



## City of Grass Valley City Council Agenda Action Sheet

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**Title:** City of Grass Valley Audited Financial Statements and Supplemental Information Fiscal Year Ended June 30, 2025.

**CEQA:** Not a Project.

**Recommendation:** Pass a Motion to receive and file the City of Grass Valley Audited Financial Statements and Supplemental Information for Fiscal Year Ended June 30, 2025.

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**Prepared by:** Jennifer Styczynski, Finance Director

**Council Meeting Date:** 07/14/2026

**Date Prepared:** 07/07/2026

**Agenda:** Consent

**Background:** The City is required to prepare annual audited financial statements (AFS) that report the financial activity of all City funds. These statements provide information regarding the City's financial position to the City Council, state and federal oversight agencies, investors, and the public.

This year's AFS includes the Schedule of Expenditures of Federal Awards (SEFA), also known as the Single Audit, which is required when federal expenditures exceed \$750,000 in a fiscal year. The Single Audit provides assurance to the federal government that the City has adequate internal controls and is in compliance with program requirements.

**Discussion:** Smith & Newell, CPAs completed the City's audit for the fiscal year ended June 30, 2025, and issued an unmodified ("clean") audit opinion stating:

"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, 2025, 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."

The City's total net position remained relatively stable during Fiscal Year 2024-25, increasing by approximately \$10,700 to \$105.97 million. At year-end, the City's assets exceeded its liabilities by approximately \$106.0 million. Of that amount, approximately \$90.6 million represents the City's investment in capital assets, while approximately \$24.0 million is restricted for specific purposes, including capital projects, housing programs, and other legally restricted activities. The City continues

to report an unrestricted net position deficit of approximately \$8.6 million, primarily attributable to pension-related accounting obligations and not a cash deficit.

Overall City-wide revenues from governmental and business-type activities increased by approximately \$3.73 million compared to Fiscal Year 2023-24. The increase was primarily driven by implementation of the Measure B transactions and use tax, increased development activity, higher assessed property values, and continued strong investment earnings resulting from favorable interest rates. City-wide expenses decreased by approximately \$3.17 million from the prior year, primarily due to annual pension and other post-employment benefit accounting adjustments and lower capital project expenditures, partially offset by increased labor, insurance, and operating costs.

The General Fund ended Fiscal Year 2024-25 with an unassigned fund balance of approximately \$8.46 million, an increase of approximately \$164,000 from the prior year. The increase reflects prudent expenditure management that helped offset inflationary pressures and higher public safety overtime costs while maintaining the City's financial stability.

In addition to the Annual Financial Statements, the City completed the required Single Audit due to federal grant expenditures exceeding the federal threshold during Fiscal Year 2024-25. The Single Audit, completed in accordance with Title 2, Code of Federal Regulations (CFR), Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), evaluates compliance with federal award requirements and related internal controls. The Single Audit Report and related schedules are included as attachments to this staff report.

The Independent Auditor's Management Letter identified two repeat findings related to payroll tax withholdings and budgetary compliance.

The payroll tax withholding finding was reported as a repeat primarily due to the timing of the prior audit, which was completed in May 2025 and provided limited opportunity to implement corrective actions during the fiscal year under audit. The City completed its corrective action plan by July 31, 2025, including obtaining updated employee withholding forms, implementing a dual-verification process for payroll tax withholding elections, and providing additional payroll staff training. These controls remain in place, and the City continues to monitor payroll tax withholdings to ensure employee elections are accurately reflected in the payroll system.

The budgetary compliance finding noted that General Fund expenditures exceeded appropriations by \$413,710 during Fiscal Year 2024-25. The finding is reported as a repeat primarily because the Fiscal Year 2023-24 audit was issued after most of the Fiscal Year 2024-25 budget activity had occurred, limiting the City's ability to fully implement and demonstrate the effectiveness of corrective actions during the audit period. Since issuance of the prior audit, the City has implemented a centralized Budget Amendment Log, established an Interim Budget Compliance Procedure, and incorporated routine budget-to-actual monitoring into its financial management practices. Finance reviews budget activity on an ongoing basis to identify potential variances, facilitate timely budget amendments, and strengthen compliance with

budgetary requirements. Quarterly budget-to-actual reports began being distributed to department directors in July 2026 to further strengthen budget oversight and accountability.

Management has reviewed the Annual Financial Statements, Single Audit Report, and Management Letter and concurs with the auditors' recommendations and corrective action plans.

**Council Goals/Objectives:** Completion of the annual audit promotes fiscal accountability, demonstrates compliance with applicable laws and regulations, provides transparency to the public and investors, and supports the City's goal of long-term fiscal sustainability.

**Fiscal Impact:** There is no fiscal impact associated with this action.

**Funds Available:** N/A

**Account #:** N/A

**Reviewed by:** Interim City Manager

**Attachments:**

- 1) Financial Statements Together with Independent Auditor's Report for the Year Ended June 30, 2025
- 2) Single Audit Act Reports and Schedules for the Year Ended June 30, 2025
- 3) Independent Auditor's Management Letter
- 4) Independent Accountant's Report on Applying Agreed-Upon Procedures to Appropriations Limit Calculations