



City of Grass Valley City Council Agenda Action Sheet

Title: City of Grass Valley Audited Financial Statements and Supplemental Information for Fiscal Year Ended June 30, 2024.

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, 2024.

Prepared by: Jennifer Styczynski, Deputy Finance Director

Council Meeting Date: 09/09/2025

Date Prepared: 09/03/2025

Agenda: Consent

Background: The City is required to prepare and audit Annual Financial Statements (AFS) each year for all financial transactions of City funds. These statements communicate the financial health of the City 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.

Smith & Newell, CPA, completed the AFS for the City of Grass Valley for the year ending June 30, 2024, which included the following audit opinion:

“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, 2024, 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 Independent Auditor's Management Letter identified two current-year findings, and the City has submitted corrective action plans in response. A summary of these findings is provided in the following paragraphs.

The City's Schedule of Expenditures of Federal Awards (SEFA) was initially understated by \$105,788 due to inaccurate information provided at the start of fieldwork. While no questioned costs were identified, this repeat finding from the prior year will be addressed by strengthening internal review procedures, providing staff training on federal requirements, and assigning responsibility for SEFA preparation under the

oversight of the Finance Director. These corrective measures will be implemented before the next audit cycle to ensure accurate reporting.

The audit also noted that six of twelve employee payroll tax withholdings did not agree with amounts authorized on employee-completed W-4 and DE-4 forms. Although no questioned costs were identified, the City acknowledges the errors and has already taken corrective action. All employees were required to submit updated 2025 W-4 and DE-4 forms, a dual-verification process for new and updated elections has been implemented, and refresher training has been provided to payroll and HR staff to ensure withholdings are accurately processed going forward.

The City's total net position decreased by approximately \$6.4 million over the course of this year's operations when considering all City operations and programs. The assets of the City exceeded its liabilities by about \$106.0 million at the end of the 2024 fiscal year. Of that amount, the City has \$91.6 million invested in capital assets and \$22.9 million in restricted net position largely due to balances related to housing loans; and unspent capital-related and other funds held for a specific purpose. The City also has a deficit unrestricted net position of approximately (\$8.5 million) that fluctuates greatly from year to year due to annual financial impacts related to the City's pension activity.

Overall, City-wide revenues from all governmental and business-type activities decreased by approximately \$3.16 million when compared to the 2023 fiscal year. Aside from typical annual increases in collections of certain discretionary taxes and other fees, this decrease is primarily due to lower amounts of operating and capital grants received for projects including the Memorial Park Pool Facility Upgrade (CDBG Grant); the Mill Street Pedestrian Plaza (American Rescue Plan Act Funding); and various street-related projects; and a slight decrease in utility charges for services (recurring charges for services and connection fees). It should be mentioned that citywide interest earnings increased by approximately \$1.2 million in FY 2023-24, primarily as a result of sustained higher interest rates.

As a recipient of Federal grant funds in excess of \$750,000, a Single Audit Report is required to be submitted in compliance with the financial reporting requirement 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). The Single Audit Report includes the following:

- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
- Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance
- Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2024.
- Notes to Schedule of Expenditures of Federal Awards.
- Schedule of Findings and Questioned Costs.
- Schedule of Prior Year Findings and Questioned Costs.

- Management's Corrective Action Plan.

As part of the Single Audit, the City's auditors reviewed the City's internal controls over financial reporting to plan audit procedures and express an opinion on the financial statements, but not to provide an opinion on the effectiveness of internal controls. A deficiency in internal control exists when the design or operation of a control does not allow management or staff, in the normal course of their duties, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, with a reasonable possibility that a material misstatement would not be prevented or detected. A significant deficiency is less severe than a material weakness but important enough to merit attention by those charged with governance.

The auditors identified a significant deficiency (Finding 2024-001) related to budget compliance. The City did not amend its budgets to reflect approved changes, resulting in expenditures exceeding appropriations in several funds. No questioned costs were identified. Staff has addressed this issue in the Corrective Action Plan and will complete corrective actions prior to September 30, 2025.

These reports have been reviewed and approved by Management.

Council Goals/Objectives: Preparing and reviewing the audit helps the City develop a more accurate budget for the following year, ensures compliance with State law, and provides investors with information to assess the City's financial stability, all of which supports fiscal sustainability.

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

Funds Available: N/A

Account #: N/A

Reviewed by: City Manager

Attachments:

- 1) Financial Statements Together with Independent Auditor's Report for the Year Ended June 30, 2024
- 2) Single Audit Act Reports and Schedules for the Year Ended June 30, 2024
- 3) Independent Auditor's Management Letter
- 4) Independent Accountant's Report on Applying Agreed-Upon Procedures to Appropriations Limit Calculations