$ 63,645	25.11%	\$ 189,847
June 30, 2010	270,312	76,003	28.12%	384,156

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 5: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Funded Status and Funding Progress**

As of June 30, 2010, present value of the actuarial accrued liability for benefits was \$2,418,418, all of which was unfunded. The covered payroll (annual payroll of employees covered by the plan) was \$6,470,072 and the ratio of the UAAL to the covered payroll was 37.38 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the Annual Required Contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information (as it becomes available) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections 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 include techniques that 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.

The most recent valuation was performed as of June 30, 2010. The assumptions used for this valuation are in accordance with CalPers' "OPEB Assumption Model", which describes guidelines to be used for retiree healthcare valuations for plans intending to pre-fund benefits through California Employers' Retiree Benefit Trust (CERBT).

The annual rate of return on assets used to pay for benefits is assumed to be 4.50% (assumed rate of return on general assets). The rate of return for assets in a trust is assumed to be 7.75%.

All assets and liabilities are computed as of June 30, 2010.

Salaries are assumed to increase annually at 3.25%.

**NOTE 6: RISK MANAGEMENT**

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 has joined together with other municipalities to participate in the Public Agency Risk Sharing Authority of California (PARSAC) for general liability, vehicle liability, and errors and omissions purposes. PARSAC is a public entity risk pool which serves as a common risk management and insurance program for 37 member cities. The City pays an annual premium to PARSAC for its insurance coverage. The agreements with PARSAC provide that they will be self sustaining through member premiums and will reinsure through commercial companies for excess coverage.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from their risks have not exceeded commercial insurance in any of the past three fiscal years. There is no claims liability to be reported based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**NOTE 7: OTHER INFORMATION**

**A. Construction Commitments**

The City has signed agreements to construct various capital improvements subsequent to June 30, 2010. The balance owed on the commitments at June 30, 2010, was \$884,456.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 7: OTHER INFORMATION (CONTINUED)**

**B. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**C. Joint Agencies**

Public Agency Risk Sharing Authority of California (PARSAC) is a joint powers agent organized for the purpose of pooled joint-protection coverage to member entities. PARSAC operates public entity pools for auto and general liability coverage, plus workers compensation and errors and omissions coverage and pool purchases excess insurance for members. PARSAC is under the control and direction of a 9 member executive committee consisting of representatives of the 37 member cities. Complete audited financial statements of PARSAC can be obtained at 1525 Response Road, Suite One, Sacramento, California 95815-4805.

Nevada County Service Authority of the Abatement of Abandoned Vehicle was created pursuant to California Vehicle Code Section 22710 in order for the County of Nevada and City of Grass Valley to join together and establish a service authority for the abatement of abandoned vehicles. The County or City abatement ordinances that are realized by the County or City less the respective administrative costs are deposited in the Authority trust account. Complete financial activity of this trust account can be obtained at County of Nevada, Auditor-Controller, 950 Maidu Avenue, Grass Valley, California 95959-8617.

The City is a participant in Western Nevada Public Transportation Authority, the purpose of which is to provide transportation services to the citizens of Nevada County including Grass Valley. Complete financial activity can be obtained at County of Nevada, Auditor-Controller, 950 Maidu Avenue, Grass Valley, California 95959-8617.

The City is a participant in Nevada County Fire and Emergency Services Joint Powers Agency, the purpose of which is to provide emergency dispatch and other services from 1995 to the year 2003. The City participates in the Air Filling Station Services offered. Complete financial information can be obtained from the JPA's office at P.O. Box 3043, Grass Valley, CA 95945.

**D. Subsequent Events**

Payment of scheduled principal of and interest on the 2010 Tax Allocation Refunding Bonds is issued by Assured Guaranty Municipal Corp. (formerly known as Financing Security Assurance Inc.) ("AGM").

The Issuer has been advised that, on or about October 25, 2010, Standard & Poor's Ratings Services downgraded the rating of AGM from AAA (negative outlook) to AA+ (stable).

AGM's current ratings are as follows:

<u>Rating Agency</u>	<u>Rating</u>	<u>Last Changed</u>
Moody's Investor's Service	Aa3, Negative Outlook	December 18, 2009
Standard & Poor's Rating Service	AA+, Stable	October 25, 2010

Management has evaluated events subsequent to June 30, 2010 through January 4, 2011, the date on which the financial statements were available for issuance. Management has determined no other subsequent events requiring disclosure have occurred.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 7: OTHER INFORMATION (CONTINUED)**

**E. Proposition 1A Borrowing by the State of California**

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City was \$387,459.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid to the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

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**CITY OF GRASS VALLEY, CALIFORNIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**1. SCHEDULE OF FUNDING PROGRESS - PENSION**

The table below shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 2009 for the risk pool containing the City Miscellaneous Plan, Safety Police Plan, and Safety Fire Plan:

Miscellaneous Plan:

Valuation Date	Entry Age Normal Accrued Liability	Unfunded Actuarial Value of Assets	Liability (Excess Assets)	Funded Ratios		Annual Covered Payroll	UAAL as a % of Payroll
				Actuarial Value	Market Value		
June 30, 2007	\$1,315,454,361	\$1,149,247,298	\$ 166,207,063	87.4%	100.6%	\$ 289,090,187	57.5%
June 30, 2008	1,537,909,933	1,337,707,835	200,202,098	87.0%	88.0%	333,307,600	60.1%
June 30, 2009	1,834,424,640	1,493,430,831	340,993,809	81.4%	59.4%	355,150,151	96.0%

Safety Police Plan:

Valuation Date	Entry Age Normal Accrued Liability	Unfunded Actuarial Value of Assets	Liability (Excess Assets)	Funded Ratios		Annual Covered Payroll	UAAL as a % of Payroll
				Actuarial Value	Market Value		
June 30, 2007	\$7,986,055,176	\$6,826,599,459	\$1,159,455,717	85.5%	99.0%	\$ 831,607,658	139.4%
June 30, 2008	8,700,467,733	7,464,927,716	1,235,540,017	85.8%	87.3%	914,840,596	135.1%
June 30, 2009	9,721,675,347	8,027,158,724	1,694,516,623	82.6%	60.2%	973,814,168	174.0%

Safety Fire Plan:

Valuation Date	Entry Age Normal Accrued Liability	Unfunded Actuarial Value of Assets	Liability (Excess Assets)	Funded Ratios		Annual Covered Payroll	UAAL as a % of Payroll
				Actuarial Value	Market Value		
June 30, 2007	\$1,648,159,522	\$1,422,143,105	\$ 226,016,417	86.3%	99.7%	\$ 200,537,256	112.7%
June 30, 2008	1,755,559,311	1,517,609,609	237,949,702	86.5%	87.8%	210,590,567	113.0%
June 30, 2009	1,802,882,330	1,520,081,328	282,801,002	84.3%	61.5%	221,600,192	127.6%

**2. SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS**

The table below shows a one year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of April 1, 2009, for the City Other Postemployment Benefit Plan. As additional years are available, a three-year trend analysis will be presented.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
April 1, 2009	\$ -	\$2,213,006	\$2,213,006	0.00%	\$ 6,266,414	35.32%
June 30, 2010	-	2,418,418	2,418,418	0.00%	6,470,072	37.30%

See accompanying note to required supplementary information.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>REVENUES</u></b>				
Taxes and assessments	\$ 7,587,400	\$ 7,178,400	\$ 7,114,145	\$ (64,255)
Intergovernmental revenues	1,085,125	1,224,755	1,207,520	(17,235)
Use of money and property	50,000	35,000	21,134	(13,866)
Charges for services	508,629	577,929	609,324	31,395
Other revenues	607,840	892,840	936,406	43,566
<b>Total Revenues</b>	<u>9,838,994</u>	<u>9,908,924</u>	<u>9,888,529</u>	<u>(20,395)</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General government	2,000,904	2,082,135	2,179,566	(97,431)
Public protection	5,757,558	5,895,727	5,871,880	23,847
Public ways and facilities	1,427,481	1,428,552	984,801	443,751
Community development	280,194	283,213	298,283	(15,070)
Recreation and culture	329,788	334,473	261,337	73,136
Debt service	238,169	261,598	310,376	(48,778)
Capital outlay	15,000	15,000	31,800	(16,800)
<b>Total Expenditures</b>	<u>10,049,094</u>	<u>10,300,698</u>	<u>9,938,043</u>	<u>362,655</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(210,100)</u>	<u>(391,774)</u>	<u>(49,514)</u>	<u>342,260</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	148,157	300,547	150,418	(150,129)
Transfers out	(25,000)	(25,000)	(2,513)	22,487
<b>Total Other Financing Sources (Uses)</b>	<u>123,157</u>	<u>275,547</u>	<u>147,905</u>	<u>(127,642)</u>
<b>Net Change in Fund Balance</b>	<u>(86,943)</u>	<u>(116,227)</u>	<u>98,391</u>	<u>214,618</u>
<b>Fund Balance - Beginning</b>	<u>2,567,525</u>	<u>2,567,525</u>	<u>2,567,525</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 2,480,582</u>	<u>\$ 2,451,298</u>	<u>\$ 2,665,916</u>	<u>\$ 214,618</u>

See accompanying note to the required supplementary information.

**CITY OF GRASS VALLEY, CALIFORNIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**A. SCHEDULE OF FUNDING PROGRESS - PENSION**

The Schedule of Funding Progress - Pension presents a consolidated snapshot of the City's ability to meet current and future liabilities with the plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the pension plan. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

The City of Grass Valley has less than 100 active employee members and is required to participate in a risk pool. Therefore, the schedule of funding progress for the City valuation dates is for the entire pool, not just the City employees.

**B. SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS**

The Schedule of Funding Progress - Other Postemployment Benefits provides a consolidated snapshot of the City's ability to meet current and future liabilities with the plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the OPEB plan. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

**C. BUDGETARY BASIS OF ACCOUNTING**

The City follows these procedures annually in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits to the City Council a proposed draft budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at regularly scheduled meetings, which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is adopted through the passage of a resolution.
4. From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein, as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during the fiscal year. The City Administrator may authorize transfers from one object or purpose to another within the same department.

Formal budgetary integration is employed as a management control device during the year. The City presents a comparison of annual budgets to actual results for all governmental funds except for debt service funds, the expenditures of which are controlled by provisions of debt agreements. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

**D. ENCUMBRANCES**

The City uses an encumbrance system as an extension of normal budgetary accounting for the general and other governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Unencumbered appropriation lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

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**COMBINING NONMAJOR FUND STATEMENTS**

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**NONMAJOR GOVERNMENTAL FUNDS**

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**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	<b>Special Revenue Funds</b>	<b>Permanent Funds</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 4,268,888	\$ 119,629	\$ 4,388,517
Accounts receivable	80,267	-	80,267
Taxes receivable	55,934	-	55,934
Due from other funds	89,076	-	89,076
Loans receivable	7,791,487	-	7,791,487
<b>Total Assets</b>	<b>\$ 12,285,652</b>	<b>\$ 119,629</b>	<b>\$ 12,405,281</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 45,612	\$ -	\$ 45,612
Salaries and benefits payable	19,580	-	19,580
Due to other funds	117,029	-	117,029
<b>Total Liabilities</b>	182,221	-	182,221
<b>Fund Balances</b>			
Reserved for:			
Encumbrances	15,631	-	15,631
Long term receivables	7,791,487	-	7,791,487
Permanent Funds	-	120,233	120,233
Unreserved:			
Undesignated	4,296,313	(604)	4,295,709
<b>Total Fund Balances</b>	12,103,431	119,629	12,223,060
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,285,652</b>	<b>\$ 119,629</b>	<b>\$ 12,405,281</b>

**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Special Revenue Funds</b>	<b>Permanent Funds</b>	<b>Totals</b>
<b><u>REVENUES</u></b>			
Taxes and assessments	\$ 698,724	\$ -	\$ 698,724
Fines and forfeitures	108,236	-	108,236
Intergovernmental revenues	613,721	-	613,721
Use of money and property	75,556	1,184	76,740
Charges for services	334,540	-	334,540
Other revenues	146,229	-	146,229
	<b>1,977,006</b>	<b>1,184</b>	<b>1,978,190</b>
<b><u>EXPENDITURES</u></b>			
Current:			
General government	23,590	-	23,590
Public protection	272,919	-	272,919
Public ways and facilities	172,076	-	172,076
Community development	576,463	-	576,463
	<b>1,045,048</b>	<b>-</b>	<b>1,045,048</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>931,958</b>	<b>1,184</b>	<b>933,142</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers in	371,872	-	371,872
Transfers out	(1,523,443)	(5,500)	(1,528,943)
	<b>(1,151,571)</b>	<b>(5,500)</b>	<b>(1,157,071)</b>
<b>Net Change in Fund Balances</b>	<b>(219,613)</b>	<b>(4,316)</b>	<b>(223,929)</b>
<b>Fund Balances - Beginning</b>	<b>12,323,044</b>	<b>123,945</b>	<b>12,446,989</b>
<b>Fund Balances - Ending</b>	<b>\$ 12,103,431</b>	<b>\$ 119,629</b>	<b>\$ 12,223,060</b>

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**NONMAJOR GOVERNMENTAL FUNDS**  
Special Revenue Funds

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**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2010**

	<u>Gas Tax</u>	<u>Traffic Safety</u>	<u>SB 325</u>	<u>Developer Fees</u>	<u>Downtown Assessment</u>
<b><u>ASSETS</u></b>					
Cash and investments	\$ 1,372,836	\$ 110,512	\$ 1,230	\$ 1,046,085	\$ 3,699
Accounts receivable	31,920	8,765	-	-	1,300
Taxes receivable	26,665	-	-	-	-
Due from other funds	-	-	-	-	-
Loans receivable	-	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 1,431,421</u></b>	<b><u>\$ 119,277</u></b>	<b><u>\$ 1,230</u></b>	<b><u>\$ 1,046,085</u></b>	<b><u>\$ 4,999</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 9,644	\$ -	\$ 4,478	\$ 3,165
Salaries and benefits payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>9,644</u></b>	<b><u>-</u></b>	<b><u>4,478</u></b>	<b><u>3,165</u></b>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	-	1,583	-	-	-
Long term receivables	-	-	-	-	-
Unreserved					
Undesignated	1,431,421	108,050	1,230	1,041,607	1,834
<b>Total Fund Balances</b>	<b><u>1,431,421</u></b>	<b><u>109,633</u></b>	<b><u>1,230</u></b>	<b><u>1,041,607</u></b>	<b><u>1,834</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,431,421</u></b>	<b><u>\$ 119,277</u></b>	<b><u>\$ 1,230</u></b>	<b><u>\$ 1,046,085</u></b>	<b><u>\$ 4,999</u></b>

<u>Fire Reserve</u>	<u>Fire Assessment</u>	<u>COPS</u>	<u>Parks and Recreation</u>	<u>WPID Maintenance</u>	<u>WPID Lighting and Landscaping</u>	<u>Litton Lighting and Landscaping</u>	<u>MRID Lighting and Landscaping</u>
\$ 9,623	\$ 21,122	\$ 301	\$ 4,232	\$ 5	\$ 16,499	\$ 16,287	\$ 13,914
-	-	10,918	-	-	-	-	-
-	8,782	-	-	-	980	224	970
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 9,623</u>	<u>\$ 29,904</u>	<u>\$ 11,219</u>	<u>\$ 4,232</u>	<u>\$ 5</u>	<u>\$ 17,479</u>	<u>\$ 16,511</u>	<u>\$ 14,884</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,067	\$ 216	\$ 899
-	10,853	-	-	-	-	-	308
-	-	-	-	-	-	-	-
-	10,853	-	-	-	1,067	216	1,207
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>9,623</u>	<u>19,051</u>	<u>11,219</u>	<u>4,232</u>	<u>5</u>	<u>16,412</u>	<u>16,295</u>	<u>13,677</u>
<u>9,623</u>	<u>19,051</u>	<u>11,219</u>	<u>4,232</u>	<u>5</u>	<u>16,412</u>	<u>16,295</u>	<u>13,677</u>
<u>\$ 9,623</u>	<u>\$ 29,904</u>	<u>\$ 11,219</u>	<u>\$ 4,232</u>	<u>\$ 5</u>	<u>\$ 17,479</u>	<u>\$ 16,511</u>	<u>\$ 14,884</u>

**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2010**

	<u>Ventana Sierra</u>	<u>Scotia Pines</u>	<u>02-HOME 586</u>	<u>04-STBG 1960</u>	<u>04-WFH 027</u>
<b><u>ASSETS</u></b>					
Cash and investments	\$ 15,709	\$ 4,996	\$ -	\$ -	\$ 57
Accounts receivable	-	-	-	-	-
Taxes receivable	198	154	-	-	-
Due from other funds	-	-	-	-	-
Loans receivable	-	-	2,796,000	319,889	-
<b>Total Assets</b>	<b>\$ 15,907</b>	<b>\$ 5,150</b>	<b>\$ 2,796,000</b>	<b>\$ 319,889</b>	<b>\$ 57</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 139	\$ 94	\$ -	\$ -	\$ -
Salaries and benefits payable	2	2	-	-	-
Due to other funds	-	-	-	-	-
<b>Total Liabilities</b>	<b>141</b>	<b>96</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	-	-	-	-	-
Long term receivables	-	-	2,796,000	319,889	-
Unreserved:					
Undesignated	15,766	5,054	-	-	57
<b>Total Fund Balances</b>	<b>15,766</b>	<b>5,054</b>	<b>2,796,000</b>	<b>319,889</b>	<b>57</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,907</b>	<b>\$ 5,150</b>	<b>\$ 2,796,000</b>	<b>\$ 319,889</b>	<b>\$ 57</b>

<u>07-PTAE 3280</u>	<u>09-HOME 6272</u>	<u>07-PTAG 3665</u>	<u>08-PTAE 5407</u>	<u>08-PTAG 5347</u>	<u>MA Dist 2003-1</u>	<u>H RLF Woodstove</u>	<u>CDBG Revolving</u>
\$ -	\$ -	\$ 827,005	\$ -	\$ -	\$ 6,463	\$ 6,045	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	89	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	551,452
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 827,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,552</u>	<u>\$ 6,045</u>	<u>\$ 551,452</u>
\$ -	\$ -	\$ -	\$ 3,014	\$ -	\$ -	\$ -	\$ 19,434
-	-	52	-	-	2	-	3,629
-	2,089	1,315	12,752	1,839	-	-	72,396
-	2,089	1,367	15,766	1,839	2	-	95,459
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	551,452
-	(2,089)	825,638	(15,766)	(1,839)	6,550	6,045	(95,459)
-	(2,089)	825,638	(15,766)	(1,839)	6,550	6,045	455,993
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 827,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,552</u>	<u>\$ 6,045</u>	<u>\$ 551,452</u>

**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2010**

	<u>Revolving Loan</u>	<u>CDBG Housing</u>	<u>86-STBG 217</u>	<u>91-STBG 467</u>	<u>94-STBG 797</u>
<b><u>ASSETS</u></b>					
Cash and investments	\$ 155,727	\$ -	\$ -	\$ -	\$ 2
Accounts receivable	-	-	-	-	-
Taxes receivable	-	-	-	-	-
Due from other funds	89,076	-	-	-	-
Loans receivable	224,619	89,171	47,932	171,591	37,251
<b>Total Assets</b>	<b>\$ 469,422</b>	<b>\$ 89,171</b>	<b>\$ 47,932</b>	<b>\$ 171,591</b>	<b>\$ 37,253</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,000	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	164	-	-	-	-
Due to other funds	-	-	-	-	-
<b>Total Liabilities</b>	<b>1,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	-	-	-	-	-
Long term receivables	224,619	89,171	47,932	171,591	37,251
Unreserved:					
Undesignated	243,639	-	-	-	2
<b>Total Fund Balances</b>	<b>468,258</b>	<b>89,171</b>	<b>47,932</b>	<b>171,591</b>	<b>37,253</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 469,422</b>	<b>\$ 89,171</b>	<b>\$ 47,932</b>	<b>\$ 171,591</b>	<b>\$ 37,253</b>

<u>95-EDBG 316</u>	<u>95-STBG 897</u>	<u>97-STBG 1118</u>	<u>97-EDBG 545</u>	<u>HOME Grant</u>	<u>99-STBG 1362</u>	<u>99-HOME 0369</u>	<u>00-HOME 0461</u>
\$ -	\$ 1	\$ 1	\$ 1	\$ 45	\$ -	\$ 2,698	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	64,876	84,888	-	688,521	110,000	556,229	963,681
<u>\$ -</u>	<u>\$ 64,877</u>	<u>\$ 84,889</u>	<u>\$ 1</u>	<u>\$ 688,566</u>	<u>\$ 110,000</u>	<u>\$ 558,927</u>	<u>\$ 963,681</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	41	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	41	-
-	-	-	-	-	-	-	-
-	64,876	84,888	-	688,521	110,000	556,229	963,681
-	1	1	1	45	-	2,657	-
-	64,877	84,889	1	688,566	110,000	558,886	963,681
<u>\$ -</u>	<u>\$ 64,877</u>	<u>\$ 84,889</u>	<u>\$ 1</u>	<u>\$ 688,566</u>	<u>\$ 110,000</u>	<u>\$ 558,927</u>	<u>\$ 963,681</u>

**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2010**

	<u>CDBG Doris Dr</u>	<u>Housing Rehab</u>	<u>DUI Grant</u>	<u>EPA Brownfield</u>	<u>RDA Housing</u>
<b><u>ASSETS</u></b>					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 633,793
Accounts receivable	-	-	4,987	22,377	-
Taxes receivable	-	-	-	-	17,872
Due from other funds	-	-	-	-	-
Loans receivable	62,289	423,098	-	-	600,000
<b>Total Assets</b>	<b>\$ 62,289</b>	<b>\$ 423,098</b>	<b>\$ 4,987</b>	<b>\$ 22,377</b>	<b>\$ 1,251,665</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 719	\$ -	\$ 1,743
Salaries and benefits payable	-	-	-	698	3,829
Due to other funds	-	-	4,261	22,377	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>4,980</b>	<b>23,075</b>	<b>5,572</b>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	-	-	-	-	14,048
Long term receivables	62,289	423,098	-	-	600,000
Unreserved:					
Undesignated	-	-	7	(698)	632,045
<b>Total Fund Balances</b>	<b>62,289</b>	<b>423,098</b>	<b>7</b>	<b>(698)</b>	<b>1,246,093</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 62,289</b>	<b>\$ 423,098</b>	<b>\$ 4,987</b>	<b>\$ 22,377</b>	<b>\$ 1,251,665</b>

**Totals**

\$ 4,268,888  
80,267  
55,934  
89,076  
7,791,487

\$ 12,285,652

\$ 45,612  
19,580  
117,029

182,221

15,631  
7,791,487

4,296,313

12,103,431

\$ 12,285,652

**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Gas Tax</u>	<u>Traffic Safety</u>	<u>SB 325</u>	<u>Developer Fees</u>	<u>Downtown Assessment</u>
<b><u>REVENUES</u></b>					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ 46,712
Fines and forfeitures	-	108,236	-	-	-
Intergovernmental revenues	414,650	9,318	-	-	-
Use of money and property	10,770	1,253	12	11,154	15
Charges for services	-	-	-	334,540	-
Other revenues	-	-	-	-	-
<b>Total Revenues</b>	<u>425,420</u>	<u>118,807</u>	<u>12</u>	<u>345,694</u>	<u>46,727</u>
<b><u>EXPENDITURES</u></b>					
Current:					
General government	-	-	-	-	-
Public protection	-	-	-	-	46,105
Public ways and facilities	-	131,955	-	-	-
Community development	-	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>131,955</u>	<u>-</u>	<u>-</u>	<u>46,105</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>425,420</u>	<u>(13,148)</u>	<u>12</u>	<u>345,694</u>	<u>622</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers in	183,463	-	-	-	-
Transfers out	(301,759)	(39,197)	-	(420,058)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(118,296)</u>	<u>(39,197)</u>	<u>-</u>	<u>(420,058)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>307,124</u>	<u>(52,345)</u>	<u>12</u>	<u>(74,364)</u>	<u>622</u>
<b>Fund Balances - Beginning</b>	<u>1,124,297</u>	<u>161,978</u>	<u>1,218</u>	<u>1,115,971</u>	<u>1,212</u>
<b>Fund Balances - Ending</b>	<u>\$ 1,431,421</u>	<u>\$ 109,633</u>	<u>\$ 1,230</u>	<u>\$ 1,041,607</u>	<u>\$ 1,834</u>

<u>Fire Reserve</u>	<u>Fire Assessment</u>	<u>COPS</u>	<u>Parks and Recreation</u>	<u>WPID Maintenance</u>	<u>WPID Lighting and Landscaping</u>	<u>Litton Lighting and Landscaping</u>	<u>MRID Lighting and Landscaping</u>
\$ -	\$ 214,695	\$ -	\$ -	\$ -	\$ 19,780	\$ 4,460	\$ 19,346
-	-	-	-	-	-	-	-
-	-	100,000	-	-	-	-	-
2,186	-	223	41	46	114	146	96
-	-	-	-	-	-	-	-
5,022	-	-	-	-	-	-	-
<u>7,208</u>	<u>214,695</u>	<u>100,223</u>	<u>41</u>	<u>46</u>	<u>19,894</u>	<u>4,606</u>	<u>19,442</u>
-	-	-	-	-	-	-	-
-	221,983	-	-	-	-	-	-
-	-	-	-	-	16,493	2,965	15,704
-	-	-	-	-	-	-	-
-	<u>221,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,493</u>	<u>2,965</u>	<u>15,704</u>
<u>7,208</u>	<u>(7,288)</u>	<u>100,223</u>	<u>41</u>	<u>46</u>	<u>3,401</u>	<u>1,641</u>	<u>3,738</u>
-	-	-	-	-	-	-	-
(305,000)	-	(89,082)	-	(7,265)	-	-	-
<u>(305,000)</u>	<u>-</u>	<u>(89,082)</u>	<u>-</u>	<u>(7,265)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(297,792)	(7,288)	11,141	41	(7,219)	3,401	1,641	3,738
<u>307,415</u>	<u>26,339</u>	<u>78</u>	<u>4,191</u>	<u>7,224</u>	<u>13,011</u>	<u>14,654</u>	<u>9,939</u>
<u>\$ 9,623</u>	<u>\$ 19,051</u>	<u>\$ 11,219</u>	<u>\$ 4,232</u>	<u>\$ 5</u>	<u>\$ 16,412</u>	<u>\$ 16,295</u>	<u>\$ 13,677</u>

**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Ventana Sierra</u>	<u>Scotia Pines</u>	<u>02-HOME 586</u>	<u>04-STBG 1960</u>	<u>04-WFH 027</u>
<b><u>REVENUES</u></b>					
Taxes and assessments	\$ 3,954	\$ 3,062	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-
Intergovernmental revenues	-	-	-	57,655	-
Use of money and property	141	44	-	6,227	-
Charges for services	-	-	-	-	-
Other revenues	-	-	-	-	-
<b>Total Revenues</b>	<u>4,095</u>	<u>3,106</u>	<u>-</u>	<u>63,882</u>	<u>-</u>
<b><u>EXPENDITURES</u></b>					
Current:					
General government	-	-	-	-	-
Public protection	-	-	-	-	-
Public ways and facilities	1,973	2,986	-	-	-
Community development	-	-	-	81,778	-
<b>Total Expenditures</b>	<u>1,973</u>	<u>2,986</u>	<u>-</u>	<u>81,778</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>2,122</u>	<u>120</u>	<u>-</u>	<u>(17,896)</u>	<u>-</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(88,341)	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,341)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>2,122</u>	<u>120</u>	<u>-</u>	<u>(106,237)</u>	<u>-</u>
<b>Fund Balances - Beginning</b>	<u>13,644</u>	<u>4,934</u>	<u>2,796,000</u>	<u>426,126</u>	<u>57</u>
<b>Fund Balances - Ending</b>	<u>\$ 15,766</u>	<u>\$ 5,054</u>	<u>\$ 2,796,000</u>	<u>\$ 319,889</u>	<u>\$ 57</u>

<u>07-PTAE 3280</u>	<u>09-HOME 6272</u>	<u>07-PTAG 3665</u>	<u>08-PTAE 5407</u>	<u>08-PTAG 5347</u>	<u>MA Dist 2003-1</u>	<u>H-RLF Woodstove</u>	<u>CDBG Revolving</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	1,780	-	-
-	-	8,424	-	-	58	29	3,313
-	-	-	-	-	-	-	-
<u>34,853</u>	<u>-</u>	<u>63,693</u>	<u>11,899</u>	<u>30,762</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>34,853</u>	<u>-</u>	<u>72,117</u>	<u>11,899</u>	<u>30,762</u>	<u>1,838</u>	<u>29</u>	<u>3,313</u>
-	-	-	-	-	515	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>50,378</u>	<u>2,089</u>	<u>79,462</u>	<u>36,080</u>	<u>20,267</u>	<u>-</u>	<u>2,730</u>	<u>172,689</u>
<u>50,378</u>	<u>2,089</u>	<u>79,462</u>	<u>36,080</u>	<u>20,267</u>	<u>515</u>	<u>2,730</u>	<u>172,689</u>
<u>(15,525)</u>	<u>(2,089)</u>	<u>(7,345)</u>	<u>(24,181)</u>	<u>10,495</u>	<u>1,323</u>	<u>(2,701)</u>	<u>(169,376)</u>
9,616	-	-	-	66	-	5,000	87,499
<u>(1,323)</u>	<u>-</u>	<u>(118,280)</u>	<u>(21)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,550)</u>
<u>8,293</u>	<u>-</u>	<u>(118,280)</u>	<u>(21)</u>	<u>66</u>	<u>-</u>	<u>5,000</u>	<u>54,949</u>
<u>(7,232)</u>	<u>(2,089)</u>	<u>(125,625)</u>	<u>(24,202)</u>	<u>10,561</u>	<u>1,323</u>	<u>2,299</u>	<u>(114,427)</u>
<u>7,232</u>	<u>-</u>	<u>951,263</u>	<u>8,436</u>	<u>(12,400)</u>	<u>5,227</u>	<u>3,746</u>	<u>570,420</u>
<u>\$ -</u>	<u>\$ (2,089)</u>	<u>\$ 825,638</u>	<u>\$ (15,766)</u>	<u>\$ (1,839)</u>	<u>\$ 6,550</u>	<u>\$ 6,045</u>	<u>\$ 455,993</u>

**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Revolving Loan</u>	<u>CDBG Housing</u>	<u>86-STBG 217</u>	<u>91-STBG 467</u>	<u>94-STBG 797</u>
<b><u>REVENUES</u></b>					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-
Use of money and property	9,195	326	707	2,830	1,424
Charges for services	-	-	-	-	-
Other revenues	-	-	-	-	-
<b>Total Revenues</b>	<u>9,195</u>	<u>326</u>	<u>707</u>	<u>2,830</u>	<u>1,424</u>
<b><u>EXPENDITURES</u></b>					
Current:					
General government	-	-	-	-	-
Public protection	-	-	-	-	-
Public ways and facilities	-	-	-	-	-
Community development	17,380	-	-	-	-
<b>Total Expenditures</b>	<u>17,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(8,185)</u>	<u>326</u>	<u>707</u>	<u>2,830</u>	<u>1,424</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers in	65,850	-	-	-	-
Transfers out	(41,845)	(3,220)	(2,310)	(1,297)	(25,767)
<b>Total Other Financing Sources (Uses)</b>	<u>24,005</u>	<u>(3,220)</u>	<u>(2,310)</u>	<u>(1,297)</u>	<u>(25,767)</u>
<b>Net Change in Fund Balances</b>	<u>15,820</u>	<u>(2,894)</u>	<u>(1,603)</u>	<u>1,533</u>	<u>(24,343)</u>
<b>Fund Balances - Beginning</b>	<u>452,438</u>	<u>92,065</u>	<u>49,535</u>	<u>170,058</u>	<u>61,596</u>
<b>Fund Balances - Ending</b>	<u>\$ 468,258</u>	<u>\$ 89,171</u>	<u>\$ 47,932</u>	<u>\$ 171,591</u>	<u>\$ 37,253</u>

<u>95-EDBG</u> <u>316</u>	<u>95-STBG</u> <u>897</u>	<u>97-STBG</u> <u>1118</u>	<u>97-EDBG</u> <u>545</u>	<u>HOME</u> <u>Grant</u>	<u>99-STBG</u> <u>1362</u>	<u>99-HOME</u> <u>0369</u>	<u>00-HOME</u> <u>0461</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5	1,973	2,196	464	86	-	156	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>5</u>	<u>1,973</u>	<u>2,196</u>	<u>464</u>	<u>86</u>	<u>-</u>	<u>156</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	5,179	-
-	-	-	-	-	-	5,179	-
<u>5</u>	<u>1,973</u>	<u>2,196</u>	<u>464</u>	<u>86</u>	<u>-</u>	<u>(5,023)</u>	<u>-</u>
-	-	-	-	-	-	-	-
(307)	(3,263)	(7,135)	(10,386)	-	-	-	-
<u>(307)</u>	<u>(3,263)</u>	<u>(7,135)</u>	<u>(10,386)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(302)	(1,290)	(4,939)	(9,922)	86	-	(5,023)	-
<u>302</u>	<u>66,167</u>	<u>89,828</u>	<u>9,923</u>	<u>688,480</u>	<u>110,000</u>	<u>563,909</u>	<u>963,681</u>
<u>\$ -</u>	<u>\$ 64,877</u>	<u>\$ 84,889</u>	<u>\$ 1</u>	<u>\$ 688,566</u>	<u>\$ 110,000</u>	<u>\$ 558,886</u>	<u>\$ 963,681</u>

**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>CDBG Doris Dr</u>	<u>Housing Rehab</u>	<u>DUI Grant</u>	<u>EPA Brownfield</u>	<u>RDA Housing</u>
<b><u>REVENUES</u></b>					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ 386,715
Fines and forfeitures	-	-	-	-	-
Intergovernmental revenues	-	-	7,941	22,377	-
Use of money and property	468	6,235	-	-	5,199
Charges for services	-	-	-	-	-
Other revenues	-	-	-	-	-
<b>Total Revenues</b>	<u>468</u>	<u>6,235</u>	<u>7,941</u>	<u>22,377</u>	<u>391,914</u>
<b><u>EXPENDITURES</u></b>					
Current:					
General government	-	-	-	23,075	-
Public protection	-	-	4,831	-	-
Public ways and facilities	-	-	-	-	-
Community development	-	-	-	-	108,431
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>4,831</u>	<u>23,075</u>	<u>108,431</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>468</u>	<u>6,235</u>	<u>3,110</u>	<u>(698)</u>	<u>283,483</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers in	-	-	-	-	20,378
Transfers out	(600)	(21,327)	(3,110)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(600)</u>	<u>(21,327)</u>	<u>(3,110)</u>	<u>-</u>	<u>20,378</u>
<b>Net Change in Fund Balances</b>	<u>(132)</u>	<u>(15,092)</u>	<u>-</u>	<u>(698)</u>	<u>303,861</u>
<b>Fund Balances - Beginning</b>	<u>62,421</u>	<u>438,190</u>	<u>7</u>	<u>-</u>	<u>942,232</u>
<b>Fund Balances - Ending</b>	<u>\$ 62,289</u>	<u>\$ 423,098</u>	<u>\$ 7</u>	<u>\$ (698)</u>	<u>\$ 1,246,093</u>

**Totals**

\$ 698,724  
108,236  
613,721  
75,556  
334,540  
146,229  
  
1,977,006

23,590  
272,919  
172,076  
576,463

1,045,048

931,958

371,872  
(1,523,443)

(1,151,571)

(219,613)

12,323,044

\$ 12,103,431

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**NONMAJOR GOVERNMENTAL FUNDS**  
Permanent Funds

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**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR PERMANENT FUNDS**  
**JUNE 30, 2010**

	<b>Elizabeth Daniels</b>	<b>Animal Shelter</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 91,330	\$ 28,299	\$ 119,629
<b>Total Assets</b>	<b>\$ 91,330</b>	<b>\$ 28,299</b>	<b>\$ 119,629</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	-	-	-
<b>Fund Balances</b>			
Reserved for:			
Permanent Funds	91,583	28,650	120,233
Unreserved:			
Undesignated	(253)	(351)	(604)
<b>Total Fund Balances</b>	<b>91,330</b>	<b>28,299</b>	<b>119,629</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 91,330</b>	<b>\$ 28,299</b>	<b>\$ 119,629</b>

**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Elizabeth Daniels</u>	<u>Animal Shelter</u>	<u>Totals</u>
<b><u>REVENUES</u></b>			
Use of money	\$ 903	\$ 281	\$ 1,184
<b>Total Revenues</b>	<u>903</u>	<u>281</u>	<u>1,184</u>
<b><u>EXPENDITURES</u></b>			
General government	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>903</u>	<u>281</u>	<u>1,184</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers out	(4,000)	(1,500)	(5,500)
<b>Total Other Financing Sources (Uses)</b>	<u>(4,000)</u>	<u>(1,500)</u>	<u>(5,500)</u>
<b>Net Change in Fund Balances</b>	<u>(3,097)</u>	<u>(1,219)</u>	<u>(4,316)</u>
<b>Fund Balances - Beginning</b>	<u>94,427</u>	<u>29,518</u>	<u>123,945</u>
<b>Fund Balances - Ending</b>	<u>\$ 91,330</u>	<u>\$ 28,299</u>	<u>\$ 119,629</u>

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**NONMAJOR PROPRIETARY FUNDS**  
Enterprise Funds

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**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2010**

	<b>Development Services</b>	<b>Totals</b>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and investments	\$ 207,755	\$ 207,755
Accounts receivable	165	165
	207,920	207,920
<b>Total Current Assets</b>		
Noncurrent Assets		
Capital Assets:		
Depreciable, net	969	969
Total capital assets	969	969
	969	969
<b>Total Noncurrent Assets</b>		
	208,889	208,889
<b>Total Assets</b>		
<b><u>LIABILITIES</u></b>		
Current Liabilities		
Accounts payable	6,719	6,719
Salaries and benefits payable	12,887	12,887
Compensated absences payable	5,434	5,434
	25,040	25,040
<b>Total Current Liabilities</b>		
Noncurrent Liabilities		
Compensated absences payable	6,801	6,801
Net OPEB obligation	5,736	5,736
	12,537	12,537
<b>Total Noncurrent Liabilities</b>		
	37,577	37,577
<b>Total Liabilities</b>		
<b><u>NET ASSETS</u></b>		
Invested in capital assets	969	969
Unrestricted	170,343	170,343
	\$ 171,312	\$ 171,312
<b>Total Net Assets</b>		

**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Development Services</b>	<b>Totals</b>
<b><u>OPERATING REVENUES</u></b>		
Charges for services	\$ 322,793	\$ 322,793
<b>Total Operating Revenues</b>	<b>322,793</b>	<b>322,793</b>
<b><u>OPERATING EXPENSES</u></b>		
Billing and administration	69,593	69,593
Planning	32,974	32,974
Building	216,708	216,708
Depreciation	783	783
<b>Total Operating Expenses</b>	<b>320,058</b>	<b>320,058</b>
<b>Operating Income (Loss)</b>	<b>2,735</b>	<b>2,735</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest income	1,971	1,971
<b>Total Non-Operating Revenues (Expenses)</b>	<b>1,971</b>	<b>1,971</b>
<b>Change in Net Assets</b>	<b>4,706</b>	<b>4,706</b>
<b>Total Net Assets - Beginning</b>	<b>166,606</b>	<b>166,606</b>
<b>Total Net Assets - Ending</b>	<b>\$ 171,312</b>	<b>\$ 171,312</b>

**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Development Services</b>	<b>Totals</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Receipts from customers	\$ 337,094	\$ 337,094
Payments to suppliers	(272,390)	(272,390)
Payments to employees	(64,173)	(64,173)
	531	531
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>		
Interfund loans repaid	(238)	(238)
	(238)	(238)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest received on investments	1,972	1,972
	1,972	1,972
<b>Net Cash Provided (Used) by Investing Activities</b>	1,972	1,972
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,265	2,265
<b>Balances - Beginning of the Year</b>	205,490	205,490
<b>Balances - End of the Year</b>	\$ 207,755	\$ 207,755
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>		
Operating income (loss)	\$ 2,735	\$ 2,735
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	783	783
Decrease (increase) in:		
Accounts receivable	14,301	14,301
Increase (decrease) in:		
Accounts payables	(22,708)	(22,708)
Salaries and benefits payable	2,033	2,033
Compensated absenses	1,943	1,943
Net OPEB obligation	1,444	1,444
	531	531
<b>Net Cash Provided (Used) by Operating Activities</b>	\$ 531	\$ 531

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**NONMAJOR PROPRIETARY FUNDS**  
Internal Service Funds

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**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2010**

	<b>Vehicle Replacement</b>	<b>Technology</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
Current Assets			
Cash and investments	\$ 624,709	\$ 55,425	\$ 680,134
Accounts receivable	34,866	-	34,866
Due from other funds	40,000	1,050	41,050
<b>Total Current Assets</b>	<b>699,575</b>	<b>56,475</b>	<b>756,050</b>
Noncurrent Assets			
Capital Assets:			
Depreciable, net	1,243,878	138,074	1,381,952
Total capital assets	1,243,878	138,074	1,381,952
<b>Total Noncurrent Assets</b>	<b>1,243,878</b>	<b>138,074</b>	<b>1,381,952</b>
<b>Total Assets</b>	<b>1,943,453</b>	<b>194,549</b>	<b>2,138,002</b>
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts payable	650,738	-	650,738
Due to other funds	1,050	-	1,050
Capital lease payable	-	21,777	21,777
<b>Total Current Liabilities</b>	<b>651,788</b>	<b>21,777</b>	<b>673,565</b>
Noncurrent Liabilities			
Capital lease payable	-	73,537	73,537
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>73,537</b>	<b>73,537</b>
<b>Total Liabilities</b>	<b>651,788</b>	<b>95,314</b>	<b>747,102</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	1,243,878	42,760	1,286,638
Unrestricted	47,787	56,475	104,262
<b>Total Net Assets</b>	<b>\$ 1,291,665</b>	<b>\$ 99,235</b>	<b>\$ 1,390,900</b>

**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Vehicle Replacement</u>	<u>Technology</u>	<u>Totals</u>
<b><u>OPERATING REVENUES</u></b>			
Charges for services	\$ 220,000	\$ -	\$ 220,000
Other revenue	18,376	38	18,414
	<hr/>	<hr/>	<hr/>
<b>Total Operating Revenues</b>	<b>238,376</b>	<b>38</b>	<b>238,414</b>
<b><u>OPERATING EXPENSES</u></b>			
Depreciation	123,333	21,109	144,442
	<hr/>	<hr/>	<hr/>
<b>Total Operating Expenses</b>	<b>123,333</b>	<b>21,109</b>	<b>144,442</b>
	<hr/>	<hr/>	<hr/>
<b>Operating Income (Loss)</b>	<b>115,043</b>	<b>(21,071)</b>	<b>93,972</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>			
Intergovernmental revenues	161,715	1,050	162,765
Interest income	3,201	709	3,910
Interest expense	-	(4,294)	(4,294)
	<hr/>	<hr/>	<hr/>
<b>Total Non-Operating Revenues (Expenses)</b>	<b>164,916</b>	<b>(2,535)</b>	<b>162,381</b>
	<hr/>	<hr/>	<hr/>
<b>Income (Loss) Before Transfers</b>	<b>279,959</b>	<b>(23,606)</b>	<b>256,353</b>
	<hr/>	<hr/>	<hr/>
Transfers in	464,737	-	464,737
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Change in Net Assets</b>	<b>744,696</b>	<b>(23,606)</b>	<b>721,090</b>
	<hr/>	<hr/>	<hr/>
<b>Total Net Assets - Beginning</b>	<b>546,969</b>	<b>122,841</b>	<b>669,810</b>
	<hr/>	<hr/>	<hr/>
<b>Total Net Assets - Ending</b>	<b>\$ 1,291,665</b>	<b>\$ 99,235</b>	<b>\$ 1,390,900</b>
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**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Vehicle Replacement</b>	<b>Technology</b>	<b>Totals</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Receipts from customers	\$ 358,233	\$ 38	\$ 358,271
Payments to suppliers	-	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>358,233</b>	<b>38</b>	<b>358,271</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>			
Intergovernmental revenue	161,715	1,050	162,765
Transfers from other funds	464,737	-	464,737
Interfund loans received	1,050	-	1,050
Interfund loans made	(26,544)	(1,050)	(27,594)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>600,958</b>	<b>-</b>	<b>600,958</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Purchase of capital assets	(494,970)	(134,871)	(629,841)
Proceeds from capital debt	-	114,448	114,448
Principal paid on capital debt	-	(19,134)	(19,134)
Interest paid on capital debt	-	(4,294)	(4,294)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(494,970)</b>	<b>(43,851)</b>	<b>(538,821)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Interest received on investments	3,201	709	3,910
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>3,201</b>	<b>709</b>	<b>3,910</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>467,422</b>	<b>(43,104)</b>	<b>424,318</b>
<b>Balances - Beginning of the Year</b>	<b>157,287</b>	<b>98,529</b>	<b>255,816</b>
<b>Balances - End of the Year</b>	<b>\$ 624,709</b>	<b>\$ 55,425</b>	<b>\$ 680,134</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</u></b>			
<b><u>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>			
Operating income (loss)	\$ 115,043	\$ (21,071)	\$ 93,972
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	123,333	21,109	144,442
Decrease (increase) in:			
Accounts receivable	119,857	-	119,857
Increase (decrease) in:			
Accounts payables	-	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 358,233</b>	<b>\$ 38</b>	<b>\$ 358,271</b>

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**FIDUCIARY FUNDS**  
Agency Funds

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**CITY OF GRASS VALLEY, CALIFORNIA**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2010**

	<u>Whispering Pines Morgan Ranch Redemption</u>	<u>Whispering Pines Morgan Ranch Reserve 2001</u>	<u>Whispering Pines Morgan Ranch Redemption 2001</u>	<u>Total Agency Funds</u>
<b><u>ASSETS</u></b>				
Cash and investments	\$ 128,825	\$ 4,080	\$ 183,871	\$ 316,776
Cash and investments with fiscal agent	-	508,507	2,084	510,591
Taxes receivable	-	-	7,197	7,197
<b>Total Assets</b>	<u>\$ 128,825</u>	<u>\$ 512,587</u>	<u>\$ 193,152</u>	<u>\$ 834,564</u>
<b><u>LIABILITIES</u></b>				
Agency funds held for others	\$ 128,825	\$ 512,587	\$ 193,152	\$ 834,564
<b>Total Liabilities</b>	<u>\$ 128,825</u>	<u>\$ 512,587</u>	<u>\$ 193,152</u>	<u>\$ 834,564</u>

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