

CITY OF GRASS VALLEY, CALIFORNIA



**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2020**

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CITY OF GRASS VALLEY
Annual Financial Report
For the Year Ended June 30, 2020

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INTRODUCTORY SECTION

- **List of Officials**

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CITY OF GRASS VALLEY
List of Officials
For the Year Ended June 30, 2020

City Council

| | |
|---------------|----------------|
| Ben Aguilar | Mayor |
| Jan Arbuckle | Vice Mayor |
| Tom Ivy | Council Member |
| Bob Branstrom | Council Member |
| Hilary Hodge | Council Member |

City Officials

| | |
|-----------------------|----------------------------------|
| Tim Kiser | City Manager |
| Andy Heath | Administrative Services Director |
| Alex Gammelgard | Chief of Police |
| Tom Last | Community Development Director |
| Mark Buttron | Fire Chief |
| Michael G. Colantuono | City Attorney |

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FINANCIAL SECTION

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grass Valley, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As more fully described in Note 14B to the financial statements, citizens and the economies of the United States and other countries have been significantly impacted by the coronavirus (COVID-19) pandemic. While it is premature to accurately predict how the coronavirus will ultimately affect the City's operations because the disease's severity and duration are uncertain, we expect the 2020 financial results too will be significantly impacted and the implications beyond 2020, while unclear, could also be adversely impacted. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, City Pension Plan information, City OPEB Plan information 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 the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

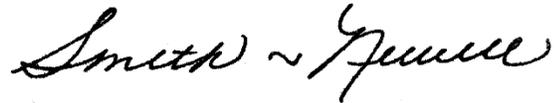
The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the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

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

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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 4, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Smith & Newell", is written in black ink.

Smith & Newell CPAs
Yuba City, California
May 4, 2021

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**Management's Discussion and Analysis
(Unaudited)**

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**City of Grass Valley
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020**

This section provides a narrative overview and analysis of the financial activities of the City of Grass Valley (City) for the fiscal year ended June 30, 2020. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- ◆ The City's total net position decreased by approximately \$2.6 million over the course of this year's operations after conducting all City operations and programs. The assets of the City exceeded its liabilities by about \$96.1 million at the end of the 2020 fiscal year. Of that amount, the City has \$89.1 million invested in capital assets; \$20.1 million in restricted net position (largely due to deferred outflows earmarked for the City's Pension Obligation Bond); and a negative unrestricted net position of \$13.2 million resulting from the addition of a Pension Obligation Bond.
- ◆ Overall City-wide revenues from all governmental and business-type activities remained somewhat unchanged, only decreasing by approximately \$376,000 when compared to the 2019 fiscal year. This slight decrease is extraordinary considering the impacts of the COVID-19 Pandemic on the virtual shutdown of the global, national and local economies starting in March/April 2020. The City experienced a full year of collections of sales taxes from Measure E (as opposed to nine months in the previous year due to the October 2018 implementation date), higher collections of property taxes due to increased assessed valuation and increased collections of charges for services due to the uptick in development activity; offset by lower levels of transient occupancy taxes and overall interest earnings.
- ◆ The General fund reported a fund balance of approximately \$7.5 million at the end of the 2020 fiscal year, a decrease of about \$1.0 million from fiscal year 2019. This decrease can be primarily attributed to the use of prior year surpluses (carryover fund balance) allocated towards significant capital projects including replacement of the City's financial system; the Wolf Creek Trail Project; and the City-wide Aerial Survey Update.
- ◆ The Measure E fund reported a fund balance of approximately \$2.9 million at the end of the 2020 fiscal year, a decrease of about \$2.6 million from fiscal year 2019. This decrease can be primarily attributed to the use of carryover fund balance towards City-wide parks and streets projects and public safety vehicle replacement. The City used approximately \$6 million in total funding towards street overlay, city hall and other building video surveillance installation; the Lyman Gilmore turf field; final payment towards a new fire truck; and improvements at Minnie and Memorial Parks, to name a few.
- ◆ The City ended the fiscal year with \$7.8 million in unrestricted net position reported in the enterprise funds, a decrease of approximately \$300,000 from the prior year. This decrease can be primarily attributed to the undertaking of approximately \$7 million in capital projects in the City's Water and Sewer enterprise operations.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is in two major parts:

- 1) **Introductory section**, which includes general information; and,
- 2) **Financial section**, which includes the Management's Discussion and Analysis (this part), the Basic Financial Statements, which include the Government-Wide and the Fund Financial Statements along with the notes to these financial statements, Required Supplementary information, and Combining and Individual Fund Financial Statements.

**City of Grass Valley
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020**

The Basic Financial Statements

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

Government-Wide Financial Statements

The government-wide financial statements provide a broad overview of the City's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the City's programs. The Statement of Activities explains in detail the change in net position for the year.

All of the City's activities are grouped into governmental activities and business-type activities, as explained below. All the amounts in the Statement of Net Position and the Statement of Activities are separated into governmental activities and business-type activities in order to provide a summary of these two activities of the City as a whole.

- ***Governmental activities*** – All of the City's basic services are considered to be governmental activities, including general government, public safety, public ways and facilities, community development, and recreation and culture. These services are supported by general City revenues such as taxes and by specific program revenues such as developer fees.
- ***Business-type activities*** – All the City's enterprise activities are reported here, including Water and Sewer. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

Fund Financial Statements

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

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

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

**City of Grass Valley
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020**

major funds, and the determination of which are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all nonmajor funds summarized and presented only in a single column. Subordinate schedules present the detail of these nonmajor funds. Major funds present the major activities of the City for the year and may change from year to year as a result of changes in the pattern of the City's activities.

For the fiscal year ended June 30, 2020, the City's major funds are as follows:

GOVERNMENTAL FUNDS:

- General Fund
- Measure E Fund
- Housing Fund
- Capital Improvement Fund

PROPRIETARY FUNDS:

- Water Enterprise Fund
- Sewer Enterprise Fund

For the fiscal year ended June 30, 2020, the City adopted annual appropriated budgets for all governmental and proprietary funds.

Proprietary funds. The City maintains enterprise-type proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for Water and Sewer activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for both Water and Sewer operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the basic financial statements can be found on pages 26-61 of this report. Required supplementary information follows the notes on pages 62-71.

Combining and Individual Fund Financial Statements

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 72-83 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$96,097,121 as of June 30, 2020. The Summary of Net Position as of June 30, 2020, and 2019, follows:

**City of Grass Valley
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020**

**City of Grass Valley
Net Position**

| | Governmental Activities | | Business-Type Activities | | Total Activities | |
|--|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Current and other assets | \$ 30,545,330 | \$ 26,888,143 | \$ 13,625,258 | \$ 9,771,646 | \$ 44,170,588 | \$ 36,659,789 |
| Capital assets | 50,871,277 | 54,047,245 | 43,345,266 | 46,568,044 | 94,216,543 | 100,615,289 |
| Total Assets | 81,416,607 | 80,935,388 | 56,970,524 | 56,339,690 | 138,387,131 | 137,275,078 |
| Deferred pension adjustments | 3,699,281 | 17,391,897 | 1,214,383 | 5,153,053 | 4,913,664 | 22,544,950 |
| Deferred OPEB adjustments | 237,393 | 396,462 | 21,873 | 36,529 | 259,266 | 432,991 |
| Total Deferred Outflows Outflows of Resources | 3,936,674 | 17,788,359 | 1,236,256 | 5,189,582 | 5,172,930 | 22,977,941 |
| Current liabilities | 2,655,718 | 2,222,564 | 2,210,558 | 1,362,689 | 4,866,276 | 3,585,253 |
| Long-term liabilities | 23,967,309 | 42,457,010 | 14,593,342 | 15,034,554 | 38,560,651 | 57,491,564 |
| Total Liabilities | 26,623,027 | 44,679,574 | 16,803,900 | 16,397,243 | 43,426,927 | 61,076,817 |
| Deferred pension adjustments | 1,106,465 | 1,169,414 | 335,126 | 353,234 | 1,441,591 | 1,522,648 |
| Deferred OPEB adjustments | - | 1,425,122 | - | 131,311 | - | 1,556,433 |
| Total Deferred Inflows Inflows of Resources | 1,106,465 | 2,594,536 | 335,126 | 484,545 | 1,441,591 | 3,079,081 |
| Net position | | | | | | |
| Invested in capital assets net of related debt | 48,484,973 | 52,298,750 | 32,338,891 | 36,841,744 | 80,823,864 | 89,140,494 |
| Restricted | 3,460,568 | 20,122,104 | 636,969 | - | 4,097,537 | 20,122,104 |
| Unrestricted | 5,678,248 | (20,971,217) | 8,092,057 | 7,805,740 | 13,770,305 | (13,165,477) |
| Total Net Position | \$ 57,623,789 | \$ 51,449,637 | \$ 41,067,917 | \$ 44,647,484 | \$ 98,691,706 | \$ 96,097,121 |

Overall, total net position decreased by approximately \$2.6 million. Of this amount, net position for governmental activities decreased by approximately \$6.2 million and net position for business-type activities increased by approximately \$3.6 million. Approximately 93 percent of the net position of the City is represented by the City's net investment in its capital assets such as buildings, land, equipment, utility systems, and facilities.

Total restricted net position increased by approximately \$16.0 million and unrestricted net position decreased by approximately \$26.9 million. It should be mentioned that the negative amount of total unrestricted net position includes the timing effects of including the June 30, 2019 measurement date value of outstanding unfunded pension liabilities in addition to the inclusion of new debt issued in June 2020 to pay down the majority of said liability. This negative amount of unrestricted net position is expected to again be positive when financial statements are prepared for FY 2020-21; and the new measurement date data for pensions includes the impacts of the payment to reduce the liability (the bonded amount).

Revenues

The City's total revenues for governmental and business-type activities were approximately \$32.8 million for the fiscal year ended June 30, 2020. Significant revenues collected by the City during fiscal year 2020 were derived from sales taxes (34.1%), charges for services (27.4%), and property taxes (13.8%).

The following discusses variances in key revenues from the prior fiscal year:

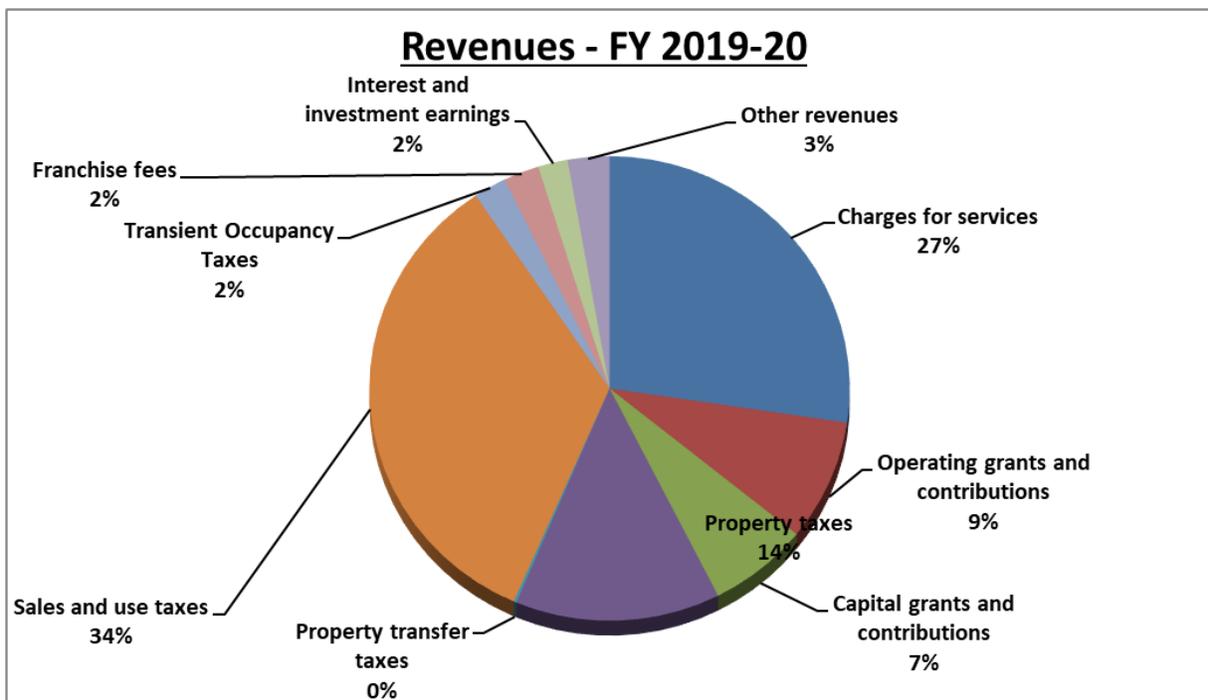
1. **Grants and Contributions – Operating and Capital** – The approximately \$565,000 reduction in capital grants and contributions is related the prior year receipt of one-time funding associated with the City's Water and Sewer Enterprises, offset by an increase in grants related to road reimbursement funding.

**City of Grass Valley
Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2020**

2. **Sales Tax** – Annual receipts increased by approximately \$760,000 primarily due to the first year of full implementation of the new Measure E Transactions Sales Tax (as opposed to nine months in the prior year), effectively increasing the previously collected Measure N Sales Tax by ½ of one-cent effective October 2018.
3. **Property Tax** – Property taxes increased by approximately \$115,000 due to the increased in assessed valuation from the prior year (note – the Motor Vehicle In Lieu portion of property tax for FY 2018-19 was classified as “Other revenues” in the Changes in Net Position table noted below).
4. **Use of Money and Property** – The Use of Money and Property decreased by approximately \$323,000 due to decreased interest rates for the City’s investment pool and use of cash balances towards City-wide projects.

**City of Grass Valley
Changes in Net Position**

| | Governmental Activities | | Business-Type Activities | | Total Activities | |
|------------------------------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Revenues | | | | | | |
| <i>Program Revenues</i> | | | | | | |
| Charges for services | \$ 864,058 | \$ 1,340,710 | \$ 7,736,011 | \$ 7,640,002 | \$ 8,600,069 | \$ 8,980,712 |
| Operating grants and contributions | 210,332 | 2,769,180 | 2,606,870 | - | 2,817,202 | 2,769,180 |
| Capital grants and contributions | 1,118,507 | - | 1,710,066 | 2,211,831 | 2,828,573 | 2,211,831 |
| <i>General Revenues</i> | | | | | | |
| Property taxes | 2,940,225 | 4,531,870 | - | - | 2,940,225 | 4,531,870 |
| Property transfer taxes | 87,470 | 60,869 | - | - | 87,470 | 60,869 |
| Sales and use taxes | 10,419,068 | 11,178,958 | - | - | 10,419,068 | 11,178,958 |
| Transient occupancy taxes | 916,807 | 723,836 | - | - | 916,807 | 723,836 |
| Franchise fees | 751,898 | 789,345 | - | - | 751,898 | 789,345 |
| Interest and investment earnings | 674,969 | 462,599 | 304,749 | 193,824 | 979,718 | 656,423 |
| Other revenues | 2,680,184 | 825,102 | 179,072 | 95,769 | 2,859,256 | 920,871 |
| Total Revenues | \$ 20,663,518 | \$ 22,682,469 | \$ 12,536,768 | \$ 10,141,426 | \$ 33,200,286 | \$ 32,823,895 |



**City of Grass Valley
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020**

Expenses

Governmental and business-type activity expenses of the City for the year totaled approximately \$35.4 million. Governmental activity expenses totaled approximately \$25.3 million or 71.4% of total expenses. Business-type activities incurred approximately \$10.1 million in expenses during the fiscal year. Public safety costs represented 30.1% of total governmental activities expenses.

Governmental Activities

Expenditures for governmental activities increased by \$5.5 million from the previous year, primarily as a result of increased capital project activity (most for the City's Streets Program in the Measure E Fund and other special projects undertaken in the City's General Fund for a new financial system; Wolf Creek Trail and Citywide Aerial Survey); and the net effect of issuing a pension obligation bond.

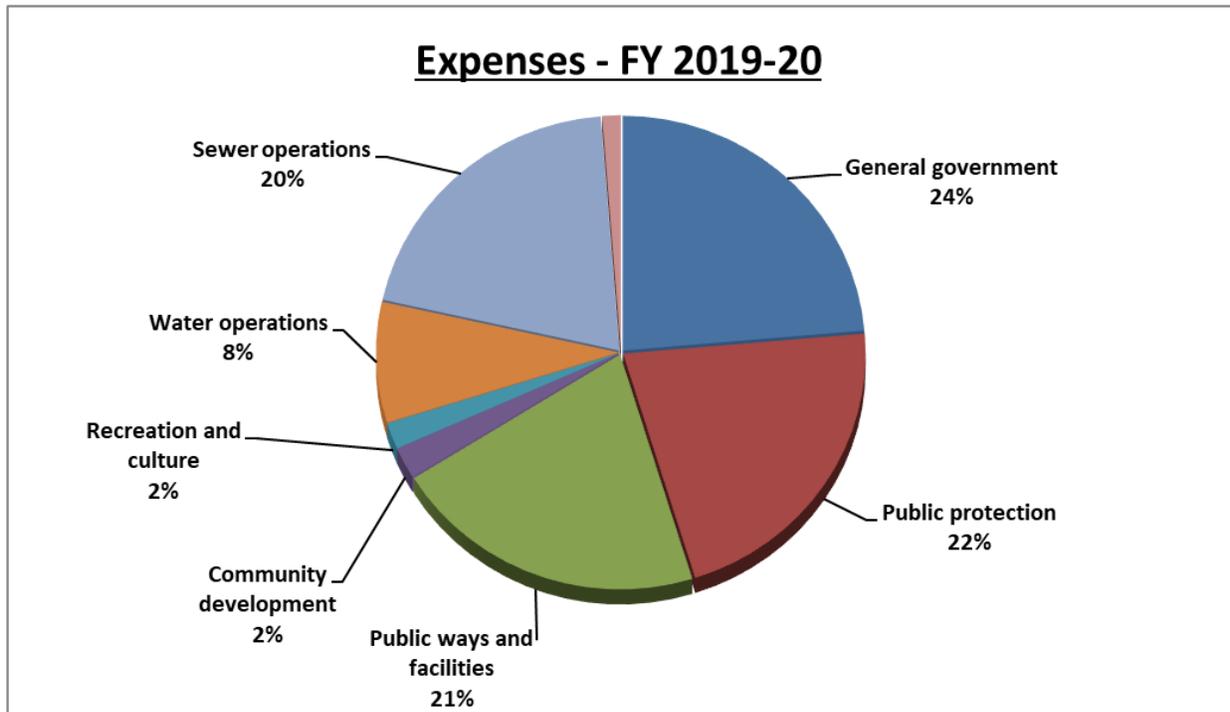
Business-Type Activities

Expenditures for business-type activities increased by \$1.1 million from the previous year, primarily as a result of increased capital expenditures in the City's Water Enterprise and the net effects of issuing a pension obligation bond.

**City of Grass Valley
Changes in Net Position**

| | Governmental Activities | | Business-Type Activities | | Total Activities | |
|--|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Expenses | | | | | | |
| General government | \$ 5,187,419 | \$ 8,369,583 | \$ - | \$ - | \$ 5,187,419 | \$ 8,369,583 |
| Public protection | 8,637,647 | 7,629,875 | - | - | 8,637,647 | 7,629,875 |
| Public ways and facilities | 4,148,675 | 7,428,841 | - | - | 4,148,675 | 7,428,841 |
| Community development | 950,418 | 772,892 | - | - | 950,418 | 772,892 |
| Recreation and culture | 379,961 | 643,552 | - | - | 379,961 | 643,552 |
| Water operations | - | - | 2,088,411 | 2,936,761 | 2,088,411 | 2,936,761 |
| Sewer operations | - | - | 6,972,464 | 7,186,160 | 6,972,464 | 7,186,160 |
| Interest on long term debt | 442,266 | 436,123 | - | - | 442,266 | 436,123 |
| Total Expenses | <u>19,746,386</u> | <u>25,280,866</u> | <u>9,060,875</u> | <u>10,122,921</u> | <u>28,807,261</u> | <u>35,403,787</u> |
| Excess (deficiency) before transfers | 917,132 | (2,598,397) | 3,475,893 | 18,505 | 4,393,025 | (2,579,892) |
| Transfers | 178,271 | (3,561,062) | (178,271) | 3,561,062 | - | - |
| Change in net position | <u>1,095,403</u> | <u>(6,159,459)</u> | <u>3,297,622</u> | <u>3,579,567</u> | <u>4,393,025</u> | <u>(2,579,892)</u> |
| Net Position - Beginning of year | <u>56,528,386</u> | <u>57,623,789</u> | <u>37,770,295</u> | <u>41,067,917</u> | <u>94,298,681</u> | <u>98,691,706</u> |
| Prior Period Adjustment | - | (14,693) | - | - | - | (14,693) |
| Net Position - Beginning of year as restated | <u>56,528,386</u> | <u>57,609,096</u> | <u>37,770,295</u> | <u>41,067,917</u> | <u>94,298,681</u> | <u>98,677,013</u> |
| Net Position - End of year | <u>\$ 57,623,789</u> | <u>\$ 51,449,637</u> | <u>\$ 41,067,917</u> | <u>\$ 44,647,484</u> | <u>\$ 98,691,706</u> | <u>\$ 96,097,121</u> |

**City of Grass Valley
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020**



Financial Analysis of the Government's Funds

The City uses fund accounting to ensure 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 financial statements.

Governmental funds. The City's governmental funds provide information on near-term inflows, outflows, and balances of spending resources. At the fiscal year ended June 30, 2020, the City's governmental funds reported combined fund balances of approximately \$24.7 million.

The General Fund is the primary operating fund of the City. For the fiscal year ended June 30, 2020, General Fund total fund balance was approximately \$7.5 million. This represents a decrease of approximately \$1.0 million from the prior year, primarily due to the undertaking of several capital projects (Financial System Replacement; Wolf Creek Trail; Citywide Aerial Survey) using prior year surpluses.

The Measure E Fund is funded by a one-cent transactional general sales tax and used towards police and fire staffing and capital outlay; and streets and parks projects. For the fiscal year ended June 30, 2020, Measure E Fund total fund balance was approximately \$2.9 million. This represents a decrease of approximately \$2.6 million from the previous year as carryover funds were used towards applicable streets and parks capital expenditures.

Proprietary funds. The City's proprietary funds unrestricted net position increased by approximately \$3.6 million in the fiscal year ended June 30, 2020, primarily due to impacts of paying the majority of the CalPERS Unfunded Liability applicable to the City's Proprietary Funds and entering in a Pension Obligation Bond.

**City of Grass Valley
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020**

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amount to approximately \$100.6 million. This investment in capital assets includes land, construction in progress, costs for road and median improvements, buildings and improvements, infrastructure, furniture and equipment, and vehicles.

**City of Grass Valley
Capital Assets (Net of Depreciation)**

| | Governmental Activities | | Business-Type Activities | | Total Activities | |
|----------------------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Land | \$ 2,942,518 | \$ 3,143,754 | \$ 239,401 | \$ 339,401 | \$ 3,181,919 | \$ 3,483,155 |
| Construction in progress | 4,789,597 | 6,288,065 | 1,495,535 | 4,094,696 | 6,285,132 | 10,382,761 |
| Infrastructure | 34,947,659 | 35,649,927 | 9,441,700 | 10,753,796 | 44,389,359 | 46,403,723 |
| Buildings and improvements | 5,167,870 | 5,427,864 | 31,818,995 | 30,495,055 | 36,986,865 | 35,922,919 |
| Equipment and vehicles | 3,023,633 | 3,494,735 | 349,635 | 885,096 | 3,373,268 | 4,379,831 |
| Software | - | 42,900 | - | - | - | 42,900 |
| Totals | \$ 50,871,277 | \$ 54,047,245 | \$ 43,345,266 | \$ 46,568,044 | \$ 94,216,543 | \$100,615,289 |

More detail of the capital assets and current activity can be found in the notes to the financial statements on pages 30 and 31 for significant accounting policies and Note 4 on pages 39 and 40 for other capital asset information.

Economic Outlook

In June 2020 and again in November 2020, the City Council adopted the FY 2020-21 Budget and Amended Budget, respectively. The November 2020 Amended Budget includes General Fund revenues of \$13.1 million and appropriations of \$13.0 million. Additionally, the November 2020 Amended Budget includes Measure E revenues of \$5.5 million and appropriations of \$5.5 million. These budgets have been adjusted to account for the anticipated impacts of the COVID-19 Pandemic on the City's collection of certain revenue sources, particularly Sales Tax and Transient Occupancy Tax.

Budgets will continue to be monitored and updated as the economy continues to recover from the impacts of the COVID-19 Pandemic. Additionally, the City will continue to monitor costs related to staffing in light of the desire to recruit and maintain the outstanding workforce currently in place. Finally, the City will continue to measure the financial impacts associated with the June 2020 issuance of a Pension Obligation Bond, which is expected to save the City considerable budgetary resources well into the future.

Requests for Information

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Grass Valley Finance Department, 125 East Main Street, Grass Valley, CA 95945. The telephone number is 530-274-4301.

Basic Financial Statements

- **Government-Wide Financial Statements**

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CITY OF GRASS VALLEY
Statement of Net Position
June 30, 2020

| | Governmental Activities | Business-Type Activities | Totals |
|---|------------------------------------|-------------------------------------|--------------------|
| ASSETS | | | |
| Cash and investments | \$ 13,758,527 | \$ 7,667,652 | \$ 21,426,179 |
| Receivables: | | | |
| Accounts | 176,394 | 1,470,442 | 1,646,836 |
| Interest | 34,164 | 18,114 | 52,278 |
| Taxes | 3,000,134 | 25,199 | 3,025,333 |
| Intergovernmental | 146,782 | 1,826 | 148,608 |
| Prepaid costs | 2,000 | - | 2,000 |
| Loans receivable | 9,770,142 | - | 9,770,142 |
| Restricted cash and investments | - | 588,413 | 588,413 |
| Capital assets: | | | |
| Non-depreciable | 9,431,819 | 4,434,097 | 13,865,916 |
| Depreciable, net | 44,615,426 | 42,133,947 | 86,749,373 |
| Total capital assets | <u>54,047,245</u> | <u>46,568,044</u> | <u>100,615,289</u> |
| Total Assets | <u>80,935,388</u> | <u>56,339,690</u> | <u>137,275,078</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred pension adjustments | 17,391,897 | 5,153,053 | 22,544,950 |
| Deferred OPEB adjustments | 396,462 | 36,529 | 432,991 |
| Total Deferred Outflows of Resources | <u>17,788,359</u> | <u>5,189,582</u> | <u>22,977,941</u> |
| LIABILITIES | | | |
| Accounts payable | 1,359,079 | 880,766 | 2,239,845 |
| Salaries and benefits payable | 601,170 | 91,403 | 692,573 |
| Deposits payable | 247,315 | 251,498 | 498,813 |
| Unearned revenue | 15,000 | - | 15,000 |
| Interest payable | - | 112,905 | 112,905 |
| Due from other governments | - | 26,117 | 26,117 |
| Long-term liabilities: | | | |
| Due within one year | 1,220,917 | 1,408,887 | 2,629,804 |
| Due in more than one year | 19,674,985 | 8,516,391 | 28,191,376 |
| Net pension liability | 15,971,803 | 4,594,277 | 20,566,080 |
| Net OPEB liability | 5,589,305 | 514,999 | 6,104,304 |
| Total Liabilities | <u>44,679,574</u> | <u>16,397,243</u> | <u>61,076,817</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred pension adjustments | 1,169,414 | 353,234 | 1,522,648 |
| Deferred OPEB adjustments | 1,425,122 | 131,311 | 1,556,433 |
| Total Deferred Inflows of Resources | <u>2,594,536</u> | <u>484,545</u> | <u>3,079,081</u> |

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

CITY OF GRASS VALLEY
Statement of Net Position
June 30, 2020

| NET POSITION | Governmental Activities | Business-Type Activities | Totals |
|----------------------------------|------------------------------------|-------------------------------------|----------------------|
| Net investment in capital assets | 52,298,750 | 36,841,744 | 89,140,494 |
| Restricted for: | | | |
| General government | 4,213,174 | - | 4,213,174 |
| Public protection | 169,003 | - | 169,003 |
| Public ways and facilities | 3,633,342 | - | 3,633,342 |
| Community development | 10,277,292 | - | 10,277,292 |
| Recreation and culture | 167,888 | - | 167,888 |
| Capital projects | 1,661,405 | - | 1,661,405 |
| Unrestricted | <u>(20,971,217)</u> | <u>7,805,740</u> | <u>(13,165,477)</u> |
| Total Net Position | <u>\$ 51,449,637</u> | <u>\$ 44,647,484</u> | <u>\$ 96,097,121</u> |

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

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CITY OF GRASS VALLEY
Statement of Activities
For the Year Ended June 30, 2020

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---------------------------------------|----------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental activities: | | | | |
| General government | \$ 8,369,583 | \$ 94,424 | \$ 1,760,085 | \$ - |
| Public protection | 7,629,875 | 98,856 | 697,490 | - |
| Public ways and facilities | 7,428,841 | 681,168 | 311,605 | - |
| Community development | 772,892 | 462,450 | - | - |
| Recreation and culture | 643,552 | 3,812 | - | - |
| Interest on long-term debt | 436,123 | - | - | - |
| Total Governmental Activities | 25,280,866 | 1,340,710 | 2,769,180 | - |
| Business-type activities: | | | | |
| Water | 2,936,761 | 2,410,548 | - | - |
| Sewer | 7,186,160 | 5,229,454 | - | 2,211,831 |
| Total Business-Type Activities | 10,122,921 | 7,640,002 | - | 2,211,831 |
| Total | \$ 35,403,787 | \$ 8,980,712 | \$ 2,769,180 | \$ 2,211,831 |

General revenues:

Taxes:

Property taxes

Property transfer taxes

Sales and use taxes

Transient occupancy taxes

Franchise fees

Interest and investment earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior period adjustment

Net Position - Beginning, Restated

Net Position - Ending

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

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

| Governmental Activities | Business-Type Activities | Total |
|------------------------------------|-------------------------------------|----------------------|
| \$ (6,515,074) | \$ - | \$ (6,515,074) |
| (6,833,529) | - | (6,833,529) |
| (6,436,068) | - | (6,436,068) |
| (310,442) | - | (310,442) |
| (639,740) | - | (639,740) |
| (436,123) | - | (436,123) |
| <u>(21,170,976)</u> | <u>-</u> | <u>(21,170,976)</u> |
| - | (526,213) | (526,213) |
| - | 255,125 | 255,125 |
| <u>-</u> | <u>(271,088)</u> | <u>(271,088)</u> |
| <u>(21,170,976)</u> | <u>(271,088)</u> | <u>(21,442,064)</u> |
| 4,531,870 | - | 4,531,870 |
| 60,869 | - | 60,869 |
| 11,178,958 | - | 11,178,958 |
| 723,836 | - | 723,836 |
| 789,345 | - | 789,345 |
| 462,599 | 193,824 | 656,423 |
| 825,102 | 95,769 | 920,871 |
| (3,561,062) | 3,561,062 | - |
| <u>15,011,517</u> | <u>3,850,655</u> | <u>18,862,172</u> |
| <u>(6,159,459)</u> | <u>3,579,567</u> | <u>(2,579,892)</u> |
| 57,623,789 | 41,067,917 | 98,691,706 |
| <u>(14,693)</u> | <u>-</u> | <u>(14,693)</u> |
| <u>57,609,096</u> | <u>41,067,917</u> | <u>98,677,013</u> |
| <u>\$ 51,449,637</u> | <u>\$ 44,647,484</u> | <u>\$ 96,097,121</u> |

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Basic Financial Statements

- **Fund Financial Statements**

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CITY OF GRASS VALLEY
Balance Sheet
Governmental Funds
June 30, 2020

| | <u>General</u> | <u>Measure "E"</u> | <u>Housing</u> | <u>Capital Improvement</u> |
|--|---------------------|---------------------|---------------------|--------------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 5,910,655 | \$ 1,972,654 | \$ 223,425 | \$ - |
| Receivables: | | | | |
| Accounts | 173,803 | - | - | - |
| Interest | 15,635 | 5,051 | 484 | - |
| Taxes | 1,732,736 | 1,229,502 | - | - |
| Intergovernmental | 5,344 | - | - | 39,101 |
| Prepaid costs | 2,000 | - | - | - |
| Due from other funds | 1,442,201 | - | - | - |
| Loans receivable | - | - | 8,425,509 | - |
| Total Assets | <u>\$ 9,282,374</u> | <u>\$ 3,207,207</u> | <u>\$ 8,649,418</u> | <u>\$ 39,101</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,021,400 | \$ 140,405 | \$ - | \$ 88,600 |
| Salaries and benefits payable | 462,412 | 133,089 | - | 5,368 |
| Deposits payable | 247,315 | - | - | - |
| Due to other funds | - | - | - | 1,335,430 |
| Unearned revenue | 15,000 | - | - | - |
| Total Liabilities | <u>1,746,127</u> | <u>273,494</u> | <u>-</u> | <u>1,429,398</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | 4,740 | - | - | - |
| Total Deferred Inflows of Resources | <u>4,740</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Nonspendable | 2,000 | - | 8,425,509 | - |
| Restricted | 1,552,075 | - | 223,909 | - |
| Assigned | - | 2,933,713 | - | - |
| Unassigned | 5,977,432 | - | - | (1,390,297) |
| Total Fund Balances | <u>7,531,507</u> | <u>2,933,713</u> | <u>8,649,418</u> | <u>(1,390,297)</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 9,282,374</u> | <u>\$ 3,207,207</u> | <u>\$ 8,649,418</u> | <u>\$ 39,101</u> |

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

| Other Governmental Funds | Totals |
|---|----------------------|
| \$ 5,651,793 | \$ 13,758,527 |
| 2,591 | 176,394 |
| 12,994 | 34,164 |
| 37,896 | 3,000,134 |
| 102,337 | 146,782 |
| - | 2,000 |
| - | 1,442,201 |
| 1,344,633 | 9,770,142 |
| <u>\$ 7,152,244</u> | <u>\$ 28,330,344</u> |
| | |
| \$ 108,674 | \$ 1,359,079 |
| 301 | 601,170 |
| - | 247,315 |
| 106,771 | 1,442,201 |
| - | 15,000 |
| <u>215,746</u> | <u>3,664,765</u> |
| | |
| - | 4,740 |
| | |
| - | 4,740 |
| | |
| 1,344,633 | 9,772,142 |
| 810,463 | 2,586,447 |
| 4,827,062 | 7,760,775 |
| (45,660) | 4,541,475 |
| <u>6,936,498</u> | <u>24,660,839</u> |
| | |
| <u>\$ 7,152,244</u> | <u>\$ 28,330,344</u> |

CITY OF GRASS VALLEY
Reconciliation of the Governmental Funds Balance
Sheet to the Government-Wide Statement of
Net Position - Governmental Activities
June 30, 2020

| | |
|--|-----------------------------|
| Total Fund Balance - Total Governmental Funds | \$ 24,660,839 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds balance sheet. | 54,047,245 |
| Other long-term assets are not available to pay for current period expenditures and therefore, are reported as unavailable revenues in the governmental funds. | 4,740 |
| Deferred outflows of resources related to pension and OPEB are not reported in the governmental funds. | 17,788,359 |
| Deferred inflows of resources related to pension and OPEB are not reported in the governmental funds. | (2,594,536) |
| Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds. | |
| Bonds payable | (18,311,000) |
| Capital leases payable | (1,748,495) |
| Compensated absences payable | (836,407) |
| Net pension liability | (15,971,803) |
| Net OPEB liability | (5,589,305) |
| Net Position of Governmental Activities | <u>\$ 51,449,637</u> |

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

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CITY OF GRASS VALLEY
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

| | <u>General</u> | <u>Measure "E"</u> | <u>Housing</u> | <u>Capital Improvement</u> |
|---|---------------------|---------------------|---------------------|--------------------------------|
| REVENUES | | | | |
| Taxes and assessments | \$ 10,858,122 | \$ 5,886,331 | \$ - | \$ - |
| Licenses, permits and franchises | 1,381,279 | - | - | - |
| Fines and forfeitures | 37,663 | - | - | - |
| Intergovernmental revenues | 293,342 | - | - | 1,728,955 |
| Use of money and property | 163,926 | 60,634 | 103,886 | 1,502 |
| Charges for services | 81,173 | - | 1,758 | - |
| Other revenues | 74,815 | 28,122 | 15,343 | 2,855 |
| Total Revenues | <u>12,890,320</u> | <u>5,975,087</u> | <u>120,987</u> | <u>1,733,312</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 17,465,219 | 2,478,322 | - | - |
| Public protection | 6,870,986 | - | - | - |
| Public ways and facilities | 1,254,266 | - | - | 4,010,777 |
| Community development | 715,645 | - | 12,687 | - |
| Recreation and culture | 437,146 | - | - | - |
| Debt service: | | | | |
| Principal | 709,895 | 66,787 | - | - |
| Interest and other charges | 404,790 | 22,207 | - | - |
| Capital outlay | 67,166 | 3,803,197 | - | 1,551,939 |
| Total Expenditures | <u>27,925,113</u> | <u>6,370,513</u> | <u>12,687</u> | <u>5,562,716</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(15,034,793)</u> | <u>(395,426)</u> | <u>108,300</u> | <u>(3,829,404)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Debt proceeds | 18,311,000 | 124,222 | - | - |
| Transfers in | 86,155 | - | - | 4,930,504 |
| Transfers out | (4,406,205) | (2,287,583) | - | (59,025) |
| Total Other Financing Sources (Uses) | <u>13,990,950</u> | <u>(2,163,361)</u> | <u>-</u> | <u>4,871,479</u> |
| Net Change in Fund Balances | <u>(1,043,843)</u> | <u>(2,558,787)</u> | <u>108,300</u> | <u>1,042,075</u> |
| Fund Balances - Beginning | 8,575,350 | 5,492,500 | 8,541,118 | (2,432,372) |
| Prior period adjustment | - | - | - | - |
| Fund Balances - Beginning, Restated | <u>8,575,350</u> | <u>5,492,500</u> | <u>8,541,118</u> | <u>(2,432,372)</u> |
| Fund Balances - Ending | <u>\$ 7,531,507</u> | <u>\$ 2,933,713</u> | <u>\$ 8,649,418</u> | <u>\$ (1,390,297)</u> |

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

| Other Governmental Funds | Totals |
|---|----------------------|
| \$ 342,743 | \$ 17,087,196 |
| - | 1,381,279 |
| 34,465 | 72,128 |
| 742,143 | 2,764,440 |
| 132,651 | 462,599 |
| 2,054 | 84,985 |
| 703,967 | 825,102 |
| <u>1,958,023</u> | <u>22,677,729</u> |
| 171,050 | 20,114,591 |
| 210,116 | 7,081,102 |
| 94,289 | 5,359,332 |
| 40,375 | 768,707 |
| - | 437,146 |
| 23,698 | 800,380 |
| 9,126 | 436,123 |
| <u>1,013,310</u> | <u>6,435,612</u> |
| <u>1,561,964</u> | <u>41,432,993</u> |
| <u>396,059</u> | <u>(18,755,264)</u> |
| - | 18,435,222 |
| 159,025 | 5,175,684 |
| <u>(1,983,933)</u> | <u>(8,736,746)</u> |
| <u>(1,824,908)</u> | <u>14,874,160</u> |
| <u>(1,428,849)</u> | <u>(3,881,104)</u> |
| 8,245,332 | 28,421,928 |
| <u>120,015</u> | <u>120,015</u> |
| <u>8,365,347</u> | <u>28,541,943</u> |
| <u>\$ 6,936,498</u> | <u>\$ 24,660,839</u> |

CITY OF GRASS VALLEY
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, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (3,881,104)

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

Governmental funds report capital outlay 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 | 6,435,612 |
| Less current year depreciation | (3,259,644) |

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

| | |
|--------------------------------|--------------|
| Principal retirements | 800,380 |
| Proceeds from issuance of debt | (18,435,222) |

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 unavailable revenue | 4,740 |
|-------------------------------|-------|

Certain changes in deferred outflows and deferred inflows of resources reported in the Statement of Activities relate to long-term liabilities and are not reported in the governmental funds.

| | |
|--|-------------|
| Change in deferred outflows of resources related to pension and OPEB | 13,851,685 |
| Change in deferred inflows of resources related to pension and OPEB | (1,488,071) |

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 | 881 |
| Change in net pension liability | (1,165,124) |
| Change in net OPEB liability | 976,408 |

Change in Net Position of Governmental Activities \$ (6,159,459)

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

CITY OF GRASS VALLEY
Statement of Net Position
Proprietary Funds
June 30, 2020

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|---|--|-------------------|-------------------|--------------------------------|
| | Major | | | Internal Service Fund |
| | Water | Sewer | Totals | |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and investments | \$ 3,012,648 | \$ 4,655,004 | \$ 7,667,652 | \$ - |
| Receivables: | | | | |
| Accounts | 505,941 | 964,501 | 1,470,442 | - |
| Interest | 7,190 | 10,924 | 18,114 | - |
| Taxes | - | 25,199 | 25,199 | - |
| Intergovernmental | 688 | 1,138 | 1,826 | - |
| Total Current Assets | 3,526,467 | 5,656,766 | 9,183,233 | - |
| Noncurrent Assets: | | | | |
| Restricted cash and investments | - | 588,413 | 588,413 | - |
| Non-depreciable | 702,080 | 3,732,017 | 4,434,097 | - |
| Depreciable, net | 9,282,580 | 32,851,367 | 42,133,947 | - |
| Total Noncurrent Assets | 9,984,660 | 37,171,797 | 47,156,457 | - |
| Total Assets | 13,511,127 | 42,828,563 | 56,339,690 | - |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred pension adjustments | 1,589,776 | 3,563,277 | 5,153,053 | - |
| Deferred OPEB adjustments | 19,716 | 16,813 | 36,529 | - |
| Total Deferred Outflows of Resources | 1,609,492 | 3,580,090 | 5,189,582 | - |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable | 660,873 | 219,893 | 880,766 | - |
| Salaries and benefits payable | 20,105 | 71,298 | 91,403 | - |
| Deposits payable | 10,698 | 240,800 | 251,498 | - |
| Interest payable | 23,186 | 89,719 | 112,905 | - |
| Due to other governments | 26,117 | - | 26,117 | - |
| Compensated absences | 13,517 | 61,978 | 75,495 | - |
| Bonds payable | - | 479,086 | 479,086 | - |
| Loans payable | 112,900 | 515,318 | 628,218 | - |
| Capital leases payable | 131,019 | 95,069 | 226,088 | - |
| Total Current Liabilities | 998,415 | 1,773,161 | 2,771,576 | - |
| Noncurrent Liabilities: | | | | |
| Compensated absences | 35,355 | 88,128 | 123,483 | - |
| Bonds payable | - | 2,750,429 | 2,750,429 | - |
| Loans payable | 977,891 | 1,058,678 | 2,036,569 | - |
| Capital leases payable | 1,072,198 | 2,533,712 | 3,605,910 | - |
| Net pension liability | 1,432,982 | 3,161,295 | 4,594,277 | - |
| Net OPEB liability | 164,524 | 350,475 | 514,999 | - |
| Total Noncurrent Liabilities | 3,682,950 | 9,942,717 | 13,625,667 | - |
| Total Liabilities | 4,681,365 | 11,715,878 | 16,397,243 | - |

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

CITY OF GRASS VALLEY
Statement of Net Position
Proprietary Funds
June 30, 2020

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|--|--|----------------------|----------------------|--------------------------------|
| | Major | | | Internal Service Fund |
| | Water | Sewer | Totals | |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred pension adjustments | 113,760 | 239,474 | 353,234 | - |
| Deferred OPEB adjustments | 89,362 | 41,949 | 131,311 | - |
| Total Deferred Inflows of Resources | <u>203,122</u> | <u>281,423</u> | <u>484,545</u> | <u>-</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 7,690,652 | 29,151,092 | 36,841,744 | - |
| Unrestricted | 2,545,480 | 5,260,260 | 7,805,740 | - |
| Total Net Position | <u>\$ 10,236,132</u> | <u>\$ 34,411,352</u> | <u>\$ 44,647,484</u> | <u>\$ -</u> |

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

CITY OF GRASS VALLEY
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|---|--|----------------------|----------------------|--------------------------------|
| | Major | | | Internal Service Fund |
| | Water | Sewer | Totals | |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 2,410,548 | \$ 5,229,454 | \$ 7,640,002 | \$ - |
| Other revenues | 62,549 | 33,220 | 95,769 | - |
| Total Operating Revenues | 2,473,097 | 5,262,674 | 7,735,771 | - |
| OPERATING EXPENSES | | | | |
| Salaries and benefits | 991,479 | 1,571,882 | 2,563,361 | - |
| Services and supplies | 1,438,546 | 3,472,951 | 4,911,497 | - |
| Amortization | - | (39,086) | (39,086) | - |
| Depreciation | 411,238 | 1,897,610 | 2,308,848 | - |
| Total Operating Expenses | 2,841,263 | 6,903,357 | 9,744,620 | - |
| Operating Income (Loss) | (368,166) | (1,640,683) | (2,008,849) | - |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Intergovernmental | 688 | 2,211,143 | 2,211,831 | - |
| Interest income | 80,612 | 113,212 | 193,824 | - |
| Interest expense | (95,498) | (282,803) | (378,301) | - |
| Total Non-Operating Revenues (Expenses) | (14,198) | 2,041,552 | 2,027,354 | - |
| Income (Loss) Before Transfers | (382,364) | 400,869 | 18,505 | - |
| Transfers in | 1,222,451 | 2,694,948 | 3,917,399 | - |
| Transfers out | (80,621) | (275,716) | (356,337) | - |
| Change in Net Position | 759,466 | 2,820,101 | 3,579,567 | - |
| Total Net Position - Beginning | 9,476,666 | 31,591,251 | 41,067,917 | 96,359 |
| Prior period adjustment | - | - | - | (96,359) |
| Total Net Position - Beginning, Restated | 9,476,666 | 31,591,251 | 41,067,917 | - |
| Total Net Position - Ending | \$ 10,236,132 | \$ 34,411,352 | \$ 44,647,484 | \$ - |

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

CITY OF GRASS VALLEY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|---|--|---------------------|---------------------|--------------------------------|
| | Major | | | Internal Service Fund |
| | Water | Sewer | Totals | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 2,268,183 | \$ 5,017,706 | \$ 7,285,889 | \$ - |
| Payments to suppliers | (907,827) | (3,553,776) | (4,461,603) | - |
| Payments to employees | (1,932,301) | (4,028,492) | (5,960,793) | - |
| Net Cash Provided (Used) by Operating Activities | (571,945) | (2,564,562) | (3,136,507) | - |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Grants, assessments, and other receipts | 26,117 | 2,363,645 | 2,389,762 | - |
| Transfers to other funds | 1,141,830 | 2,419,232 | 3,561,062 | (74,719) |
| Net Cash Provided (Used) by Noncapital Financing Activities | 1,167,947 | 4,782,877 | 5,950,824 | (74,719) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchase of capital assets | (1,954,433) | (3,577,193) | (5,531,626) | - |
| Principal paid on debt | (232,029) | (1,008,958) | (1,240,987) | - |
| Interest paid on debt | (97,304) | (292,903) | (390,207) | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (2,283,766) | (4,879,054) | (7,162,820) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest on investments | 73,422 | 102,288 | 175,710 | - |
| Net Cash Provided (Used) by Investing Activities | 73,422 | 102,288 | 175,710 | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,614,342) | (2,558,451) | (4,172,793) | (74,719) |
| Balances - Beginning | 4,626,990 | 7,801,868 | 12,428,858 | 74,719 |
| Balances - Ending | \$ 3,012,648 | \$ 5,243,417 | \$ 8,256,065 | \$ - |

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

CITY OF GRASS VALLEY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

| | <u>Business-Type Activities - Enterprise Funds</u> | | | <u>Governmental</u> |
|---|--|-----------------------|-----------------------|--|
| | <u>Major</u> | | | <u>Activities</u> |
| | <u>Water</u> | <u>Sewer</u> | <u>Totals</u> | <u>Internal</u> <u>Service</u> <u>Fund</u> |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO | | | | |
| NET CASH PROVIDED (USED) BY OPERATING | | | | |
| ACTIVITIES | | | | |
| Operating income (loss) | \$ (368,166) | \$ (1,640,683) | \$ (2,008,849) | \$ - |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Amortization | - | (39,086) | (39,086) | - |
| Depreciation | 411,238 | 1,897,610 | 2,308,848 | - |
| Decrease (increase) in: | | | | |
| Accounts receivable | (207,913) | (244,968) | (452,881) | - |
| Pension adjustments - deferred outflows | (1,228,494) | (2,710,176) | (3,938,670) | - |
| OPEB adjustments - deferred outflows | (9,974) | (4,682) | (14,656) | - |
| Increase (decrease) in: | | | | |
| Accounts payable | 530,719 | (80,825) | 449,894 | - |
| Salaries and benefits payable | (540) | 27,036 | 26,496 | - |
| Deposits payable | 2,999 | - | 2,999 | - |
| Compensated absences | 8,352 | 25,850 | 34,202 | - |
| Net pension liability | 223,563 | 212,180 | 435,743 | - |
| Net OPEB liability | (28,741) | (61,225) | (89,966) | - |
| Pension adjustments - deferred inflows | 5,650 | 12,458 | 18,108 | - |
| OPEB adjustments - deferred inflows | 89,362 | 41,949 | 131,311 | - |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (571,945)</u> | <u>\$ (2,564,562)</u> | <u>\$ (3,136,507)</u> | <u>\$ -</u> |

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

CITY OF GRASS VALLEY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

| | Private Purpose Trust Funds | Agency Funds |
|-------------------------------------|--|-------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and investments | \$ 860,139 | \$ 209,650 |
| Cash with fiscal agent | 5,491,198 | - |
| Receivables: | | |
| Interest | 1,114 | 64 |
| Intergovernmental | 230 | - |
| Loans receivable | 996,907 | - |
| Total Assets | 7,349,588 | 209,714 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable | 503 | - |
| Salaries and benefits payable | 2,503 | - |
| Unavailable revenues | 230 | - |
| Loans payable | 532,700 | - |
| Agency obligations | - | 209,714 |
| Total Current Liabilities | 535,936 | \$ 209,714 |
| Noncurrent Liabilities: | | |
| Loans payable | 12,847,400 | |
| Total Noncurrent Liabilities | 12,847,400 | |
| Total Liabilities | 13,383,336 | |
| NET POSITION | | |
| Net position held in trust | (6,033,748) | |
| Total Net Position | \$ (6,033,748) | |

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

CITY OF GRASS VALLEY
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

| | <u>Private Purpose Trust Funds</u> |
|---|--|
| ADDITIONS | |
| Property taxes | \$ 829,623 |
| Interest and investment income | 28,061 |
| Other contributions | 7,168 |
| Total Additions | <u>864,852</u> |
| DEDUCTIONS | |
| Program expenses of former redevelopment agency | 837,062 |
| Interest expense | 402,898 |
| Issuance costs | 411,788 |
| Amortization | 3,416 |
| Total Deductions | <u>1,655,164</u> |
| Change in Net Position | (790,312) |
| Total Net Position - Beginning | <u>(5,243,436)</u> |
| Total Net Position - Ending | <u>\$ (6,033,748)</u> |

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
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Grass Valley was incorporated in 1893, under the laws and regulations of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety, highways and streets, health and sanitation, culture and recreation, public improvements, planning and zoning, general administrative services, water and sewer.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

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 reporting purposes, the City's basic financial statements include all financial activities that are controlled by or are dependent upon actions 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, California 95945.

Blended Component Units

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. Pursuant to the provisions of the Redevelopment Restructuring Act, the Redevelopment Agency of the City of Grass Valley Successor Agency (Successor Agency) was created, and all of the assets, liabilities, and obligations of the former RDA were transferred to the Successor Agency on February 1, 2012.

Discretely Presented Component Units

There are no component units of the City which meet the criteria for discrete presentation.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position 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 fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which are normally supported by taxes and intergovernmental 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 each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 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 presented instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis is placed on major funds within the governmental and proprietary categories; each is displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

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 safety, planning and zoning, general administrative services and public works.
- The Measure "E" fund is a special revenue fund used to account for Measure E revenues and expenditures.
- The Housing fund is a special revenue fund used to account for Housing revenues and expenditures. Funding comes primarily from grant revenues.
- The Capital Improvement fund is a capital projects fund used to account for capital improvements of the City.

The City reports the following major proprietary funds:

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

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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

The City reports the following additional fund types:

- 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.
- Internal Service Funds account for the City's vehicle replacement program which provides services to other departments on a cost reimbursement basis. This fund was reclassified to a special revenue fund in the current fiscal year.
- Private Purpose Trust Funds account for property held under other trust arrangements in which principal and income benefit individuals, private organizations or other governments. Private purpose trust funds include the Successor Agency to the Redevelopment Agency of the City of Grass Valley.
- Agency funds account for resources held by the City as a trustee or an agent for individuals, private organizations, and other governmental entities. The resources include various fees collected on behalf of other agencies.

C. Basis of Accounting and Measurement Focus

The government-wide and proprietary fund 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. Under the 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.

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. Property and sales taxes, interest, certain state and federal grants and charges for services are considered susceptible to accrual and are accrued when their receipt occurs within sixty days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General 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.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating 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 funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds include trust funds. All trust funds are reported using the economic resources measurement focus and the accrual basis of accounting.

D. Non-Current Governmental Asset/Liabilities

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide statement of net position.

E. Cash, Cash Equivalents and Investments

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, including amounts held in the City's investment pool, to be cash and cash equivalents.

F. Investments

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments.

Investment transactions are recorded on the trade date. The fair value of investments is determined annually. Investments in nonparticipating interest-earning investment contracts are reported at cost; short term investments are reported at amortized cost, investments in the State of California Local Agency Investment Fund, an external pool, are reported at amortized cost which approximates fair value, and the fair value of all other investments are obtained by using quotations obtained from independent published sources or by the safekeeping institution. The fair value represents the amount the City could reasonably expect to receive for an investment in a current sale between a willing buyer and seller.

Income from pooled investments is allocated to the individual funds based on the fund or participant's average daily cash balance at quarter end in relation to the total pool investments. Income from non-pooled investments is recorded based on the specific investments held by the fund.

G. Restricted Cash and Investments

Restricted assets in the proprietary funds represent cash and investments held in the Sewer fund for debt service of \$588,413.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Receivables

Receivables for governmental activities consist mainly of accounts, interest, taxes and amounts due from other governments. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

Receivables for business-type activities consist mainly of user fees and interest. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

I. Other Assets

Inventory

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

Prepaid Items

Payments made for services that will benefit periods beyond June 30, 2020, are recorded as prepaid costs under both the accrual and modified accrual basis of accounting. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

J. Loans Receivable

A total of \$9,770,142 was recorded as loans receivable at June 30, 2020. These represent low interest notes and related accrued interest to finance multi-family and single family construction and rehabilitation projects and homebuyer assistance for low income families. Loan terms are 15 to 55 years with an interest rate at 0 to 5 percent. The primary source of funding for these loans comes from grants from the federal Community Development Block Grant (CDBG) program and Home Investment Partnerships (HOME) program. The CDBG and HOME grants contain monitoring requirements to ensure grant compliance. These requirements are reflected in the loan agreements.

K. Capital Assets

Capital assets, including public domain (infrastructure such as roads, bridges, sidewalks and sewer), are defined by the City as an asset with a cost greater than \$5,000 and a useful life of more than one year. A capital project involves the construction of public assets (buildings, water, sewer, or other infrastructure) that costs more than \$25,000 and extends the planned useful life of the asset by more than one year or has a planned useful life of more than one year. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their fair value at the date of donation.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets' estimated useful lives in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

| <u>Depreciable Asset</u> | <u>Estimated Lives</u> |
|---------------------------------|------------------------|
| Equipment | 3 to 25 years |
| Structures and improvements | 5 to 50 years |
| Infrastructure | 20 to 75 years |
| Intangibles (computer software) | 5 to 10 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.

L. 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.

Property taxes are levied on a fiscal year (July 1 - June 30). The secured property tax assessments are due on November 1 and February 1 and become delinquent after December 10 and April 10, respectively. The unsecured property tax assessments are due on August 1 and become delinquent after August 31. Property taxes become a lien on the property effective January 1 of the preceding year.

The City recognizes property taxes when the individual installments are due provided they are collected within 60 days after year-end.

M. 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 nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

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 government 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 reflected as expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Interfund Transactions (Continued)

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

N. Unearned Revenue

Under the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. When assets are recognized in connection with a transaction before the earnings process is complete, those assets are offset by a corresponding liability for unearned revenue.

O. Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation leave and sick leave. In the government-wide financial statements the accrued compensated absences is recorded as an expense and related liability, with the current portion 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. In the proprietary funds the accrued compensated absences is recorded as an expense and related liability in the year earned. The City includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences.

P. Pension

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

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|--------------------|--------------------------------|
| Valuation Date | June 30, 2018 |
| Measurement Date | June 30, 2019 |
| Measurement Period | June 30, 2018 to June 30, 2019 |

Q. Other Postemployment Benefits (OPEB)

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

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|--------------------|--------------------------------|
| Valuation Date | June 30, 2020 |
| Measurement Date | June 30, 2020 |
| Measurement Period | June 30, 2019 to June 30, 2020 |

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The City has two items that qualify for reporting in this category. These items relate to the outflows from changes in the net pension liability and net OPEB liability and are reportable on the Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items which qualify for reporting in this category. The first item, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for receivables that have not been received within the modified accrual period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second and third items relate to the inflows from changes in the net pension liability and net OPEB liability and are reportable on the Statement of Net Position.

S. 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.

T. Implementation of Governmental Accounting Standards Board (GASB) Statements

The following Governmental Accounting Standards Board (GASB) Statement has been implemented, if applicable, in the current financial statements.

Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statement extends the effective dates of certain accounting and financial reporting provisions in the Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The requirements of this Statement apply to the financial statements of all state and local governments. The GASB Statements effected by this statement include Statement No. 84 - Fiduciary Activities, Statement No. 87 – Leases, Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period, Statement No. 90 - Majority Equity Interests, Statement No. 91 – Conduit Debt Obligations, Statement No. 92 – Omnibus 2020, and Statement No. 93 – Replacement of Interbank Offered Rates.

U. Future Accounting Pronouncements

The following GASB Statements will be implemented in future financial statements:

| | |
|---|--|
| Statement No. 84 “Fiduciary Activities” | The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21) |
| Statement No. 87 “Leases” | The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22) |

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Future Accounting Pronouncements (Continued)

| | |
|--|--|
| Statement No. 89 “Accounting for Interest Cost Incurred Before the End of a Construction Period” | The requirements of this statement are effective for periods beginning after December 15, 2020. (FY 21/22) |
| Statement No. 90 “Majority Equity Interests” | The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21) |
| Statement No. 91 “Conduit Debt Obligations” | The requirements of this statement are effective for periods beginning after December 15, 2021. (FY 22/23) |
| Statement No. 92 “Omnibus 2020” | The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22) |
| Statement No. 93 “Replacement of Interbank Offered Rates” | The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22) |
| Statement No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” | The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23) |
| Statement No. 96 “Subscription-Based Information Technology Arrangements” | The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23) |

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Restatement of Net Position/Fund Balance

Adjustments resulting from errors or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the City reports these changes a restatements of beginning net position/fund balance. During the current year the City reported prior period adjustments to: 1) report funds not included in the prior year, 2) reclassify a fund from an internal service fund to a special revenue fund and, 3) correct a prior year understatement of capital leases payable.

The impact of the restatement on the net position of the government-wide financial statements as previously reported is presented below:

| | Governmental Activities |
|--|----------------------------|
| Net Position, June 30, 2019 as previously reported | \$ 57,623,789 |
| Adjustment associated with: | |
| Correction to report additional funds | 23,656 |
| Correction of capital leases payable | (38,349) |
| Total Adjustments | (14,693) |
| Net Position, July 1, 2019 as restated | \$ 57,609,096 |

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Restatement of Net Position/Fund Balance (Continued)

The impact of the restatement on the fund balance/net position of the fund financial statements as previously reported is presented below:

| | Other Governmental Funds | Internal Service Fund |
|---|--------------------------------|-----------------------------|
| Fund Balance/Net Position, June 30, 2019 as previous reported | \$ 8,245,332 | \$ 96,359 |
| Adjustment associated with: | | |
| Correction to report additional funds | 23,656 | - |
| Reclassification of fund | 96,359 | (96,359) |
| Total Adjustments | 120,015 | (96,359) |
| Fund Balance/Net Position, July 1, 2019 as restated | \$ 8,365,347 | \$ - |

B. Deficit Fund Balance

The following major governmental fund had a deficit fund balance at June 30, 2020:

| | |
|---------------------|--------------|
| Capital Improvement | \$ 1,390,297 |
|---------------------|--------------|

The following non-major governmental funds had deficit fund balances at June 30, 2020:

| | |
|-----------------|-----------|
| Traffic Safety | \$ 32,504 |
| EPA Brownfields | 13,156 |

Some of these deficits may be eliminated in the future through grant revenues. Certain amounts of these deficits will ultimately become the responsibility of the General fund.

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2020, the City's cash and investments are reported in the financial statements as follows:

| | |
|----------------------------|---------------|
| Governmental activities | \$ 13,758,527 |
| Business-type activities | 8,256,065 |
| Agency funds | 6,560,987 |
| Total Cash and Investments | \$ 28,575,579 |

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

A. Financial Statement Presentation (Continued)

As of June 30, 2020, the City's cash and investments consisted of the following:

| | |
|------------------------------------|----------------------|
| Cash: | |
| Cash on hand | \$ 850 |
| Deposits (less outstanding checks) | 4,630,084 |
| Cash with fiscal agent | <u>635,882</u> |
| Total Cash | <u>5,266,816</u> |
| Investments: | |
| In City's pool | 17,823,237 |
| Investments with fiscal agent | <u>5,485,526</u> |
| Total Investments | <u>23,308,763</u> |
| Total Cash and Investments | <u>\$ 28,575,579</u> |

B. Cash

At year end, the carrying amount of the City's cash deposits (including amounts in checking, savings, and money market accounts) was \$5,265,966 and the bank balance was \$4,764,551. The difference between the bank balance and the carrying amount represents outstanding warrants and deposits in transit. In addition, the City had cash on hand of \$850.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits 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 the California Government Code. Under this code, interest bearing 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 of more than the \$250,000 insured amount are collateralized. The City's investment policy does not further limit its deposits.

C. Investments

The City has an investment policy, the purpose of which is to establish guidelines for the prudent investment of the City's funds, and outline the policies for maximizing the efficiency of the City's cash management program. The ultimate goal is to enhance the economic status of the City while protecting its pooled investments.

The investment policy provides the basis for the management of a prudent, conservative investment program. Funds are invested to provide the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the Government Code and, in general, the investment policy is more restrictive than state law.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Under the provisions of the City’s investment policy and the California Government Code, the City may invest or deposit in the following:

- United States Treasury Bills, Bonds and Notes
- Securities of the U.S. Government and its Agencies
- State Obligations – CA and Others
- Local Agency Obligations of California Issuers
- Local Agency Investment Fund (State Pool) Demand Deposits (LAIF)
- Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Passbook Savings Accounts
- Investment of Bond Proceeds

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

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

The City’s position in external investment pools is in itself regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the City’s investment in external investment pools is not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2020, the City had the following recurring fair value measurements:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Fair Value Measurements Using</u> | | |
|---|---------------------|--------------------------------------|----------------|----------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Investments by Fair Value Level | | | | |
| US Treasury Notes | \$ 5,485,526 | \$ 5,485,526 | \$ - | \$ - |
| Certificates of deposit | <u>3,879,688</u> | <u>3,879,688</u> | - | - |
| Total Investments Measured at Fair Value | 9,365,214 | <u>\$ 9,365,214</u> | <u>\$ -</u> | <u>\$ -</u> |
| Investments in External Investment Pools | | | | |
| LAIF | <u>13,943,549</u> | | | |
| Total Investments | <u>\$23,308,763</u> | | | |

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. To limit the exposure to fair value losses resulting from increases in interest rates, the City’s investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the City to meet all projected obligations. Any investments that mature more than five years from the date of purchase cannot occur without prior approval of the City Council.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

As of June 30, 2020, the City had the following investments, all of which had a maturity of 5 years or less:

| Investment Type | Interest Rates | Maturities | | Fair Value | Weighted Average Maturity (Years) |
|-------------------------|----------------|---------------------|---------------------|---------------------|-----------------------------------|
| | | 0-1 year | 1-5 years | | |
| US Treasury Notes | 0.13-0.20% | \$ 5,485,526 | \$ - | \$ 5,485,526 | 2.21 |
| Certificates of Deposit | 1.50-3.55% | 758,555 | 3,121,133 | 3,879,688 | 1.93 |
| LAIF | Variable | <u>13,943,549</u> | - | <u>13,943,549</u> | - |
| Total Investments | | <u>\$20,187,630</u> | <u>\$ 3,121,133</u> | <u>\$23,308,763</u> | <u>0.31</u> |

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy sets specific parameters by type of investment to be met at the time of purchase. Presented below is the minimum rating required (where applicable) by the California Government Code or the City's investment policy, and the actual rating as of year-end for each investment type.

| Investment Type | Minimum Legal Rating | Standard & Poor's Rating | Moody's Rating | % of Portfolio |
|-------------------------|----------------------|--------------------------|----------------|----------------|
| US Treasury Notes | N/A | Unrated | Unrated | 23.53% |
| Certificates of Deposit | N/A | Unrated | Unrated | 16.64% |
| LAIF | N/A | Unrated | Unrated | <u>59.83%</u> |
| Total | | | | <u>100.00%</u> |

Custodial Credit Risk - Custodial credit risk for investments 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's investment policy requires that all securities owned by the City shall be held in safekeeping by a third party bank trust department.

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. The City's investment policy contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury Securities, mutual funds and external investment pools) at June 30, 2020 did not exceed 5 percent or more of total City investments.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

D. Investment in External Investment Pool

The City of Grass Valley maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. At June 30, 2020, the City's investment in LAIF valued at amortized cost was \$13,943,549 and is the same as the value of the pool shares. There are no restrictions on withdrawal of funds. The total amount invested by all public agencies in LAIF on that day was \$100.9 billion. Of that amount, 96.63 percent is invested in non-derivative financial products and 3.37 percent in structured notes and asset-backed securities.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, was as follows:

| | Balance July 1, 2019 | Additions | Retirements | Transfers/ Adjustments | Balance June 30, 2020 |
|--|-------------------------|---------------------|-------------|---------------------------|--------------------------|
| Governmental Activities | | | | | |
| Capital Assets, Not Being Depreciated | | | | | |
| Land | \$ 2,942,518 | \$ 201,236 | \$ - | \$ - | \$ 3,143,754 |
| Construction in progress | 4,789,597 | 2,008,868 | - | (510,400) | 6,288,065 |
| Total Capital Assets, Not Being Depreciated | <u>7,732,115</u> | <u>2,210,104</u> | <u>-</u> | <u>(510,400)</u> | <u>9,431,819</u> |
| Capital Assets, Being Depreciated | | | | | |
| Infrastructure | 67,071,550 | 2,208,977 | - | 510,400 | 69,790,927 |
| Buildings and improvements | 13,322,100 | 804,942 | - | - | 14,127,042 |
| Equipment | 9,604,658 | 1,044,467 | - | (120,726) | 10,528,399 |
| Vehicles | 343,190 | 124,222 | - | - | 467,412 |
| Software | - | 42,900 | - | 120,726 | 163,626 |
| Total Capital Assets, Being Depreciated | <u>90,341,498</u> | <u>4,225,508</u> | <u>-</u> | <u>510,400</u> | <u>95,077,406</u> |
| Less Accumulated Depreciation For: | | | | | |
| Infrastructure | (32,123,892) | (2,017,108) | - | - | (34,141,000) |
| Buildings and improvements | (8,154,228) | (544,950) | - | - | (8,699,178) |
| Equipment | (6,839,487) | (622,973) | - | 120,726 | (7,341,734) |
| Vehicles | (84,729) | (74,613) | - | - | (159,342) |
| Software | - | - | - | (120,726) | (120,726) |
| Total Accumulated Depreciation | <u>(47,202,336)</u> | <u>(3,259,644)</u> | <u>-</u> | <u>-</u> | <u>(50,461,980)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>43,139,162</u> | <u>965,864</u> | <u>-</u> | <u>510,400</u> | <u>44,615,426</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 50,871,277</u> | <u>\$ 3,175,968</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 54,047,245</u> |

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 4: CAPITAL ASSETS (CONTINUED)

| | Balance July 1, 2019 | Additions | Retirements | Transfers/ Adjustments | Balance June 30, 2020 |
|--|-------------------------|--------------|-------------|---------------------------|--------------------------|
| Business-Type Activities | | | | | |
| Capital Assets, Not Being Depreciated | | | | | |
| Land | \$ 239,401 | \$ 100,000 | \$ - | \$ - | \$ 339,401 |
| Construction in progress | 1,495,535 | 2,599,161 | - | - | 4,094,696 |
| Total Capital Assets, Not Being Depreciated | 1,734,936 | 2,699,161 | - | - | 4,434,097 |
| Capital Assets, Being Depreciated | | | | | |
| Infrastructure | 20,131,826 | 1,725,902 | - | - | 21,857,728 |
| Buildings and improvements | 58,381,286 | 400,000 | - | - | 58,781,286 |
| Equipment | 1,347,889 | 706,563 | - | (70,978) | 1,983,474 |
| Total Capital Assets, Being Depreciated | 79,861,001 | 2,832,465 | - | (70,978) | 82,622,488 |
| Less Accumulated Depreciation For: | | | | | |
| Infrastructure | (10,690,126) | (413,806) | - | - | (11,103,932) |
| Buildings and improvements | (26,562,291) | (1,716,791) | - | (7,149) | (28,286,231) |
| Equipment | (998,254) | (178,251) | - | 78,127 | (1,098,378) |
| Total Accumulated Depreciation | (38,250,671) | (2,308,848) | - | 70,978 | (40,488,541) |
| Total Capital Assets, Being Depreciated, Net | 41,610,330 | 523,617 | - | - | 42,133,947 |
| Business-Type Activities Capital Assets, Net | \$ 43,345,266 | \$ 3,222,778 | \$ - | \$ - | \$ 46,568,044 |

Depreciation

Depreciation expense was charged to governmental activities as follows:

| | |
|--|---------------------|
| General government | \$ 430,772 |
| Public protection | 548,773 |
| Public ways and facilities | 2,069,509 |
| Community development | 4,185 |
| Recreation and culture | 206,405 |
| Total Depreciation Expense – Governmental Activities | <u>\$ 3,259,644</u> |

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

| | |
|---|---------------------|
| Water | \$ 411,238 |
| Sewer | 1,897,610 |
| Total Depreciation Expense – Business-Type Activities | <u>\$ 2,308,848</u> |

Construction in Progress

Construction in progress for governmental activities related primarily to work performed on City improvement projects. Construction in progress for business-type activities related primarily to work performed on the water system plan and wastewater treatment facility improvements.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 5: INTERFUND TRANSACTIONS

Due From/To 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, 2020:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|-----------------------------|---------------------------------|-------------------------------|
| General fund | \$ 1,442,201 | \$ - |
| Capital improvement | - | 1,335,430 |
| Nonmajor governmental funds | <u>-</u> | <u>106,771</u> |
| Total | <u>\$ 1,442,201</u> | <u>\$ 1,442,201</u> |

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, reimbursement of various City operations and re-allocations of special revenues. The following are the interfund transfer balances as of June 30, 2020:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------------|-------------------------|--------------------------|
| General fund | \$ 86,155 | \$ 4,406,205 |
| Measure "E" | - | 2,287,583 |
| Capital improvement | 4,930,504 | 59,025 |
| Nonmajor governmental funds | 159,025 | 1,983,933 |
| Water | 1,222,451 | 80,621 |
| Sewer | <u>2,694,948</u> | <u>275,716</u> |
| Total | <u>\$ 9,093,083</u> | <u>\$ 9,093,083</u> |

NOTE 6: UNEARNED REVENUES

At June 30, 2020, the components of unearned revenue were as follows:

| | <u>Unearned</u> |
|---|------------------|
| General fund | |
| PG&E easement revenue received in advance | \$ 15,000 |
| Total | <u>\$ 15,000</u> |

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 7: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2020:

| Type of Indebtedness | Balance July 1, 2019 | Adjustments/ Additions | Retirements | Balance June 30, 2020 | Amounts Due Within One Year |
|---------------------------------|-------------------------|---------------------------|----------------------|--------------------------|-----------------------------------|
| Governmental Activities | | | | | |
| Loans | \$ 685,000 | \$ - | (\$ 685,000) | \$ - | \$ - |
| Pension obligation bond | - | 18,311,000 | - | 18,311,000 | 752,000 |
| Capital leases | 1,701,304 | 162,571 | (115,380) | 1,748,495 | 136,024 |
| Compensated absences | 837,288 | 1,868,421 | (1,869,302) | 836,407 | 332,893 |
| Total Governmental Activities | <u>\$ 3,223,592</u> | <u>\$ 20,341,992</u> | <u>(\$2,669,682)</u> | <u>\$ 20,895,902</u> | <u>\$ 1,220,917</u> |
| Business-Type Activities | | | | | |
| Direct borrowing loans payable | \$ 3,280,017 | \$ - | (\$ 615,230) | \$ 2,664,787 | \$ 628,218 |
| Bonds | 3,420,000 | - | (425,000) | 2,995,000 | 440,000 |
| Unamortized premium | 273,602 | - | (39,087) | 234,515 | 39,086 |
| Bonds, net | 3,693,602 | - | (464,087) | 3,229,515 | 479,086 |
| Capital leases | 4,032,755 | - | (200,757) | 3,831,998 | 226,088 |
| Compensated absences | 164,776 | 381,121 | (346,919) | 198,978 | 75,495 |
| Total Business-Type Activities | <u>\$ 11,171,150</u> | <u>\$ 381,121</u> | <u>(\$1,626,993)</u> | <u>\$ 9,925,278</u> | <u>\$ 1,408,887</u> |

Compensated absences are generally liquidated by the fund where the accrued liability occurred. The capital lease liabilities are liquidated by lease payments made by the departments leasing the equipment.

Individual issues of debt payable outstanding at June 30, 2020, are as follows:

Governmental Activities

Pension Obligation Bonds:

2020 Taxable Pension Obligation Bonds issued October 22, 2019, in the amount of \$18,311,000, due in annual installments of \$752,000 to \$1,151,000, with an interest rate of 3.60%, and a maturity date on June 1, 2040. The bonds were used for the purposes of (a) refinancing the issuer's outstanding "side fund" obligations in respect of retired miscellaneous employees to the California Public Employees' Retirement System and (b) paying the costs associated with the issuance of the bonds.

| | |
|--------------------------------|----------------------|
| | <u>\$ 18,311,000</u> |
| Total Pension Obligation Bonds | <u>18,311,000</u> |
| Total Governmental Activities | <u>\$ 18,311,000</u> |

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

Business-Type Activities

Loans from Direct Borrowings:

California Department of Water Resources Safe Drinking Water Loan, dated March 12, 1991, in the amount of \$3,225,000, payable in semi-annual installments of \$74,329, with an interest rate of 3.37%, and maturity on September 30, 2028. The loan proceeds were used to finance certain improvements to the City's water system. \$ 1,090,791

State of California, State Water Resources Control Board Loan, dated November 19, 1999, payable in annual installments of \$543,697, with maturity on July 21, 2022. The loan proceeds were used to finance the expansion of the wastewater treatment plant. 1,573,996

Total Loans from Direct Borrowings 2,664,787

Bonds:

2011 Wastewater Refunding Bonds, issued on August 1, 2011, in the amount of \$5,930,000, due in annual installments of \$311,000 to \$555,000, with an interest rate of 2.0% to 5.0%, and a maturity date of August 1, 2025. The bonds were used to refund the Wastewater Certificates of Participation. 2,995,000

Total Bonds 2,995,000

Total Business-Type Activities \$ 5,659,787

The City has pledged sewer operations revenues, net of specified operating expenses, to repay loans from direct borrowings in the amount of \$2,664,787 issued in March 1991 and November 1999.

Following is a schedule of debt payment requirements of governmental activities to maturity for long-term debt, excluding compensated absences that have indefinite maturities, and capital leases which are reported in Note 8.

Governmental Activities

| Year Ended June 30 | Pension Obligation Bonds | | |
|-----------------------|--------------------------|---------------------|----------------------|
| | Principle | Interest | Totals |
| 2021 | \$ 752,000 | \$ 618,912 | \$ 1,370,912 |
| 2022 | 711,000 | 632,124 | 1,343,124 |
| 2023 | 716,000 | 606,528 | 1,322,528 |
| 2024 | 766,000 | 580,752 | 1,346,752 |
| 2025 | 791,000 | 553,176 | 1,344,176 |
| 2026-2030 | 4,264,000 | 2,324,130 | 6,588,130 |
| 2031-2035 | 4,834,000 | 1,516,680 | 6,350,680 |
| 2036-2040 | <u>5,477,000</u> | <u>601,380</u> | <u>6,078,380</u> |
| Total | <u>\$ 18,311,000</u> | <u>\$ 7,433,682</u> | <u>\$ 25,744,682</u> |

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

Business-Type Activities

| <u>Year Ended June 30</u> | Loans from Direct Borrowings | | |
|-------------------------------|------------------------------|------------|--------------|
| | Principle | Interest | Totals |
| 2021 | \$ 628,218 | \$ 64,137 | \$ 692,355 |
| 2022 | 641,272 | 51,083 | 692,355 |
| 2023 | 654,697 | 37,658 | 692,355 |
| 2024 | 124,683 | 23,975 | 148,658 |
| 2025 | 129,010 | 19,648 | 148,658 |
| 2026-2029 | 486,907 | 33,398 | 520,305 |
| Total | \$ 2,664,787 | \$ 229,899 | \$ 2,894,686 |

| <u>Year Ended June 30</u> | Bonds | | |
|-------------------------------|--------------|------------|--------------|
| | Principle | Interest | Totals |
| 2021 | \$ 440,000 | \$ 129,238 | \$ 569,238 |
| 2022 | 465,000 | 106,613 | 571,613 |
| 2023 | 490,000 | 82,738 | 572,738 |
| 2024 | 510,000 | 57,738 | 567,738 |
| 2025 | 535,000 | 34,288 | 569,288 |
| 2026 | 555,000 | 11,794 | 566,794 |
| Total | \$ 2,995,000 | \$ 422,409 | \$ 3,417,409 |

NOTE 8: 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 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, 2020 |
|--------------------------|-------------------------|---|
| Governmental activities | 3.900% | \$ 1,748,495 |
| Business-type activities | 3.90-4.675% | 3,831,998 |
| Total | | \$ 5,580,493 |

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 8: LEASES (CONTINUED)

Capital Leases (Continued)

Equipment and related accumulated depreciation under capital lease are as follows:

| | <u>Business-Type Activities</u> |
|--------------------------------|-------------------------------------|
| Equipment | \$ 5,592,692 |
| Less: accumulated depreciation | (1,257,754) |
| Net Value | <u>\$ 4,334,938</u> |

As of June 30, 2020, capital lease annual amortization is as follows:

| <u>Year Ended June 30</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|-------------------------------------|------------------------------------|-------------------------------------|
| 2021 | \$ 213,040 | \$ 382,368 |
| 2022 | 219,178 | 394,285 |
| 2023 | 200,381 | 404,362 |
| 2024 | 145,922 | 406,882 |
| 2025 | 119,533 | 416,117 |
| 2026-2030 | 616,034 | 1,409,323 |
| 2031-2035 | 801,370 | 1,555,601 |
| 2036 | <u>44,854</u> | <u>87,070</u> |
| Total Requirements | 2,360,312 | 5,056,008 |
| Less: interest | (611,817) | (1,224,010) |
| Present Value of Remaining Payments | <u>\$ 1,748,495</u> | <u>\$ 3,831,998</u> |

NOTE 9: NET POSITION

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

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

Net Position Restricted by Enabling Legislation

The government-wide Statement of Net Position reports \$20,122,104 of restricted net position, of which \$1,034,372 is restricted by enabling legislation.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 9: NET POSITION (CONTINUED)

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 10: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2020, fund balance for governmental funds is made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the City’s highest level of decision-making authority. The City Council is the highest level of decision making authority for the City that can, by adoption of an ordinance commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** - amounts that are constrained by the City’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the City’s General fund that includes all amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 10: FUND BALANCES (CONTINUED)

The fund balances for all major and nonmajor governmental funds as of June 30, 2020, were distributed as follows:

| | General Fund | Measure "E" | Housing | Capital Improvement | Other Governmental Funds | Totals |
|------------------------|--------------------|--------------------|--------------------|------------------------|--------------------------------|---------------------|
| Nonspendable: | | | | | | |
| Prepaid costs | \$ 2,000 | \$ - | \$ - | \$ - | \$ - | \$ 2,000 |
| Loans receivable | - | - | 8,425,509 | - | 1,344,633 | 9,770,142 |
| Subtotal | <u>2,000</u> | <u>-</u> | <u>8,425,509</u> | <u>-</u> | <u>1,344,633</u> | <u>9,772,142</u> |
| Restricted for: | | | | | | |
| General | 1,552,075 | - | - | - | - | 1,552,075 |
| Housing | - | - | 223,909 | - | - | 223,909 |
| Gas tax | - | - | - | - | 324,019 | 324,019 |
| Maintenance districts | - | - | - | - | 131,707 | 131,707 |
| Block grants | - | - | - | - | 256,139 | 256,139 |
| Elizabeth Daniels park | - | - | - | - | 91,583 | 91,583 |
| Animal shelter | - | - | - | - | 7,015 | 7,015 |
| Subtotal | <u>1,552,075</u> | <u>-</u> | <u>223,909</u> | <u>-</u> | <u>810,463</u> | <u>2,586,447</u> |
| Assigned: | | | | | | |
| Measure "E" | - | 2,933,713 | - | - | - | 2,933,713 |
| Fire reserve | - | - | - | - | 82,234 | 82,234 |
| DUI grant | - | - | - | - | 4,515 | 4,515 |
| Impact fees | - | - | - | - | 2,973,866 | 2,973,866 |
| Downtown assessment | - | - | - | - | 24,722 | 24,722 |
| Vehicle replacement | - | - | - | - | 70,493 | 70,493 |
| Special projects | - | - | - | - | 1,661,405 | 1,661,405 |
| Elizabeth Daniels park | - | - | - | - | 9,827 | 9,827 |
| Subtotal | <u>-</u> | <u>2,933,713</u> | <u>-</u> | <u>-</u> | <u>4,827,062</u> | <u>7,760,775</u> |
| Unassigned | <u>5,977,432</u> | <u>-</u> | <u>-</u> | <u>(1,390,297)</u> | <u>(45,660)</u> | <u>4,541,475</u> |
| Total | <u>\$7,531,507</u> | <u>\$2,933,713</u> | <u>\$8,649,418</u> | <u>(\$ 1,390,297)</u> | <u>\$ 6,936,498</u> | <u>\$24,660,839</u> |

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policy

The City Council has adopted a fund balance policy for financial statement reporting. The policy establishes procedures for reporting fund balance classifications, establishes prudent reserve requirements and establishes a hierarchy of fund balance expenditures.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 11: PENSION PLAN

A. General Information about the Pension Plan

All qualified permanent and probationary employees are eligible to participate in the City's separate Safety police, Safety fire, and Miscellaneous (all other) Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Effective January 1, 2013, the City added retirement tiers for the Miscellaneous and Safety Rate Tiers for new employees as required under the Public Employee Pension Reform Act (PEPRA). Classic employees are generally defined as employees who have been a member of any public retirement system who have had less than a six month break in service. Applicable new hires to the City defined as classic employees as determined by PERS will be subject to the non-PEPRA plan. New non-classic employees hired on or after January 1, 2013 will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new non-classic employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding. The cumulative effect of these PEPRA changes will ultimately reduce the City's retirement costs.

Summary of Rate Tiers and Eligible Participants

| | |
|---------------------------|---|
| Open for New Enrollment | |
| Miscellaneous PEPRA | Miscellaneous members hired on or after January 1, 2013 |
| Safety Police PEPRA | Safety police members hired on or after January 1, 2013 |
| Safety Fire PEPRA | Safety fire members hired on or after January 1, 2013 |
| Closed to New Enrollment | |
| Miscellaneous | Miscellaneous members hired before January 1, 2013 |
| Safety Police | Safety police members hired before January 1, 2013 |
| Safety Police Second Tier | Safety police members hired before January 1, 2013 |
| Safety Fire | Safety fire members hired before January 1, 2013 |

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (age 52 for Miscellaneous Plan Members if membership date is on or after January 1, 2013) with statutorily reduced benefits. Retirement benefits are paid monthly for life. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 11: PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

Each Rate Tier's specific provisions and benefits in effect at June 30, 2020, are summarized as follows:

| | <u>Benefit Formula</u> | <u>Retirement Age</u> | <u>Monthly Benefits as a % of Eligible Compensation</u> |
|---------------------------|----------------------------|---------------------------|---|
| Miscellaneous | 2.0% @ 55 | 50 - 55 | 1.426% to 2.418% |
| Miscellaneous PEPRA | 2.0% @ 62 | 52 - 62 | 1.000% to 2.500% |
| Safety Police | 3.0% @ 50 | 50 | 3.000% |
| Safety Police Second Tier | 3.0% @ 50 | 50 | 3.000% |
| Safety Police PEPRA | 2.7% @ 57 | 50 - 57 | 2.000% to 2.700% |
| Safety Fire | 3.0% @ 55 | 50 - 55 | 2.400% to 3.000% |
| Safety Fire PEPRA | 2.7% @ 57 | 50 - 57 | 2.000% to 2.700% |

Contributions

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

| | <u>Employer Contribution Rates</u> | <u>Employee Contribution Rates</u> | <u>Employer Paid Member Contribution Rates</u> |
|---------------------------|--|--|--|
| Miscellaneous | 11.432% | 8.000% | 0.000% |
| Miscellaneous PEPRA | 6.985% | 6.250% | 0.000% |
| Safety Police | 21.927% | 9.000% | 0.000% |
| Safety Police Second Tier | 20.073% | 9.000% | 0.000% |
| Safety Police PEPRA | 13.034% | 12.000% | 0.000% |
| Safety Fire | 20.073% | 9.000% | 0.000% |
| Safety Fire PEPRA | 13.034% | 12.000% | 0.000% |

For the year ended June 30, 2020, the contributions recognized as part of pension expense were as follows:

| | <u>Contributions-Employer</u> | <u>Contributions-Employee (Paid by Employer)</u> |
|---------------|-------------------------------|--|
| Miscellaneous | \$ 814,931 | \$ - |
| Safety | 1,035,238 | - |

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 11: PENSION PLAN (CONTINUED)

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

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2020 was as follows:

| | <u>Proportion June 30, 2019</u> | <u>Proportion June 30, 2020</u> | <u>Change- Increase (Decrease)</u> |
|---------------|-------------------------------------|-------------------------------------|--|
| Miscellaneous | .26760% | .27139% | .00379% |
| Safety | .15134% | .15536% | .00402% |

As of June 30, 2020, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

| | <u>Proportionate Share of Net Pension Liability</u> |
|-----------------------------|---|
| Miscellaneous | \$ 10,867,668 |
| Safety | <u>9,698,412</u> |
| Total Net Pension Liability | <u>\$ 20,566,080</u> |

For the year ended June 30, 2020, the City recognized pension expense of \$3,865,604. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Pension contributions subsequent to the measurement date | \$ 19,814,964 | \$ - |
| Changes of assumptions | 915,742 | (261,281) |
| Difference between expected and actual experience | 1,388,024 | (58,482) |
| Difference between projected and actual earnings on pension plan investments | - | (323,419) |
| Difference between City contributions and proportionate share of contributions | 426,220 | (728,564) |
| Amortization due to differences in proportions | <u>-</u> | <u>(150,902)</u> |
| Total | <u>\$ 22,544,950</u> | <u>(\$ 1,522,648)</u> |

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 11: PENSION PLAN (CONTINUED)

B. Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

\$19,814,964 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

| | |
|----------------|---------------------|
| Year Ended | |
| <u>June 30</u> | |
| 2021 | \$ 1,241,124 |
| 2022 | (260,196) |
| 2023 | 162,058 |
| 2024 | 64,352 |
| Thereafter | <u>-</u> |
| Total | <u>\$ 1,207,338</u> |

Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

| | |
|----------------------------------|---|
| Valuation Date | June 30, 2018 |
| Measurement Date | June 30, 2019 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Investment Rate of Return | 7.15% |
| Inflation | 2.50% |
| Salary Increases | Varies by entry-age and service |
| Mortality Rate Table | Derived using CalPERS' membership data for all funds |
| Post-Retirement Benefit Increase | Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies |

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

Discount Rate

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

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 11: PENSION PLAN (CONTINUED)

B. Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Long-Term Expected Rate of Return

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

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

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

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

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

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

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

| | <u>1% Decrease 6.15%</u> | <u>Discount Rate 7.15%</u> | <u>1% Increase 8.15%</u> |
|---------------|----------------------------------|------------------------------------|----------------------------------|
| Miscellaneous | \$ 15,850,660 | \$ 10,867,668 | \$ 6,754,559 |
| Safety | 15,025,879 | 9,698,412 | 5,330,724 |

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 11: PENSION PLAN (CONTINUED)

B. Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Pension Plan Fiduciary Net Position

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

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description

The only OPEB provided by the City is a contribution toward the cost of retiree medical coverage for qualifying retirees.

Benefits Provided

Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS, which requires either (1) attainment of age 50 (age 52, if a miscellaneous member new to PERS on or after January 1, 2013) with 5 years of State or public agency service or (2) an approved disability retirement. The employee must begin his or her pension benefit within 120 days of terminating employment with the City to be eligible to continue medical coverage through the City and to receive the employer subsidy described below.

Once eligible for medical coverage as a retiree, he or she may enroll within 60 days of retirement or during any future open enrollment period. Coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.

As a PEMHCA employer, the City is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The City has several resolutions with CalPERS which define the City's contributions to comply with PEMHCA. Additional benefits are provided to long-service retirees who meet other age and/or service requirements.

The City contributes toward the cost of retiree's medical coverage as follows:

- (1) For all employees who retire under PERS from the City meeting the requirements described in the first paragraph of this section, the City will contribute the required PEMHCA Minimum Employer Contribution (MEC). This MEC contribution is payable for the lifetime of the retiree or until CalPERS medical coverage is discontinued. The MEC generally continues to a surviving spouse, if covered by a CalPERS medical plan at the time of the retiree's death. Additional details about these PEMHCA benefits are provided on the following page.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

A. General Information about the OPEB Plan (Continued)

Benefits Provided (Continued)

(2) In addition to any benefits payable in 1) above, if the retiree satisfies the age and service conditions set by agreement for their unit, the City will contribute an additional amount toward the cost of coverage each month; the benefit amount is fixed for each employee at the date of his or her retirement. Election of CalPERS medical coverage is not required to receive this benefit. This additional benefit, if payable, ends at the earlier of age 65 or the retiree’s death; there is no continuation of this benefit to a surviving spouse.

Details on the requirements for these additional benefits and the amounts payable are provided in the chart below.

| Unit | Description | Minimum Age | Minimum Service | Monthly Subsidy* | Ben Ends |
|------|-----------------------------|--------------------------------------|---|--|----------|
| ESE | Department Heads | 55 for Misc Ees 50 for Safety Ees | Hired prior to 7/1/2011: 5 Years with the City | 80% of Blue Shield Net Value HMO Region 1 premiums for employee only up to \$500*** | age 65** |
| | | | Hired on or after 7/1/2011: 10 years with the City | \$250 | |
| 1 | Management & Supervisory | PERS retirement | Retiring after 7/2/2006: 25 years with the City | \$250 | |
| 2 | General Employees | PERS retirement | Retiring after 7/1/2006: 25 years with the City | \$250 | |
| 6 | Police Officers | PERS retirement | Hired prior to 1/1/2016: 25 years with the City | \$300 | |
| 8 | Firefighters | PERS retirement | Hired prior to 1/1/2016: 25 years with the City | 50% of premiums for the lowest cost Region 1 plan for employee and spouse | |

*Monthly benefits other than the PEMHCA minimum benefit are paid whether or not medical coverage is through the City.

**There are 5 retirees with grandfathered lifetime benefits.

***Effectively \$500, since 80% of the Blue Shield Net Value HMO Region 1 exceeds \$500.

Different benefits amounts may be payable to employees who retired prior to the valuation date.

The City has been under contract with CalPERS for medical plan coverage since 1994, though coverage for some groups began later, in 1999. Each PEMHCA resolution was adopted on an “unequal contribution” basis, where the employer’s contribution toward retiree medical benefits is determined by multiplying together (a) 5% times (b) the number of prior years the employer has been contracted with PEMHCA times (c) the contribution the employer makes towards active employee health benefits, but not less than the required Minimum Employer Contribution (MEC).

Despite the wording in these PEMHCA resolutions, however, the City’s practice has been to pay the full Minimum Employer Contribution (\$139 per month for 2020), regardless of the number of years since each resolution was adopted. It was assumed this practice would continue and future retiree PEMHCA benefits were valued accordingly.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

A. General Information about the OPEB Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

| | |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefits | 47 |
| Active employees | <u>86</u> |
| Total | <u><u>133</u></u> |

B. Net OPEB Liability

The City's net OPEB liability of \$6,104,304 was measured as of June 30, 2020, and was determined by the actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The net OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---|
| Valuation Date | June 30, 2020 |
| Measurement Date | Last day of the current fiscal year (June 30, 2020) |
| Funding Method | Entry Age Normal Cost, level of percent of pay |
| Asset Valuation Method | Not applicable (\$0; plan is not yet funded) |
| Discount Rates | 2.66% as of June 30, 2020, 2.79% as of June 30, 2019 |
| Participants Valued | Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in the valuation. |
| Salary Increase | 3.0% per year; since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years |
| General Inflation Rate | 2.5% per year |
| Healthcare cost trend rates | 5.40% for 2021, decreasing 0.1% per year to an ultimate rate of 4.0% for 2076 and later years |
| Mortality rates | MacLeod Watts Scale 2020 applied generationally |

Demographic actuarial assumptions used in the June 30, 2020 valuation are those published in the 2017 experience study of the California Public Employees Retirement System using data from 1997 to 2015 and applicable to the City's employees and retirees, except projection of future mortality improvement.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Changes in the Net OPEB Liability

The table below shows the changes in the total OPEB liability, the Plan fiduciary net position (i.e., fair value of the Plan assets), and the net OPEB liability during the measurement period ending on June 30, 2020 for the City's proportionate share.

| | Increases (Decreases) | | |
|---|--------------------------------|--|------------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) – (b) |
| Balances at fiscal year ending June 30, 2019 | \$ 7,170,678 | \$ - | \$ 7,170,678 |
| Changes during the period: | | | |
| Service cost | 439,142 | - | 439,142 |
| Interest cost | 209,424 | - | 209,424 |
| Difference between expected and actual experience | (1,532,906) | - | (1,532,906) |
| Change of assumptions | 25,063 | - | 25,063 |
| Contributions – employer | - | 207,097 | (207,097) |
| Benefit payments | (207,097) | (207,097) | - |
| Net Changes | (1,066,374) | - | (1,066,374) |
| Balances at fiscal year ending June 30, 2020 | \$ 6,104,304 | \$ - | \$ 6,104,304 |

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

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

| | 1% Decrease 1.66% | Current Rate 2.66% | 1% Increase 3.66% |
|--------------------|----------------------|-----------------------|----------------------|
| Net OPEB liability | \$ 7,082,661 | \$ 6,104,304 | \$ 5,311,209 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

| | Current Trend -1% | Current Trend | Current Trend +1% |
|--------------------|----------------------|---------------|----------------------|
| Net OPEB Liability | \$ 5,182,128 | \$ 6,104,304 | \$ 7,291,328 |

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of \$523,427. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Changes of assumptions | \$ 243,565 | (\$ 1,556,433) |
| Differences between expected and actual experience | 189,426 | - |
| Total | \$ 432,991 | (\$ 1,556,433) |

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

| Fiscal Year Ended June 30 | |
|---------------------------------|----------------|
| 2021 | (\$ 125,139) |
| 2022 | (125,139) |
| 2023 | (125,139) |
| 2024 | (125,139) |
| 2025 | (125,139) |
| Thereafter | (497,747) |
| | (\$ 1,123,442) |

NOTE 13: 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.

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.

There are no significant reductions in insurance coverage from prior years and there have been no settlements exceeding the insurance coverages for each of the past three fiscal years.

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 program for 33 member cities and one fire district. 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.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 13: RISK MANAGEMENT (CONTINUED)

There are no significant reductions in insurance coverage from prior years and there have been no settlements exceeding the insurance coverages for each of the past three fiscal years.

NOTE 14: SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Grass Valley that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. The City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City included in the fund financial statements as Former Redevelopment Agency Special Revenue Fund and Low/Moderate Income Housing Fund.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 14: SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012, (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012, was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

A. Loans Receivable

The Agency has made loans to qualifying participants within the City of Grass Valley to provide housing to low and moderate income participants and to provide assistance to entities within the redevelopment area.

At June 30, 2020, loans receivable consisted of the following:

| | <u>Balance</u> <u>July 1, 2019</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2020</u> |
|--|---------------------------------------|------------------|--------------------|--|
| Redevelopment Housing: | | | | |
| Springhill Garden Apts | \$ 722,000 | \$ - | (\$ 5,000) | \$ 717,000 |
| Valley Commons | 267,297 | - | (5,000) | 262,297 |
| Redevelopment Projects (Non-Housing): | | | | |
| Center for the Arts | <u>17,610</u> | <u>-</u> | <u>-</u> | <u>17,610</u> |
| Total Loans Receivable | <u>\$ 1,006,907</u> | <u>\$ -</u> | <u>(\$ 10,000)</u> | <u>\$ 996,907</u> |

Redevelopment Housing

On October 1, 2008, the City of Grass Valley Redevelopment Agency entered into an agreement with Springhill Gardens Associates, L.P. to provide a \$600,000 loan for the development of Springhill Garden Apartments. The loan bears an interest rate of 3 percent and is payable in annual installments commencing in 2011 until January 15, 2040.

Valley Commons loan dated March 10, 2011, payable in annual installments commencing in 2017, with an interest rate of 3 percent maturity in 30 years.

Redevelopment Projects

Center for the Arts loan dated January 14, 2011, payable in annual installments commencing September 1, 2011, with an interest rate of 2 percent and maturity on September 1, 2020. The portion that would have matured in September 2019 and September 2020 did not occur, therefore the remainder of the loan balance will be complete in fiscal year 2020-2021.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 14: SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

B. Long-Term Liabilities

The Agency generally incurs debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The Agency's debt issue and transactions related to governmental activities are summarized below and discussed in detail separately.

| Type of Indebtedness | Balance July 1, 2019 | Additions | Retirements | Balance June 30, 2020 | Amounts Due Within One Year |
|--------------------------------------|-------------------------|--------------------|-----------------------|--------------------------|-----------------------------------|
| 2002 ABAG Lease Revenue Bonds | \$ 610,000 | \$ - | (\$ 610,000) | \$ - | \$ - |
| 2014 Tax Allocation Refunding Bonds | 5,150,000 | - | (190,000) | 4,960,000 | 200,000 |
| Less: discount | (64,898) | - | 3,416 | (61,482) | (3,416) |
| 2010 Tax Allocation Bonds | 2,795,000 | - | (2,795,000) | - | - |
| Less: discount | (67,931) | - | 67,931 | - | - |
| 2020A Tax Allocation Refunding Bonds | - | 2,955,000 | - | 2,955,000 | 145,000 |
| Plus: premium | - | 298,539 | - | 298,539 | 19,903 |
| 2020B Tax Allocation Refunding Bonds | - | 5,300,000 | - | 5,300,000 | 175,000 |
| Less: discount | - | (71,957) | - | (71,957) | (3,787) |
| Total Governmental Activities | <u>\$ 8,422,171</u> | <u>\$8,481,582</u> | <u>(\$ 3,523,653)</u> | <u>\$ 13,380,100</u> | <u>\$ 532,700</u> |

Bonds:

2014 Tax Allocation Refunding Bonds, issued on December 1, 2014, in the amount of \$6,005,000. The 2014 bonds bear interest rates in the range of 2.00% to 4.375% per annum and interest is payable semi-annually on June 1 and December 1, commencing on June 1, 2017. Principal is payable in annual installments starting from December 1, 2017 in amounts ranging from \$150,000 to \$605,000. The bonds will mature on December 1, 2038. The bonds were used to defease the outstanding 2008 Tax Allocation Bonds.

\$ 4,960,000

2020 Series A Tax Allocation Refunding Bonds, issued on May 28, 2020, in the amount of \$2,955,000 and payable in annual installments of \$145,000 to \$255,000, with an interest rate of 4.00% and maturity on December 1, 2034. The bonds were used to refund the 2010 Tax Allocation Bonds.

2,955,000

2020 Series B Tax Allocation Refunding Bonds, issued on May 28, 2020, in the amount of \$5,300,000 and payable in annual installments of \$175,000 to \$585,000, with an interest rate of 2.00% to 3.60% and maturity on December 1, 2038. The bonds were used to finance redevelopment activities and for the acquisition of capital assets.

5,300,000

Total Bonds

\$ 13,215,000

NOTE 15: OTHER INFORMATION

A. Commitments and Contingencies

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 appreciable 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.

CITY OF GRASS VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 15: OTHER INFORMATION (CONTINUED)

B. Subsequent Events

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the City could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The City has not included any contingencies in the financial statements specific to this issue.

Management has evaluated events subsequent to June 30, 2020 through May 4, 2021, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

**Required Supplementary Information
(Unaudited)**

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CITY OF GRASS VALLEY
Required Supplementary Information
City Pension Plan
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2020
Last 10 Years*

| Measurement Date | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 |
|--|------------------|------------------|------------------|------------------|
| Miscellaneous | | | | |
| Proportion of the net pension liability | 0.08394% | 0.25762% | 0.25637% | 0.25883% |
| Proportionate share of the net pension liability | \$ 5,222,688 | \$ 7,067,820 | \$ 8,905,897 | \$ 10,203,070 |
| Covered employee payroll | 3,051,114 | 2,720,788 | 2,845,140 | 2,773,466 |
| Proportionate share of the net pension liability as a percentage of covered employee payroll | 171.17% | 259.77% | 313.02% | 367.88% |
| Plan fiduciary net position as a percentage of the total pension liability | 83.04% | 92.07% | 72.46% | 70.80% |
| Safety | | | | |
| Proportion of the net pension liability | 0.06786% | 0.14104% | 0.14610% | 0.14705% |
| Proportionate share of the net pension liability | \$ 5,092,498 | \$ 5,811,191 | \$ 7,567,090 | \$ 8,786,698 |
| Covered employee payroll | 2,460,728 | 2,776,953 | 2,575,241 | 2,902,953 |
| Proportionate share of the net pension liability as a percentage of covered employee payroll | 206.95% | 209.27% | 293.84% | 302.68% |
| Plan fiduciary net position as a percentage of the total pension liability | 81.39% | 94.68% | 74.20% | 73.59% |

* The City implemented GASB 68 for fiscal year June 30, 2015, therefore only six years are shown.

| <u>2017/2018</u> | <u>2018/2019</u> |
|------------------|------------------|
| 0.26760% | 0.27139% |
| \$ 10,085,168 | \$ 10,867,668 |
| 2,711,644 | 2,892,638 |
| 371.92% | 375.70% |
| 71.60% | 70.67% |
| | |
| 0.15134% | 0.15536% |
| \$ 8,880,045 | \$ 9,698,412 |
| 3,240,879 | 3,586,719 |
| 274.00% | 270.40% |
| 75.52% | 75.05% |

CITY OF GRASS VALLEY
Required Supplementary Information
City Pension Plan
Schedule of Contributions
For the Year Ended June 30, 2020
Last 10 Years*

| Fiscal Year | <u>2014/2015</u> | <u>2015/2016</u> | <u>2016/2017</u> | <u>2017/2018</u> |
|---|------------------|------------------|------------------|------------------|
| Miscellaneous | | | | |
| Contractually required contribution (actuarially determined) | \$ 414,652 | \$ 423,229 | \$ 606,756 | \$ 632,072 |
| Contributions in relation to the actuarially determined contributions | <u>(414,652)</u> | <u>(423,229)</u> | <u>(606,756)</u> | <u>(632,072)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 2,720,788 | \$ 2,845,140 | \$ 2,773,466 | \$ 2,711,644 |
| Contributions as a percentage of covered payroll | 15.24% | 14.88% | 21.88% | 23.31% |
| Safety | | | | |
| Contractually required contribution (actuarially determined) | \$ 577,372 | \$ 644,510 | \$ 821,329 | \$ 910,702 |
| Contributions in relation to the actuarially determined contributions | <u>(577,372)</u> | <u>(644,510)</u> | <u>(821,329)</u> | <u>(910,702)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 2,776,953 | \$ 2,575,241 | \$ 2,902,953 | \$ 3,240,879 |
| Contributions as a percentage of covered payroll | 20.79% | 25.03% | 28.29% | 28.10% |

* The City implemented GASB 68 for fiscal year June 30, 2015, therefore only six years are shown.

| <u>2018/2019</u> | <u>2019/2020</u> |
|------------------------|------------------------|
| \$ 814,931 | \$ 936,148 |
| <u>(814,931)</u> | <u>(18,566,415)</u> |
| <u>\$ -</u> | <u>\$ (17,630,267)</u> |
| \$ 2,892,638 28.17% | \$ 3,229,280 28.99% |
| | |
| \$ 1,035,238 | \$ 1,248,549 |
| <u>(1,035,238)</u> | <u>(1,248,549)</u> |
| <u>\$ -</u> | <u>\$ -</u> |
| \$ 3,586,719 28.86% | \$ 3,838,273 32.53% |

CITY OF GRASS VALLEY
Required Supplementary Information
City Pension Plan
Notes to City Pension Plan
For the Year Ended June 30, 2020

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Change of Assumptions and Methods

CalPERS has implemented a new actuarial valuation software system for the June 30, 2018, valuation. This new system has refined and improved calculation methodology. In December 2017, the CalPERS Board of Administration (the Board) adopted new mortality assumptions for plan participation in the Public Employee's Retirement Fund (PERF). The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016 published by the Society of Actuaries. The inflation assumption was reduced from 2.75 percent to 2.50 percent.

The assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.75 percent. These changes are being implemented in two steps commencing in the June 30, 2018, funding valuation. For financial reporting purposes, these assumption changes are fully reflected in the results for Fiscal Year 2017-18. In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

NOTE 2: SCHEDULE OF CONTRIBUTIONS

Methods and assumptions used to determine the contribution rates were as follows:

| | |
|-------------------------------|---|
| Valuation Date | June 30, 2017 |
| Actuarial cost method | Individual Entry Age Normal |
| Amortization method | Level Percentage of Payroll and Direct Rate Smoothing |
| Remaining Amortization Period | Differs by employer rate plan but no more than 30 years |
| Asset valuation method | Fair value |
| Inflation | 2.75% |
| Salary increases | Varies based on entry age and service |
| Investment rate of return | 7.38% |

CITY OF GRASS VALLEY
Required Supplementary Information
City OPEB Plan
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2020
Last 10 Years*

| | <u>2017/2018</u> | <u>2018/2019</u> | <u>2019/2020</u> |
|---|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | |
| Service Cost | \$ 381,204 | \$ 412,855 | \$ 439,142 |
| Interest | 197,059 | 202,213 | 209,424 |
| Difference between expected and actual experience | - | - | (1,532,906) |
| Changes of assumption | 190,503 | 129,461 | 25,063 |
| Benefit payments | <u>(170,170)</u> | <u>(172,147)</u> | <u>(207,097)</u> |
| Net Change in Total OPEB Liability | 598,596 | 572,382 | (1,066,374) |
| Total OPEB Liability - Beginning | <u>5,999,700</u> | <u>6,598,296</u> | <u>7,170,678</u> |
| Total OPEB Liability - Ending (a) | <u>\$ 6,598,296</u> | <u>\$ 7,170,678</u> | <u>\$ 6,104,304</u> |
| Plan Fiduciary Net Position | | | |
| Contributions - employer | \$ 170,170 | \$ 172,147 | \$ 207,097 |
| Benefit payments | <u>(170,170)</u> | <u>(172,147)</u> | <u>(207,097)</u> |
| Net Change in Plan Fiduciary Net Position | - | - | - |
| Plan Fiduciary Net Position - Beginning | <u>-</u> | <u>-</u> | <u>-</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net OPEB Liability - Ending (a) - (b) | <u>\$ 6,598,296</u> | <u>\$ 7,170,678</u> | <u>\$ 6,104,304</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% | 0.00% | 0.00% |
| Covered-employee payroll | \$ 6,726,880 | \$ 7,095,244 | \$ 7,445,513 |
| Net OPEB liability as a percentage of covered-employee payroll | 98.09% | 101.06% | 81.99% |

* The City implemented GASB 75 for the fiscal year June 30, 2018, therefore only three years are shown.

CITY OF GRASS VALLEY
Required Supplementary Information
City OPEB Plan
Schedule of Contributions
For the Year Ended June 30, 2020
Last 10 Years*

| | <u>2017/2018</u> | <u>2018/2019</u> | <u>2019/2020</u> |
|--|------------------|------------------|------------------|
| Actuarially determined contributions | \$ 170,170 | \$ 172,147 | \$ 207,097 |
| Contributions in relation to the actuarially determined contribution | <u>(170,170)</u> | <u>(172,147)</u> | <u>(207,097)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 6,726,880 | \$ 7,095,244 | \$ 6,104,304 |
| Contributions as a percentage of covered-employee payroll | 2.53% | 2.43% | 3.39% |

* The City implemented GASB 75 for the fiscal year June 30, 2018, therefore only three years are shown.

CITY OF GRASS VALLEY
Required Supplementary Information
City OPEB Plan
Note to City OPEB Plan
For the Year Ended June 30, 2020

NOTE 1: SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

| | |
|--------------------------|---|
| Discount Rate: | Decreased from 2.79 percent to 2.66 percent, reflecting the change in municipal bond index rate. |
| Demographic Assumptions: | Updated from 2014 experience study report to those provided in the 2017 experience study of CalPERS. |
| Mortality Improvements: | Updated from MacLeod Watts Scale 2017 to MacLeod Watts Scale 2020 reflecting continued updates in available information about expected future mortality. |
| General Inflation Rate: | Decreased from 2.75 percent to 2.5 percent. |
| Salary Increase: | Decreased from 3.25 percent to 3.0 percent per year. |
| Medical Trend: | Updated to use the Getzen model, published by the Society of Actuaries. |
| PEMHCA MEC Increases: | Decreased the assumed trend on the PEMHCA minimum benefit from 4.5 percent to 4.0 percent per year based on recent historical and expected future increases in CPI-medical. |

CITY OF GRASS VALLEY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|---|----------------------------|-------------------------|---------------------------|---|
| REVENUES | | | | |
| Taxes and assessments | \$ 9,616,940 | \$ 9,616,940 | \$ 10,858,122 | \$ 1,241,182 |
| Licenses, permits and franchises | 2,314,600 | 2,314,600 | 1,381,279 | (933,321) |
| Fines and forfeitures | 5,000 | 5,000 | 37,663 | 32,663 |
| Intergovernmental revenues | 197,300 | 197,300 | 293,342 | 96,042 |
| Use of money and property | 95,500 | 95,500 | 163,926 | 68,426 |
| Charges for services | 533,750 | 533,750 | 81,173 | (452,577) |
| Other revenues | 3,000 | 3,000 | 74,815 | 71,815 |
| Total Revenues | <u>12,766,090</u> | <u>12,766,090</u> | <u>12,890,320</u> | <u>124,230</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 4,146,877 | 4,136,664 | 3,752,351 | 384,313 |
| Public protection | 6,282,714 | 6,877,176 | 6,870,986 | 6,190 |
| Public ways and facilities | 1,071,231 | 1,222,787 | 1,254,266 | (31,479) |
| Community development | 723,403 | 713,432 | 715,645 | (2,213) |
| Recreation and culture | 363,025 | 438,146 | 437,146 | 1,000 |
| Debt service: | | | | |
| Principal | 355,876 | 337,000 | 709,895 | (372,895) |
| Interest | 78,379 | 23,633 | 404,790 | (381,157) |
| Capital outlay | 42,500 | 68,404 | 67,166 | 1,238 |
| Total Expenditures | <u>13,064,005</u> | <u>13,817,242</u> | <u>14,212,245</u> | <u>(395,003)</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(297,915)</u> | <u>(1,051,152)</u> | <u>(1,321,925)</u> | <u>(270,773)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Debt proceeds (Pension Obligation Bonds) | - | - | 18,311,000 | 18,311,000 |
| Payment of pension UAL from debt proceeds | - | - | (13,712,868) | (13,712,868) |
| Transfers in | 48,100 | 48,100 | 86,155 | 38,055 |
| Transfers out | - | - | (4,406,205) | (4,406,205) |
| Total Other Financing Sources (Uses) | <u>48,100</u> | <u>48,100</u> | <u>278,082</u> | <u>229,982</u> |
| Net Change in Fund Balances | <u>(249,815)</u> | <u>(1,003,052)</u> | <u>(1,043,843)</u> | <u>(40,791)</u> |
| Fund Balances - Beginning | <u>8,575,350</u> | <u>8,575,350</u> | <u>8,575,350</u> | <u>-</u> |
| Fund Balances - Ending | <u>\$ 8,325,535</u> | <u>\$ 7,572,298</u> | <u>\$ 7,531,507</u> | <u>\$ (40,791)</u> |

The City of Grass Valley issued pension obligation bonds to pay off the Unfunded Actuarial Accrued Liability (UAAL) in the current fiscal year. For purposes of the budgetary comparison schedule, the UAAL payoff is presented as other financing uses.

CITY OF GRASS VALLEY
Required Supplementary Information
Budgetary Comparison Schedule
Measure "E" - Major Special Revenue Fund
For the Year Ended June 30, 2020

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------------------|---|
| REVENUES | | | | |
| Taxes and assessments | \$ 5,616,000 | \$ 5,616,000 | \$ 5,886,331 | \$ 270,331 |
| Use of money and property | 10,000 | 10,000 | 60,634 | 50,634 |
| Other revenues | - | - | 28,122 | 28,122 |
| Total Revenues | <u>5,626,000</u> | <u>5,626,000</u> | <u>5,975,087</u> | <u>349,087</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 2,616,652 | 5,463,166 | 2,478,322 | 2,984,844 |
| Debt service: | | | | |
| Principal | - | - | 66,787 | (66,787) |
| Interest | | | 22,207 | (22,207) |
| Capital outlay | 4,150,000 | 3,147,505 | 3,803,197 | (655,692) |
| Total Expenditures | <u>6,766,652</u> | <u>8,610,671</u> | <u>6,370,513</u> | <u>2,240,158</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(1,140,652)</u> | <u>(2,984,671)</u> | <u>(395,426)</u> | <u>2,589,245</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Debt proceeds | - | - | 124,222 | 124,222 |
| Transfers out | - | - | (2,287,583) | (2,287,583) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>(2,163,361)</u> | <u>(2,163,361)</u> |
| Net Change in Fund Balances | <u>(1,140,652)</u> | <u>(2,984,671)</u> | <u>(2,558,787)</u> | <u>425,884</u> |
| Fund Balances - Beginning | <u>5,492,500</u> | <u>5,492,500</u> | <u>5,492,500</u> | <u>-</u> |
| Fund Balances - Ending | <u>\$ 4,351,848</u> | <u>\$ 2,507,829</u> | <u>\$ 2,933,713</u> | <u>\$ 425,884</u> |

CITY OF GRASS VALLEY
Required Supplementary Information
Budgetary Comparison Schedule
Housing - Major Special Revenue Fund
For the Year Ended June 30, 2020

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------------------|---|
| REVENUES | | | | |
| Use of money and property | \$ 172,474 | \$ 172,474 | \$ 103,886 | \$ (68,588) |
| Charges for services | - | - | 1,758 | 1,758 |
| Other revenue | - | - | 15,343 | 15,343 |
| Total Revenues | <u>172,474</u> | <u>172,474</u> | <u>120,987</u> | <u>(51,487)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community development | - | 12,688 | 12,687 | 1 |
| Total Expenditures | <u>-</u> | <u>12,688</u> | <u>12,687</u> | <u>1</u> |
| Excess of Revenues Over (Under) Expenditures | <u>172,474</u> | <u>159,786</u> | <u>108,300</u> | <u>(51,486)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (35,500) | (35,500) | - | 35,500 |
| Total Other Financing Sources (Uses) | <u>(35,500)</u> | <u>(35,500)</u> | <u>-</u> | <u>35,500</u> |
| Net Change in Fund Balances | 136,974 | 124,286 | 108,300 | (15,986) |
| Fund Balances - Beginning | <u>8,541,118</u> | <u>8,541,118</u> | <u>8,541,118</u> | <u>-</u> |
| Fund Balances - Ending | <u>\$ 8,678,092</u> | <u>\$ 8,665,404</u> | <u>\$ 8,649,418</u> | <u>\$ (15,986)</u> |

CITY OF GRASS VALLEY
Required Supplementary Information
Notes to Budgetary Comparison Schedules
For the Year Ended June 30, 2020

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

Formal budgetary integration is employed as a management control device during the year. The City presents a comparison of annual budget to actual results for the General fund and major special revenue funds. 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).

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

- (1) The City Manager submits to the City Council a recommended draft budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- (2) The City Council reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Council also conducts a public hearing on the recommended 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 recommended expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during the fiscal year. The City Manager may authorize transfers from one object or purpose to another within the same department.

From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein, as recommended expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during the fiscal year. The City Manager may authorize transfers from one object or purpose to another within the same department.

NOTE 2: EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the fiscal year ended June 30, 2020, the City incurred expenditures in excess of appropriations as follows:

| | <u>Appropriations</u> | <u>Expenditures</u> | <u>Excess of Expenditures Over Appropriations</u> |
|--------------|-----------------------|---------------------|---|
| General fund | \$ 13,817,242 | \$ 14,212,245 | \$ 395,003 |

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Combining Nonmajor Fund Financial Statements

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Nonmajor Governmental Funds

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CITY OF GRASS VALLEY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

| | <u>Special Revenue Funds</u> | <u>Capital Project Fund</u> | <u>Permanent Funds</u> | <u>Totals</u> |
|--|--------------------------------------|-------------------------------------|----------------------------|---------------------|
| ASSETS | | | | |
| Cash and investments | \$ 3,886,071 | \$ 1,657,556 | \$ 108,166 | \$ 5,651,793 |
| Receivables: | | | | |
| Accounts | 2,591 | - | - | 2,591 |
| Interest | 8,886 | 3,849 | 259 | 12,994 |
| Taxes | 37,896 | - | - | 37,896 |
| Intergovernmental | 102,337 | - | - | 102,337 |
| Loans receivable | 1,344,633 | - | - | 1,344,633 |
| Total Assets | <u>\$ 5,382,414</u> | <u>\$ 1,661,405</u> | <u>\$ 108,425</u> | <u>\$ 7,152,244</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 108,674 | \$ - | \$ - | \$ 108,674 |
| Salaries and benefits payable | 301 | - | - | 301 |
| Due to other funds | 106,771 | - | - | 106,771 |
| Total Liabilities | <u>215,746</u> | <u>-</u> | <u>-</u> | <u>215,746</u> |
| FUND BALANCES | | | | |
| Nonspendable | 1,344,633 | - | - | 1,344,633 |
| Restricted | 711,865 | - | 98,598 | 810,463 |
| Assigned | 3,155,830 | 1,661,405 | 9,827 | 4,827,062 |
| Unassigned | (45,660) | - | - | (45,660) |
| Total Fund Balances | <u>5,166,668</u> | <u>1,661,405</u> | <u>108,425</u> | <u>6,936,498</u> |
| Total Liabilities and Fund Balances | <u>\$ 5,382,414</u> | <u>\$ 1,661,405</u> | <u>\$ 108,425</u> | <u>\$ 7,152,244</u> |

CITY OF GRASS VALLEY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

| | Special Revenue Funds | Capital Project Fund | Permanent Funds | Totals |
|---|--------------------------------------|-------------------------------------|----------------------------|---------------------|
| REVENUES | | | | |
| Taxes and assessments | \$ 342,743 | \$ - | \$ - | \$ 342,743 |
| Fines and forfeitures | 34,465 | - | - | 34,465 |
| Intergovernmental revenues | 742,143 | - | - | 742,143 |
| Use of money and property | 94,287 | 35,804 | 2,560 | 132,651 |
| Charges for services | 2,054 | - | - | 2,054 |
| Other revenues | 8,967 | 695,000 | - | 703,967 |
| Total Revenues | <u>1,224,659</u> | <u>730,804</u> | <u>2,560</u> | <u>1,958,023</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 163,691 | - | 7,359 | 171,050 |
| Public protection | 210,116 | - | - | 210,116 |
| Public ways and facilities | 94,289 | - | - | 94,289 |
| Community development | 40,375 | - | - | 40,375 |
| Debt Service: | | | | |
| Principal | 23,698 | - | - | 23,698 |
| Interest | 9,126 | - | - | 9,126 |
| Capital outlay | - | 1,006,178 | 7,132 | 1,013,310 |
| Total Expenditures | <u>541,295</u> | <u>1,006,178</u> | <u>14,491</u> | <u>1,561,964</u> |
| Excess of Revenues Over (Under) Expenditures | <u>683,364</u> | <u>(275,374)</u> | <u>(11,931)</u> | <u>396,059</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 159,025 | - | - | 159,025 |
| Transfers out | (1,885,389) | (88,958) | (9,586) | (1,983,933) |
| Total Other Financing Sources (Uses) | <u>(1,726,364)</u> | <u>(88,958)</u> | <u>(9,586)</u> | <u>(1,824,908)</u> |
| Net Change in Fund Balances | <u>(1,043,000)</u> | <u>(364,332)</u> | <u>(21,517)</u> | <u>(1,428,849)</u> |
| Fund Balances - Beginning | 6,089,653 | 2,025,737 | 129,942 | 8,245,332 |
| Prior period adjustment | 120,015 | - | - | 120,015 |
| Fund Balances - Beginning, Restated | <u>6,209,668</u> | <u>2,025,737</u> | <u>129,942</u> | <u>8,365,347</u> |
| Fund Balances - Ending | <u>\$ 5,166,668</u> | <u>\$ 1,661,405</u> | <u>\$ 108,425</u> | <u>\$ 6,936,498</u> |

Nonmajor Governmental Funds

- **Special Revenue Funds**

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CITY OF GRASS VALLEY
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2020

| | Gas Tax | Traffic Safety | Fire Reserve | DUI Grant |
|--|----------------------------|---------------------------|-------------------------|----------------------|
| ASSETS | | | | |
| Cash and investments | \$ 289,497 | \$ 27,833 | \$ 82,805 | \$ 4,505 |
| Receivables: | | | | |
| Accounts | - | 2,225 | - | - |
| Interest | 509 | 37 | 193 | 10 |
| Taxes | 34,013 | - | - | - |
| Intergovernmental | - | - | - | - |
| Loans receivable | - | - | - | - |
| | Total Assets | \$ 30,095 | \$ 82,998 | \$ 4,515 |
| | \$ 324,019 | \$ 30,095 | \$ 82,998 | \$ 4,515 |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 62,599 | \$ 764 | \$ - |
| Salaries and benefits payable | - | - | - | - |
| Due to other funds | - | - | - | - |
| | Total Liabilities | 62,599 | 764 | - |
| | - | 62,599 | 764 | - |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 324,019 | - | - | - |
| Assigned | - | - | 82,234 | 4,515 |
| Unassigned | - | (32,504) | - | - |
| | Total Fund Balances | (32,504) | 82,234 | 4,515 |
| | 324,019 | (32,504) | 82,234 | 4,515 |
| Total Liabilities and Fund Balances | \$ 324,019 | \$ 30,095 | \$ 82,998 | \$ 4,515 |

| EPA Brownfields | Developer Fees | Maintenance Districts | Block Grants | Downtown Assessment | Vehicle Replacement | Totals |
|----------------------------|---------------------------|----------------------------------|-------------------------|--------------------------------|--------------------------------|---------------------|
| \$ - | \$ 2,994,133 | \$ 134,078 | \$ 255,552 | \$ 24,299 | \$ 73,369 | \$ 3,886,071 |
| - | - | - | - | 366 | - | 2,591 |
| - | 6,968 | 353 | 587 | 57 | 172 | 8,886 |
| - | - | 3,883 | - | - | - | 37,896 |
| 102,337 | - | - | - | - | - | 102,337 |
| - | - | - | 1,344,633 | - | - | 1,344,633 |
| <u>\$ 102,337</u> | <u>\$ 3,001,101</u> | <u>\$ 138,314</u> | <u>\$ 1,600,772</u> | <u>\$ 24,722</u> | <u>\$ 73,541</u> | <u>\$ 5,382,414</u> |
| \$ 8,722 | \$ 27,235 | \$ 6,306 | \$ - | \$ - | \$ 3,048 | \$ 108,674 |
| - | - | 301 | - | - | - | 301 |
| 106,771 | - | - | - | - | - | 106,771 |
| <u>115,493</u> | <u>27,235</u> | <u>6,607</u> | <u>-</u> | <u>-</u> | <u>3,048</u> | <u>215,746</u> |
| - | - | - | 1,344,633 | - | - | 1,344,633 |
| - | - | 131,707 | 256,139 | - | - | 711,865 |
| - | 2,973,866 | - | - | 24,722 | 70,493 | 3,155,830 |
| (13,156) | - | - | - | - | - | (45,660) |
| <u>(13,156)</u> | <u>2,973,866</u> | <u>131,707</u> | <u>1,600,772</u> | <u>24,722</u> | <u>70,493</u> | <u>5,166,668</u> |
| <u>\$ 102,337</u> | <u>\$ 3,001,101</u> | <u>\$ 138,314</u> | <u>\$ 1,600,772</u> | <u>\$ 24,722</u> | <u>\$ 73,541</u> | <u>\$ 5,382,414</u> |

CITY OF GRASS VALLEY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2020

| | Gas Tax | Traffic Safety | Fire Reserve | DUI Grant |
|---|--------------------|---------------------------|-------------------------|----------------------|
| REVENUES | | | | |
| Taxes and assessments | \$ - | \$ - | \$ - | \$ - |
| Fines and forfeitures | - | 34,465 | - | - |
| Intergovernmental revenues | 569,384 | - | - | - |
| Use of money and property | 6,499 | 457 | 1,961 | 56 |
| Charges for services | - | - | - | - |
| Other revenues | - | - | 3,767 | - |
| Total Revenues | 575,883 | 34,922 | 5,728 | 56 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public protection | - | 185,209 | 22,635 | 2,272 |
| Public ways and facilities | - | - | - | - |
| Community development | - | - | - | - |
| Debt Service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total Expenditures | - | 185,209 | 22,635 | 2,272 |
| Excess of Revenues Over (Under) Expenditures | 575,883 | (150,287) | (16,907) | (2,216) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 56,082 | 100,000 | - | - |
| Transfers out | (1,571,763) | - | - | - |
| Total Other Financing Sources (Uses) | (1,515,681) | 100,000 | - | - |
| Net Change in Fund Balances | (939,798) | (50,287) | (16,907) | (2,216) |
| Fund Balances - Beginning | 1,263,817 | 17,783 | 99,141 | 6,731 |
| Prior period adjustment | - | - | - | - |
| Fund Balances - Beginning, Restated | 1,263,817 | 17,783 | 99,141 | 6,731 |
| Fund Balances - Ending | \$ 324,019 | \$ (32,504) | \$ 82,234 | \$ 4,515 |

| EPA Brownfields | Developer Fees | Maintenance Districts | Block Grants | Downtown Assessment | Vehicle Replacement | Totals |
|----------------------------|---------------------------|----------------------------------|-------------------------|--------------------------------|--------------------------------|---------------------|
| \$ - | \$ 213,290 | \$ 77,662 | \$ - | \$ 51,791 | \$ - | \$ 342,743 |
| - | - | - | - | - | - | 34,465 |
| 172,759 | - | - | - | - | - | 742,143 |
| - | 65,931 | 3,012 | 14,245 | 368 | 1,758 | 94,287 |
| - | - | - | 2,054 | - | - | 2,054 |
| - | - | - | - | - | 5,200 | 8,967 |
| <u>172,759</u> | <u>279,221</u> | <u>80,674</u> | <u>16,299</u> | <u>52,159</u> | <u>6,958</u> | <u>1,224,659</u> |
| 163,691 | - | - | - | - | - | 163,691 |
| - | - | - | - | - | - | 210,116 |
| - | - | 94,289 | - | - | - | 94,289 |
| - | - | - | 10,375 | 30,000 | - | 40,375 |
| - | - | - | - | - | 23,698 | 23,698 |
| - | - | - | - | - | 9,126 | 9,126 |
| <u>163,691</u> | <u>-</u> | <u>94,289</u> | <u>10,375</u> | <u>30,000</u> | <u>32,824</u> | <u>541,295</u> |
| <u>9,068</u> | <u>279,221</u> | <u>(13,615)</u> | <u>5,924</u> | <u>22,159</u> | <u>(25,866)</u> | <u>683,364</u> |
| - | 2,943 | - | - | - | - | 159,025 |
| - | (313,626) | - | - | - | - | (1,885,389) |
| - | (310,683) | - | - | - | - | (1,726,364) |
| <u>9,068</u> | <u>(31,462)</u> | <u>(13,615)</u> | <u>5,924</u> | <u>22,159</u> | <u>(25,866)</u> | <u>(1,043,000)</u> |
| (22,224) | 3,005,328 | 121,666 | 1,594,848 | 2,563 | - | 6,089,653 |
| - | - | 23,656 | - | - | 96,359 | 120,015 |
| <u>(22,224)</u> | <u>3,005,328</u> | <u>145,322</u> | <u>1,594,848</u> | <u>2,563</u> | <u>96,359</u> | <u>6,209,668</u> |
| <u>\$ (13,156)</u> | <u>\$ 2,973,866</u> | <u>\$ 131,707</u> | <u>\$ 1,600,772</u> | <u>\$ 24,722</u> | <u>\$ 70,493</u> | <u>\$ 5,166,668</u> |

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Nonmajor Governmental Funds

- **Capital Projects Fund**

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**CITY OF GRASS VALLEY
Combining Balance Sheet
Nonmajor Capital Projects Fund
June 30, 2020**

| | Special Projects | Total |
|---|-----------------------------|---------------------|
| ASSETS | | |
| Cash and investments | \$ 1,657,556 | \$ 1,657,556 |
| Receivables: | | |
| Interest | 3,849 | 3,849 |
| Total Assets | \$ 1,661,405 | \$ 1,661,405 |
| LIABILITIES | | |
| Accounts payable | \$ - | \$ - |
| Total Liabilities | - | - |
| FUND BALANCE | | |
| Assigned | 1,661,405 | 1,661,405 |
| Total Fund Balance | 1,661,405 | 1,661,405 |
| Total Liabilities and Fund Balance | \$ 1,661,405 | \$ 1,661,405 |

CITY OF GRASS VALLEY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Capital Projects Fund
For the Year Ended June 30, 2020

| | Special Projects | Total |
|---|-----------------------------|--------------|
| REVENUES | | |
| Use of money and property | \$ 35,804 | \$ 35,804 |
| Other revenue | 695,000 | 695,000 |
| Total Revenues | 730,804 | 730,804 |
| EXPENDITURES | | |
| Capital outlay | 1,006,178 | 1,006,178 |
| Total Expenditures | 1,006,178 | 1,006,178 |
| Excess of Revenues Over (Under) Expenditures | (275,374) | (275,374) |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers out | (88,958) | (88,958) |
| Total Other Financing Sources (Uses) | (88,958) | (88,958) |
| Net Change in Fund Balance | (364,332) | (364,332) |
| Fund Balance - Beginning | 2,025,737 | 2,025,737 |
| Fund Balance - Ending | \$ 1,661,405 | \$ 1,661,405 |

Nonmajor Governmental Funds

- **Permanent Funds**

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CITY OF GRASS VALLEY
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2020

| | Elizabeth Daniels Park | Animal Shelter | Totals |
|--|---------------------------------------|---------------------------|-------------------|
| ASSETS | | | |
| Cash and investments | \$ 101,175 | \$ 6,991 | \$ 108,166 |
| Receivables: | | | |
| Interest | 235 | 24 | 259 |
| Total Assets | \$ 101,410 | \$ 7,015 | \$ 108,425 |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Total Liabilities | - | - | - |
| FUND BALANCES | | | |
| Restricted | 91,583 | 7,015 | 98,598 |
| Assigned | 9,827 | - | 9,827 |
| Total Fund Balances | 101,410 | 7,015 | 108,425 |
| Total Liabilities and Fund Balances | \$ 101,410 | \$ 7,015 | \$ 108,425 |

CITY OF GRASS VALLEY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Permanent Funds
For the Year Ended June 30, 2020

| | Elizabeth Daniels Park | Animal Shelter | Totals |
|---|---------------------------------------|---------------------------|-------------------|
| REVENUES | | | |
| Use of money and property | \$ 2,207 | \$ 353 | \$ 2,560 |
| Total Revenues | <u>2,207</u> | <u>353</u> | <u>2,560</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | - | 7,359 | 7,359 |
| Capital outlay | - | 7,132 | 7,132 |
| Total Expenditures | <u>-</u> | <u>14,491</u> | <u>14,491</u> |
| Excess of Revenues Over (Under) Expenditures | <u>2,207</u> | <u>(14,138)</u> | <u>(11,931)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | - | (9,586) | (9,586) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(9,586)</u> | <u>(9,586)</u> |
| Net Change in Fund Balances | 2,207 | (23,724) | (21,517) |
| Fund Balances - Beginning | <u>99,203</u> | <u>30,739</u> | <u>129,942</u> |
| Fund Balances - Ending | <u>\$ 101,410</u> | <u>\$ 7,015</u> | <u>\$ 108,425</u> |

Fiduciary Funds

- **Private Purpose Trust Funds**
- **Agency Funds**

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CITY OF GRASS VALLEY
Combining Statement of Fiduciary Net Position
Private Purpose Trust Funds
June 30, 2020

| | Successor Agency to the Redevelopment Agency of the City of Grass Valley | | |
|-------------------------------|---|-------------------|-----------------------|
| | Projects | Housing | Totals |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and investments | \$ 842,971 | \$ 17,168 | \$ 860,139 |
| Cash with fiscal agent | 5,491,198 | - | 5,491,198 |
| Receivables: | | | |
| Interest | 1,114 | - | 1,114 |
| Intergovernmental | 230 | - | 230 |
| Loans receivable | 17,610 | 979,297 | 996,907 |
| | 6,353,123 | 996,465 | 7,349,588 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | 503 | - | 503 |
| Salaries and benefits payable | 2,503 | - | 2,503 |
| Unavailable revenue | 230 | - | 230 |
| Loans payable | 532,700 | - | 532,700 |
| | 535,936 | - | 535,936 |
| Noncurrent Liabilities: | | | |
| Loans payable | 12,847,400 | - | 12,847,400 |
| | 12,847,400 | - | 12,847,400 |
| | 13,383,336 | - | 13,383,336 |
| NET POSITION | | | |
| Net position held in trust | (7,030,213) | 996,465 | (6,033,748) |
| | \$ (7,030,213) | \$ 996,465 | \$ (6,033,748) |

CITY OF GRASS VALLEY
Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Year Ended June 30, 2020

| | Successor Agency to the Redevelopment Agency of the City of Grass Valley | | |
|---|---|-------------------|-----------------------|
| | Projects | Housing | Totals |
| ADDITIONS | | | |
| Property taxes | \$ 829,623 | \$ - | \$ 829,623 |
| Interest and investment income | 28,061 | | 28,061 |
| Other contributions | - | 7,168 | 7,168 |
| Total Additions | 857,684 | 7,168 | 864,852 |
| DEDUCTIONS | | | |
| Program expenses of former redevelopment agency | 837,062 | - | 837,062 |
| Interest expense | 402,898 | - | 402,898 |
| Issuance costs | 411,788 | - | 411,788 |
| Amortization | 3,416 | - | 3,416 |
| Total Deductions | 1,655,164 | - | 1,655,164 |
| Change in Net Position | (797,480) | 7,168 | (790,312) |
| Total Net Position - Beginning | (6,232,733) | 989,297 | (5,243,436) |
| Total Net Position - Ending | \$ (7,030,213) | \$ 996,465 | \$ (6,033,748) |

CITY OF GRASS VALLEY
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2020

| | Whispering Pines Morgan Ranch Reserve 2001 | Whispering Pines Morgan Ranch Redemption 2001 | Totals |
|--------------------------|---|--|-------------------|
| ASSETS | | | |
| Cash and investments | \$ 12,276 | \$ 197,374 | \$ 209,650 |
| Receivables: | | | |
| Interest | 64 | - | 64 |
| Total Assets | \$ 12,340 | \$ 197,374 | \$ 209,714 |
| LIABILITIES | | | |
| Agency obligations | 12,340 | 197,374 | 209,714 |
| Total Liabilities | \$ 12,340 | \$ 197,374 | \$ 209,714 |

CITY OF GRASS VALLEY
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2020

| | <u>Balance June 30, 2019</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2020</u> |
|--|----------------------------------|-------------------|-------------------|----------------------------------|
| WHISPERING PINES MORGAN RANCH RESERVE 2001 | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 85,543 | \$ 72,052 | \$ 145,319 | \$ 12,276 |
| Receivables: | | | | |
| Interest | - | 64 | - | 64 |
| Total Assets | <u>\$ 85,543</u> | <u>\$ 72,116</u> | <u>\$ 145,319</u> | <u>\$ 12,340</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 615 | \$ - | \$ 615 | \$ - |
| Agency obligations | 84,928 | 72,116 | 144,704 | 12,340 |
| Total Liabilities | <u>\$ 85,543</u> | <u>\$ 72,116</u> | <u>\$ 145,319</u> | <u>\$ 12,340</u> |
| WHISPERING PINES MORGAN RANCH REDEMPTION 2001 | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 273,043 | \$ 197,374 | \$ 273,043 | \$ 197,374 |
| Receivables: | | | | |
| Assessments | 759 | - | 759 | - |
| Restricted cash and investments | 10 | - | 10 | - |
| Total Assets | <u>\$ 273,812</u> | <u>\$ 197,374</u> | <u>\$ 273,812</u> | <u>\$ 197,374</u> |
| LIABILITIES | | | | |
| Agency obligations | \$ 273,812 | \$ 197,374 | \$ 273,812 | \$ 197,374 |
| Total Liabilities | <u>\$ 273,812</u> | <u>\$ 197,374</u> | <u>\$ 273,812</u> | <u>\$ 197,374</u> |
| TOTAL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 358,586 | \$ 269,426 | \$ 418,362 | \$ 209,650 |
| Receivables: | | | | |
| Interest | - | 64 | - | 64 |
| Assessments | 759 | - | 759 | - |
| Total Assets | <u>\$ 359,345</u> | <u>\$ 269,490</u> | <u>\$ 419,121</u> | <u>\$ 209,714</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 615 | \$ - | \$ 615 | \$ - |
| Agency obligations | 358,740 | 269,490 | 418,516 | 209,714 |
| Total Liabilities | <u>\$ 359,355</u> | <u>\$ 269,490</u> | <u>\$ 419,131</u> | <u>\$ 209,714</u> |