This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 30, 2020

NEW ISSUE—BOOK-ENTRY

RATINGS: S&P (Insured): "AA"
S&P (Underlying): "A+"
See "RATINGS"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2020 Series A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the 2020 Series B Taxable Bonds is not intended to be excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2020 Bonds is exempt from California personal income taxes. See "TAX MATTERS" herein.

$3,030,000*
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY
2020 SERIES A
TAX ALLOCATION REFUNDING BONDS

$5,250,000*
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY
2020 SERIES B TAXABLE
TAX ALLOCATION REFUNDING BONDS

Dated: Delivery Date **Due: December 1, as shown on the inside front cover**

Purpose. The Successor Agency to the Redevelopment Agency of the City of Grass Valley (the "Successor Agency") is issuing the above-captioned bonds (together, the "2020 Bonds") to (a) refund certain prior obligations payable from tax increment revenue generated in the Project Area (defined herein), (b) purchase a municipal bond insurance reserve policy for deposit to a debt service reserve account established for the 2020 Bonds, and (c) pay the costs of issuance of the 2020 Bonds, including premiums for the bond insurance policy and the reserve policy.

Payments; Book-Entry. The 2020 Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), and will be available to ultimate purchasers in the denomination of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the 2020 Bonds. Interest on the 2020 Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2020. Payment of the principal of, and interest on, the 2020 Bonds will be made by MUFG Union Bank, N.A., as trustee (the "Trustee"), to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the 2020 Bonds. See "THE 2020 BONDS."

Security. The 2020 Bonds are payable from and secured by a pledge of Tax Revenues to be derived from the Project Area (as such terms are defined in this Official Statement) and moneys in certain funds and accounts established under the Indenture of Trust, dated as of May 1, 2020 (the "Indenture"), by and between the Successor Agency and the Trustee, as further described in this Official Statement. See "SECURITY FOR THE 2020 BONDS."

Redemption. The 2020 Bonds are subject to redemption prior to maturity. See "THE 2020 BONDS – Redemption."

Municipal Bond Insurance. The scheduled payment of principal of and interest on the 2020 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2020 Bonds by Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE."

Reserve Policy. BAM is also providing a municipal bond reserve insurance policy for deposit in the debt service reserve account for the 2020 Bonds. See "SECURITY FOR THE 2020 BONDS – Debt Service Reserve Account; 2020 Reserve Policy."

Limited Obligations. The 2020 Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal and interest from, Tax Revenues and the other funds described in this Official Statement. The 2020 Bonds and the interest thereon are not a debt of the City of Grass Valley (the "City"), the County of Nevada (the "County"), the State of California (the "State") or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State or any of their political subdivisions except the Successor Agency is liable thereon. The 2020 Bonds and the interest thereon are not payable out of any funds or properties other than those set forth in the Indenture. Neither the members of the Successor Agency, the Countywide Oversight Board for the County of Nevada, the County Board of Supervisors nor any persons executing the 2020 Bonds are liable personally on the 2020 Bonds.

The 2020 Bonds are offered, when, as and if issued, subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, Bond Counsel to the Successor Agency. Jones Hall, A Professional Law Corporation, is also acting as Disclosure Counsel to the Successor Agency. Certain legal matters will be passed on for the Successor Agency by the City Attorney, and for the Underwriter by Quint & Thimmig LLP, Larkspur, California, as Underwriter's Counsel. It is anticipated that the 2020 Bonds will be available for delivery through the facilities of DTC on or about May __, 2020.

The date of this Official Statement is _____ ___, 2020.

* Preliminary; subject to change

MATURITY SCHEDULE

$_____
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY
2020 SERIES A TAX ALLOCATION REFUNDING BONDS

Maturity Date (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† (Base _____)

$ _____ 2020 Series A Term Bonds due December 1, ____; Yield: _____%; CUSIP†: _____

$_____
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY
2020 SERIES B TAXABLE TAX ALLOCATION REFUNDING BONDS

Maturity Date (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† (Base _____)

$ _____ 2020 Series B Term Bonds due December 1, ____; Yield: _____%; CUSIP†: _____

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. None of the Successor Agency, the Trustee or the Underwriter take any responsibility for the accuracy of the CUSIP data.

SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY
(NEVADA COUNTY, CALIFORNIA)

CITY COUNCIL

Lisa Swarthout, *Mayor*
Ben Aguilar, *Vice Mayor*
Jan Arbuckle, *Council Member*
Howard Levine, *Council Member*
Hilary Hodge*, Council Member*

CITY/SUCCESSOR AGENCY STAFF

Tim Kiser, *City Manager/Executive Director*
Andy Heath, *Finance Director*
Michael Colantuono of Colantuono Highsmith & Whatley, *City Attorney*
Kristi Bashor, *City Clerk/Secretary*

SPECIAL SERVICES

Municipal Advisor
NHA Advisors, LLC
San Rafael, California

Bond Counsel and Disclosure Counsel
Jones Hall, A Professional Law Corporation
San Francisco, California

Fiscal Consultant
Fraser & Associates
Roseville, California

Trustee and Escrow Agent
MUFG Union Bank, N.A.
San Francisco, California

Verification Agent
Causey, Demgen & Moore, P.C.
Denver, Colorado

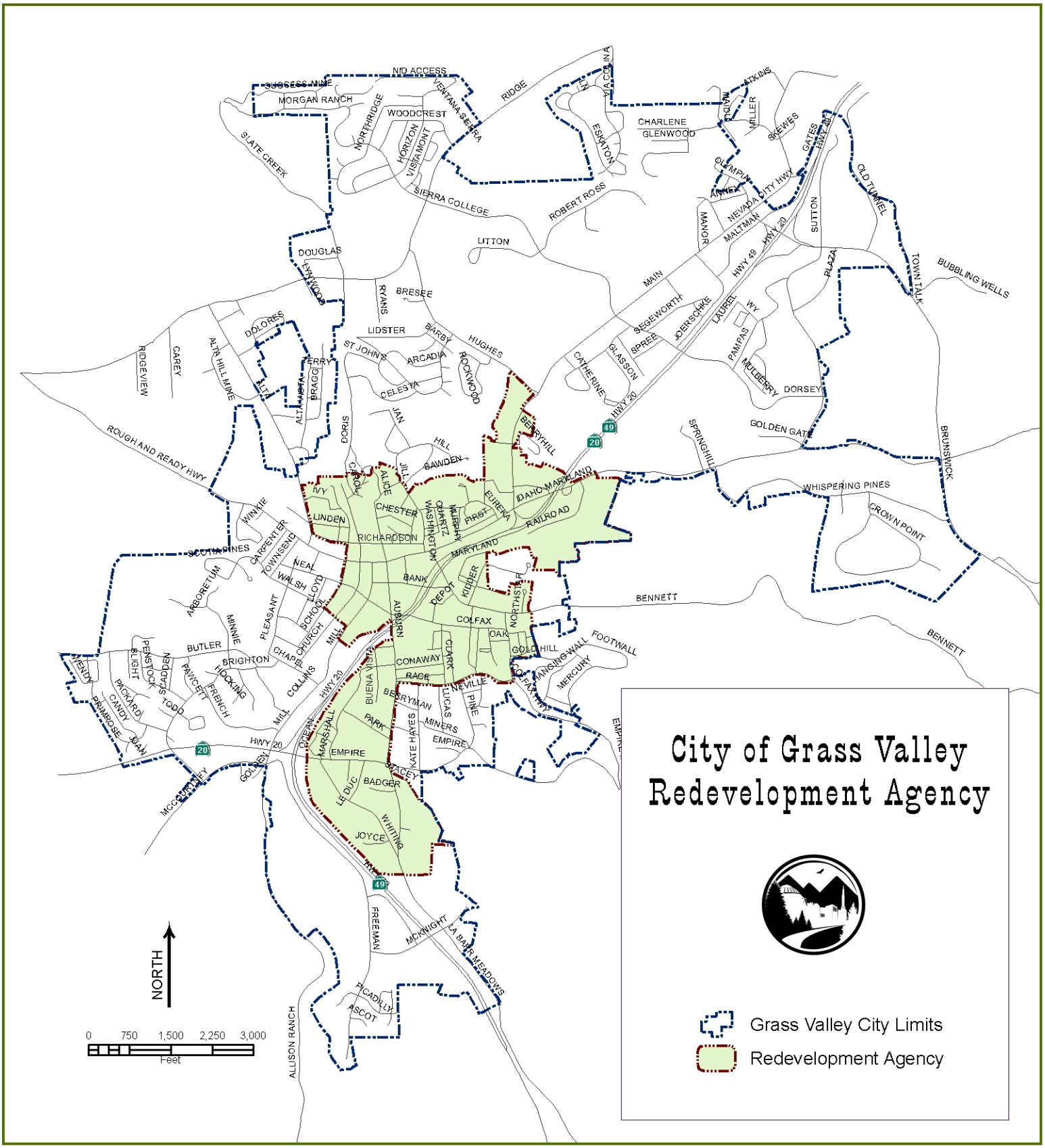

City of Grass Valley
Redevelopment Agency
Grass Valley City Limits
Redevelopment Agency
NORTH
0 750 1,500 2,250 3,000
Feet
SUCCESS MINE
MORGAN RANCH
NID ACCESS
WOODCREST
NORTHRIDGE
HORIZON
VISTAMONT
VENTANA SIERRA
RIDGE
SLATE CREEK
SIERRA COLLEGE
ROBERT ROSS
LITTON
CHARLENE
GLENWOOD
ESKATON
MACOLINA
ATKINS
MILLER
SKEWES
GATES
HWY 20
OLD TUNNEL
OLYMPIA
TUNNEL
NEVADA CITY HWY
MALTMAN
SUTTON
MANOR
HWY 49
HWY 20
PLAZA
TOWN TALK
BUBBLING WELLS
DOUGLAS
LYNWOOD
RYANS
BRESEE
MAIN
SEGEWORTH
JOERSCHKE
LAUREL
WY
PAMPAS
MULBERRY
DORSEY
LIDSTER
BARBY
HUGHES
ST JOHNS
ARCADIA
ROCKWOOD
CELESTA
CATHERINE
GLASSON
SPREE
DOLORES
RIDGEVIEW
CAREY
ALTA HILL MINE
ALTA
ALTAVISTA
BRAGG
FERRY
DORIS
JAN
HILL
SAWDEN
BEAUTYHILL
GOLDEN GATE
SPRING HILL
BRUNSWICK
ROUGH AND READY HWY
IVY
LINDEN
CHESTER
ALICE
QUARTZ
WASHINGTON
MURPHY
FIRST
EUREKA
IDAHO-MARYLAND
RAILROAD
WHISPERING PINES
CROWN POINT
WINKIE
CARPENTER
TOWNSEND
RICHARDSON
MARYLAND
SCOTIA PINES
NEAL
WALSH
LLOYD
BANK
KIDDER
DEPOT
NORTHSTAR
BENNETT
ARBORETUM
PLEASANT
SCHOOL
CHURCH
MILL
COLFAX
OAK
GOLD HILL
FOOTWALL
HANGING WALL
MERCURY
BUTLER
MINNIE
BRIGHTON
CHAPEL
COLLINS
PENSTOCK
SLIGHT
SCADDEN
PAWCETT
THOCKING
FRENCH
CONAWAY
CLARK
RACE
NEVILLE
PINE
BUENA VISTA
BERRYMAN
LUCAS
MINERS
PARK
KATE HAYES
EMPIRE
STACEY
BADGER
LE DUC
WHITING
JOYCE
MENDY
PRIMROSE
PACKARD
CANDY
TODD
JUAN
HWY 20
GOLDEN
MCCOURTNEY
QUEEN
MARSHALL
FREEMAN
MIDNIGHT
LA BARR MEADOWS
PICADILLY
ASCOT
ALLISON RANCH

TABLE OF CONTENTS

	Page
INTRODUCTION	1
Authority and Purpose	1
The City and the Successor Agency	2
Security for the 2020 Bonds	3
Adjustments to Tax Increment	4
Municipal Bond Insurance	4
Debt Service Reserve Account; 2020 Reserve Policy	4
The Project Area	4
Limited Obligation	4
Senior Debt; Parity Debt	5
Professionals Involved in the Offering	5
Further Information	5
REFUNDING PLAN	6
Refunding of the Prior Obligations	6
Verification of Mathematical Accuracy	6
Estimated Sources and Uses of Funds	7
Debt Service Schedule	8
THE 2020 BONDS	9
Authority for Issuance	9
Description of the 2020 Bonds	9
Redemption	10
Senior Debt, Parity Debt and Subordinate Debt	13
THE DISSOLUTION ACT	14
General	14
Recognized Obligation Payment Schedules	15
SECURITY FOR THE 2020 Bonds	20
Pledge of Tax Revenues	20
Definition of Tax Revenues	20
Recognized Obligation Payment Schedule (ROPS) Covenant	21
Flow of Funds Under the Indenture	23
Debt Service Reserve Account; 2020 Reserve Policy	24
Pass-Through Payments	25
Limited Obligation	27
BOND INSURANCE	28
Bond Insurance Policy	28
Build America Mutual Assurance Company	28
PROPERTY TAXATION IN CALIFORNIA	31
Property Tax Collection Procedures	31
Delinquencies; Teeter Plan	32
Unitary Property	33
Article XIIIA of the State Constitution	33
Appropriations Limitation - Article XIIIB	34
Proposition 87	35
Appeals of Assessed Values	35
Propositions 218 and 26	36
Future Initiatives	36
THE SUCCESSOR AGENCY	37
Successor Agency Powers	37
Status of Compliance with Dissolution Act	37
Last and Final ROPS	37
City Audited Financial Statements	37
THE PROJECT AREA	38
General	38
Land Use Types	38
Assessed Valuation	38
Recent and Potential Future Development in the Project Area	40
Major Property Owners	41
Assessment Appeals	41
Projected Tax Revenues and Debt Service Coverage	42
RISK FACTORS	48
Recognized Obligation Payment Schedule	48
Challenges to Dissolution Act	48
Reduction in Taxable Value	49
Risks to Real Estate Market	50
Risks Related to Bond Insurance and BAM	50
Concentration of Property Ownership	50
Reduction in Inflationary Rate	50
Development Risks	51
Levy and Collection of Taxes	51
Bankruptcy and Foreclosure	51
Projected Tax Revenues	52
Hazardous Substances	52
Natural Disasters	52
Mine-Related Hazards	54
Slope Instability	54
Structural and Wildland Fire Risks	55
COVID-19 Pandemic	55
Changes in the Law	56
Loss of Tax-Exemption	56
Secondary Market	56
TAX MATTERS	56
RATINGS	58
CONTINUING DISCLOSURE	59
CONCLUDING INFORMATION	59
Underwriting	59
Municipal Advisor	60
Legal Matters	60
No Litigation	60
Miscellaneous	60

APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE
APPENDIX B – FISCAL CONSULTANT'S REPORT
APPENDIX C – SUPPLEMENTAL INFORMATION – CITY OF GRASS VALLEY AND COUNTY OF NEVADA
APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE
APPENDIX E – CITY OF GRASS VALLEY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2019
APPENDIX F – FORM OF BOND COUNSEL OPINION
APPENDIX G – BOOK-ENTRY ONLY SYSTEM
APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2020 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2020 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency or the Project Area since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2020 Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2020 Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may overallot or take other steps that stabilize or maintain the market price of the 2020 Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2020 Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the 2020 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Bond Insurance. Build America Mutual Assurance Company ("BAM") makes no representation regarding the 2020 Bonds or the advisability of investing in the 2020 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "Appendix H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE SUCCESSOR AGENCY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Website. The City maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

OFFICIAL STATEMENT

$3,030,000*
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY
2020 SERIES A
TAX ALLOCATION REFUNDING BONDS

$5,250,000*
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY
2020 SERIES B TAXABLE
TAX ALLOCATION REFUNDING BONDS

This Official Statement, including the cover page, the inside cover page and the appendices hereto, is provided to furnish information in connection with the sale by the Successor Agency to the Redevelopment Agency of the City of Grass Valley (the "**Successor Agency**") of its $3,030,000* 2020 Series A Tax Allocation Refunding Bonds (the "**2020 Series A Bonds**") and $5,250,000* 2020 Series B Taxable Tax Allocation Refunding Bonds (the "**2020 Series B Taxable Bonds**" and together with the 2020 Series A Bonds, the "**2020 Bonds**").

INTRODUCTION

Authority and Purpose

The Successor Agency is issuing the 2020 Bonds pursuant to authority granted by Part 1 (commencing with Section 33000) and Part 1.85 of Division 24 (commencing with Section 34170) of the California Health and Safety Code (the "**Law**"), Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "**Refunding Law**") and an Indenture of Trust dated as of May 1, 2020 (the "**Indenture**") by and between the Successor Agency and MUFG Union Bank, N.A., as trustee (the "**Trustee**"). See "THE 2020 BONDS – Authority for Issuance."

The Successor Agency will use a portion of the proceeds of the 2020 Bonds to defease and redeem/prepay all amounts outstanding under the following bonds and obligations issued or entered into by the former Redevelopment Agency of the City of Grass Valley (the "**Former Agency**") or the Successor Agency, as applicable (collectively, the "**Prior Obligations**"):

- Reimbursement Agreement, dated as of December 1, 2001 (the "**2001 Reimbursement Agreement**") with the City, pursuant to which the Former Agency agreed to reimburse the City for certain lease payments made by the City to the Association of Bay Area Governments in connection with the $14,355,000 original principal amount of Association of Bay Area Governments Lease Revenue Bonds, Series 2001-2 (California Capital Projects);

- $3,170,000 original principal amount of Redevelopment Agency of the City of Grass Valley 2010 Tax Allocation Refunding Bonds (the "**2010 Bonds**"); and

- $6,005,000 original principal amount of Successor Agency to the Redevelopment Agency of the City of Grass Valley Subordinate Tax Allocation Refunding Bonds, Series 2013 (the "**2013 Bonds**").

* Preliminary; subject to change.

The proceeds of the Prior Obligations were used to finance and/or refinance certain redevelopment activities of benefit to property within the former Grass Valley Redevelopment Project Area (the "**Project Area**").

The remaining proceeds of the 2020 Bonds will be used to pay the costs of issuing the 2020 Bonds, including premiums for a municipal bond insurance policy and reservey surety policy as described below.

The City and the Successor Agency

City and County. The City is located in Nevada County (the "**County**") in the western foothills of the Sierra Nevada mountain range, approximately 57 miles from Sacramento and 88 miles west of Reno and 143 miles northeast of San Francisco. The City was established in 1851 in connection with the California gold rush, and was incorporated in 1893 and became a charter city under the general laws of the State and has a council-manager form of government. The population as of January 2019 was estimated at 12,769.

The County comprises a total area of 974 square miles and has a January 2019 population or 97,589. It is within the Truckee-Grass Valley Micropolitan Statistical Area, which also included in the Sacramento- Roseville Combined Statistical Area. Most of the County is within the historically significant gold rush or "mother lode" area of California, so named due to its central location and prominence during the great California gold rush of 1849. Interestingly, when the county was created, the founders wanted to include access to the transcontinental railroad, so a rectangular section was added to the far north to include the railroad town of Truckee- notable to historic lore in that the resulting final shape of the county closely resembles the Deringer pocket pistol, a local favorite at the time of gold rush. For additional information regarding the City and the County, see "APPENDIX C – Supplemental Information – City of Grass Valley and County of Nevada."

Former Agency. The Former Agency was a redevelopment agency with all of the powers vested in such entities under the Community Redevelopment Law (which is referred to in this Official Statement as the "**Redevelopment Law**"). The City Council of the City was the governing board of the Former Agency.

Dissolution Act. On June 29, 2011, Assembly Bill No. 26 ("**AB 1X 26**") was enacted, together with a companion bill, Assembly Bill No. 27 ("**AB 1X 2**7"). The provisions of AB 1X 26 provided for the dissolution of all redevelopment agencies statewide as of February 1, 2012. The provisions of AB 1X 27 permitted redevelopment agencies to avoid such dissolution by the payment of certain amounts. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.,* 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB 1X 26 and AB 1X 27. On December 19, 2012, the California Supreme Court largely upheld AB 1X 26, invalidated AB 1X 27, and held that AB 1X 26 may be severed from AB 1X 27 and enforced independently. As a result of AB 1X 26 and the decision of the California Supreme Court in the *Matosantos* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB 1X 26 relating to the dissolution and wind down of former redevelopment agency affairs are found in Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the

State, as amended on June 27, 2012 by Assembly Bill No. 1484 ("**AB 1484**"), and further amended on September 22, 2015 by Senate Bill No. 107 ("**SB 107**") (as amended from time to time, the "**Dissolution Act**").

Successor Agency. In accordance with Section 34173 of the Dissolution Act, the City Council adopted a resolution pursuant to which it formally elected to act as the successor agency to the Former Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity and legal entity from the City, that the two entities shall not merge, and that the liabilities of the Former Agency are not transferred to the City nor will the assets of the Former Agency become assets of the City.

Security for the 2020 Bonds

The Dissolution Act authorizes the Successor Agency to issue refunding bonds secured by a pledge of, and lien on, and repaid from property tax revenues (as further defined herein, "**Tax Revenues**") deposited with respect to the Project Area from time to time in the Redevelopment Property Tax Trust Fund (the "**Redevelopment Property Tax Trust Fund**" or "**RPTTF**") established and held by the Nevada County Auditor-Controller (the "**County Auditor-Controller**"). See "SECURITY FOR THE 2020 BONDS – Definition of Tax Revenues" for the complete definition of "Tax Revenues."

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency from the Project Area had the Former Agency not been dissolved, using current assessed values on the last equalized roll, and to deposit that amount in the Redevelopment Property Tax Trust Fund. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same lien priority and legal effect as if the bonds had been issued prior to the effective date of AB 1X 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's Recognized Obligation Payment Schedules (see "SECURITY FOR THE 2020 BONDS – Recognized Obligation Payment Schedule (ROPS) Covenant").

The Dissolution Act further provides that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the 2020 Bonds, are taxes allocated to the Successor Agency pursuant to the provisions of the Redevelopment Law and the State Constitution.

Property tax revenues will be allocated to the Successor Agency on a semi-annual basis based on a Recognized Obligation Payment Schedule submitted by the Successor Agency to the Countywide Oversight Board for the County of Nevada (the "**Oversight Board**"), which has replaced an oversight board previously established solely for the Successor Agency, and the State Department of Finance (the "**DOF**"). The County Auditor-Controller will distribute funds from the Redevelopment Property Tax Trust Fund for each six-month period in the order specified in the Dissolution Act. See "THE DISSOLUTION ACT" and "SECURITY FOR THE 2020 BONDS – Recognized Obligation Payment Schedule (ROPS) Covenant."

The Successor Agency has no power to levy property taxes and must rely on the allocation of taxes as described above. See "RISK FACTORS."

Adjustments to Tax Increment

The tax increment revenues of the Project Area are subject to certain adjustments. Pursuant to 1994 legislation, AB 1290, the Successor Agency is required to make payments to certain affected taxing entities (referred to herein as "**Statutory Pass-Through Payments**"). Statutory Pass-Through Payments are only due on increases in assessed value above an adjusted assessed value base, and are owed to those taxing entities which have not entered into negotiated pass-through agreements with the Successor Agency. Additionally, the Project Area is subject to a negotiated pass-through agreement with the County, dated January 28, 1992 (the "**Senior Pass-Through Agreement**"), pursuant to which the Successor Agency must pass-through a percent of the net tax increment revenues in the Project Area on a senior basis to debt service, as well as negotiate pass-through agreements with two school disticts that receive tax revenues from the Project Area. For additional information on the Statutory Pass-Through Payments, the Senior Pass-Through Agreement and the negotiated pass-through agreements with the school districts, see "SECURITY FOR THE 2020 BONDS – Pass-Through Payments."

Municipal Bond Insurance

The scheduled payment of principal of and interest on the 2020 Bonds when due will be guaranteed under an insurance policy (the "**2020 Insurance Policy**") to be issued concurrently with the delivery of the 2020 Bonds by Build America Mutual Assurance Company ("**BAM**"). See "BOND INSURANCE" and APPENDIX H.

Debt Service Reserve Account; 2020 Reserve Policy

The Successor Agency will meet the "**Reserve Requirement**" (as defined herein) for the 2020 Bonds by depositing with the Trustee a municipal bond reserve insurance policy (the "**2020 Reserve Policy**") issued by BAM. The 2020 Reserve Policy is available solely for the payment of the 2020 Bonds. See "SECURITY FOR THE 2020 BONDS – Debt Service Reserve Account; 2020 Reserve Policy."

The Project Area

The Project Area was established in 1988 and has been amended three times, the last being in 2007 to eliminate the time limit for establishing loans, advances or indebtedness (which no longer apply due to dissolution), which triggered additional statutory payments to certain taxing entities. The Project Area encompasses 488 acres, and includes the historical downtown of the City and the commercial strip that runs along Main Street to Hughes Avenue, as well as much of the older residential development in the City. Roughly 61% of the taxable value in the Project Area is residential, and 30% is commercial. For additional details on the Project Area, see "THE PROJECT AREA."

Limited Obligation

The 2020 Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of and lien on, and are payable as to principal and interest from Tax Revenues and certain other funds pledged under the Indenture. The 2020 Bonds and the interest thereon are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions (except the Successor Agency) are liable thereon. The 2020 Bonds and the interest thereon are not payable out of any funds or properties other than those set forth in the Indenture.

No member, officer, agent, or employee of the Successor Agency, the Oversight Board, the County Board of Supervisors or any person executing the 2020 Bonds is liable personally on the 2020 Bonds by reason of their issuance.

Senior Debt; Parity Debt

Senior Debt. With the refunding of all of the Prior Obligations, no debt will be outstanding that is payable from the Tax Revenues on a basis that is senior to the payment of the 2020 Bonds, and the Indenture prohibits the future issuance of any senior obligations.

Parity Debt. The Indenture defines "**Parity Debt**" as any loan, bonds, notes, advances or indebtedness payable from Tax Revenues on a parity with the 2020 Bonds as authorized by the Indenture. Upon the issuance of the 2020 Bonds, there will be no Parity Debt outstanding. However, the Indenture authorizes the issuance of Parity Debt by the Successor Agency in the future, subject to the conditions set forth in the Indenture, which include the limitation that Parity Debt can only be issued to refund the 2020 Bonds or other future Parity Debt and the condition that such Parity Debt shall be issued for savings in accordance with the requirements of Section 34177.5(a) of the Dissolution Act (or any comparable provision of any successor statute). See "APPENDIX A – Summary of Certain Provisions of the Indenture."

Professionals Involved in the Offering

NHA Advisors, LLC, San Rafael, California, has served as municipal advisor to the Successor Agency and has advised the Successor Agency with respect to the financial structure of the refinancing and as to other financial aspects of the transaction. *Payment of the fees and expenses of the municipal advisor are contingent upon the sale and delivery of the 2020 Bonds.*

Fraser & Associates, Roseville, California, has acted as fiscal consultant to the Successor Agency (the "**Fiscal Consultant**") and advised the Successor Agency as to the taxable values and Tax Revenues projected to be available to pay debt service on the 2020 Bonds as referenced in this Official Statement. The report prepared by the Fiscal Consultant is referred to as the "**Fiscal Consultant's Report**" and is attached as APPENDIX B.

MUFG Union Bank, N.A., San Francisco, California, will act as Trustee with respect to the 2020 Bonds.

All proceedings in connection with the issuance of the 2020 Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the Successor Agency. Jones Hall is also serving as Disclosure Counsel to the Successor Agency. Certain legal matters will be passed on for the Successor Agency by the City Attorney, and for the Underwriter by Quint & Thimmig LLP, Larkspur, California. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon the sale and delivery of the 2020 Bonds.*

Further Information

Brief descriptions of the Redevelopment Law, the Dissolution Act, the Refunding Law, the 2020 Bonds, the Indenture, the Successor Agency, the Former Agency and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references in this Official Statement to the Redevelopment Law, the Dissolution Act, the Refunding Law, the 2020 Bonds, the Indenture, the Constitution and the laws of the State

as well as the proceedings of the Former Agency, the Successor Agency, and the City are qualified in their entirety by reference to such documents and laws. References in this Official Statement to the 2020 Bonds are qualified in their entirety by the form included in the Indenture and by the provisions of the Indenture. Capitalized terms used in this Official Statement and not otherwise defined shall have the meanings given to such terms as set forth in the Indenture. See "APPENDIX A – Summary of Certain Provisions of the Indenture."

REFUNDING PLAN

Refunding of the Prior Obligations

Pursuant to an Escrow Agreement, dated as of May 1, 2020 (the "**Escrow Agreement**"), between the Successor Agency and MUFG Union Bank, N.A., as trustee for the Prior Bonds and escrow agent (in such capacity, the "**Escrow Agent**"), the Successor Agency will deliver a portion of the proceeds of the 2020 Bonds, along with other available amounts, to the Escrow Agent for deposit in an escrow fund created under the Escrow Agreement (the "**Escrow Fund**").

The Escrow Agent will hold a portion of the amounts in the Escrow Fund in cash (uninvested) and a portion invested in federal securities and use the amounts to redeem or prepay, in full, the 2001 Reimbursement Agreement and the 2010 Bonds on or about 30 days following the pricing date for the 2020 Bonds. In addition, amounts in the Escrow Fund will be sufficient to defease all of the outstanding 2013 Bonds and pay, in full, all the 2013 Bonds maturing on and after December 1, 2023 on their first optional redemption date of December 1, 2022.

The 2010 Bonds and the 2013 Bonds will be redeemed at a redemption price equal to 100% of the outstanding principal amount thereof, together with accrued interest thereon to the applicable date of redemption. *The moneys and securities held by the Escrow Agent pursuant to the Escrow Agreement are pledged solely to the amounts due and payable by the Successor Agency for the Prior Obligations. Neither the funds deposited with the Escrow Agent for such purpose, nor any interest thereon will be available for the payment of debt service on the 2020 Bonds.*

Verification of Mathematical Accuracy

Causey, Demgen & Moore, P.C., Denver, Colorado, as verification agent (the "**Verification Agent**"), will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them which were prepared by or for the Successor Agency, relating to (1) the sufficiency of the anticipated receipts from the amounts deposited pursuant to the Escrow Agreement to pay, when due, the principal and interest on the Prior Obligations to and including their applicable redemption dates, and (2) the yield on the 2020 Bonds, and federal securities to be purchased pursuant to the Escrow Agreement.

Assuming the accuracy of the Verification Agent's computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the obligations of the Successor Agency with respect to the Prior Obligations will be discharged. The Verification Agent will restrict its procedures to examining the arithmetical accuracy of certain computations and will not make any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, will not express an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to it, and that it has no obligation to update their report because of events occurring, or data or information coming to its attention, subsequent to the date of its report.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds related to the 2020 Bonds are summarized below.

	2020 Series A Bonds	**2020 Series B Taxable Bonds**	**Total 2020 Bonds**
Sources:			
Principal Amount	$	$	$
Plus/Less: [Net] Original Issue Premium/Discount			
Plus: Prior Obligations - Available Funds			
Total Sources	$	$	$
Uses:			
Refunding of Prior Obligations	$		
Costs of Issuance[1]			
Total Uses	$	$	$

(1) Costs of Issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Municipal Advisor, Fiscal Consultant, and the Trustee, Underwriter's discount, premiums for the 2020 Insurance Policy and the 2020 Reserve Policy, printing expenses, rating fee, and other costs related to the issuance of the 2020 Bonds.

Debt Service Schedule

The following table shows the annual debt service schedule for the 2020 Bonds, assuming no optional redemption.

Bond Year Ending Dec. 1	2020 Series A Bonds Principal	2020 Series A Bonds Interest	2020 Series B Taxable Bonds Principal	2020 Series B Taxable Bonds Interest	Total 2020 Bonds Debt Service
Total					

Source: Underwriter.

THE 2020 BONDS

Authority for Issuance

The Dissolution Act authorizes the issuance of refunding bonds to provide savings to the Successor Agency, provided that (i) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness does not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (ii) the principal amount of the refunding bonds or other indebtedness does not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance.

The issuance of the 2020 Bonds and the execution and delivery of the Indenture were authorized by the Successor Agency pursuant to a resolution adopted on December 10, 2019 (the "**Resolution**"), and by the Oversight Board pursuant to a resolution adopted on January 30, 2020 (the "**Oversight Board Resolution**"). Pursuant to the Dissolution Act, written notice of the Oversight Board Resolution was provided to the DOF. On April 10, 2020, the DOF provided a letter to the Successor Agency stating that based on the DOF's review and application of the law, the Oversight Board Resolution approving the issuance of the 2020 Bonds is approved by the DOF.

Section 34177.5(f) of the Dissolution Act provides that when, as here, a successor agency issues refunding bonds with the approval of the oversight board and the DOF, the oversight board may not unilaterally approve any amendments to or early termination of the bonds, and the scheduled payments on the bonds shall be listed in the Recognized Obligation Payment Schedule and are not subject to further review and approval by the DOF or the California State Controller.

Description of the 2020 Bonds

The 2020 Bonds will be issued and delivered in fully-registered form without coupons in the denomination of $5,000 or any integral multiple thereof for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**"), as registered owner of all 2020 Bonds. The initially executed and delivered Bonds will be dated the date of delivery (the "**Closing Date**") and mature on December 1 in the years and in the amounts shown on the inside cover page of this Official Statement.

Interest on the 2020 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months at the rates shown on the inside cover page of this Official Statement, payable semiannually on June 1 and December 1 in each year, commencing on December 1, 2020, by check mailed to the registered owners thereof or upon the request of the Owners of $1,000,000 or more in principal amount of 2020 Bonds, by wire transfer to an account in the United States which shall be designated in written instructions by such Owner to the Trustee on or before the Record Date preceding the Interest Payment Date. "**Record Date**" as defined in the Indenture means, with respect to any Interest Payment Date, the close of business on the 15th calendar day of the month preceding such Interest Payment Date, whether or not such 15th calendar day is a Business Day.

One fully-registered bond will be issued for each series and maturity of the 2020 Bonds, each in the aggregate principal amount of such series and maturity, and will be deposited with DTC. See "APPENDIX G – Book-Entry Only System."

Redemption*

Optional Redemption – 2020 Series A Bonds. The 2020 Series A Bonds maturing on or prior to December 1, 20__, are not subject to optional redemption. The 2020 Series A Bonds maturing on or after December 1, 20__, shall be subject to redemption, at the option of the Successor Agency on any date on or after December 1, 20__, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to 100% of the principal amount of 2020 Series A Bonds redeemed, plus accrued interest thereon to the date of redemption.

Optional Redemption – 2020 Series B Taxable Bonds. The 2020 Series B Bonds maturing on or prior to December 1, 20__, are not subject to optional redemption. The 2020 Series B Bonds maturing on or after December 1, 20__, shall be subject to redemption, at the option of the Successor Agency on any date on or after December 1, 20__, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to 100% of the principal amount of 2020 Series B Bonds redeemed, plus accrued interest thereon to the date of redemption.

Mandatory Sinking Account Redemption – 2020 Series A Bonds. The 2020 Series A Bonds maturing on December 1, 20___ and December 1, 20___ (the "**2020 Series A Term Bonds**") shall also be subject to mandatory redemption in part by lot on December 1, _____ and on December 1 in each year thereafter to and including December 1, ____, from sinking account payments made by the Successor Agency, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall, at the Successor Agency's option, be purchased in whole or in part pursuant to the Indenture, in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; provided, however, that if some but not all of the 2020 Series A Term Bonds have been redeemed at the option of the Successor Agency, as described above, the total amount of all future sinking account payments shall be reduced by the aggregate principal amount of 2020 Series A Term Bonds so redeemed, to be allocated among the sinking account payments as are thereafter payable on a pro rata basis in integral multiples of $5,000 as determined by the Successor Agency (notice of which determination shall be given by the Successor Agency to the Trustee).

2020 Series A Term Bonds
Maturing December 1, 20__

Sinking Account Redemption Date (December 1)	Principal Amount To Be Redeemed

* Preliminary; subject to change.

2020 Series A Term Bonds
Maturing December 1, 20__

Sinking Account Redemption Date (December 1)	Principal Amount To Be Redeemed

Mandatory Sinking Account Redemption – 2020 Series B Bonds. The 2020 Series B Bonds maturing on December 1, 20__ (the "2020 Series B Taxable Term Bonds") shall also be subject to mandatory redemption in part by lot on December 1, _____, from sinking account payments made by the Successor Agency, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall, at the Successor Agency's option, be purchased in whole or in part pursuant to the Indenture, in the aggregate respective principal amounts and on the respective dates as set forth in the following table; provided, however, that if some but not all of the 2020 Series B Term Bonds have been redeemed at the option of the Successor Agency, as described above, the total amount of all future sinking account payments shall be reduced by the aggregate principal amount of 2020 Series B Taxable Term Bonds so redeemed, to be allocated among the sinking account payments as are thereafter payable on a pro rata basis in integral multiples of $5,000 as determined by the Successor Agency (notice of which determination shall be given by the Successor Agency to the Trustee).

2020 Series B Taxable Term Bond
Maturing December 1, _____

Sinking Account Redemption Date (December 1)	Principal Amount To Be Redeemed or Purchased

Notice of Redemption. The Trustee on behalf of and at the expense of the Successor Agency will mail (by first class mail, postage prepaid) notice of any redemption at least 20 but not more than 60 days prior to the redemption date, (i) to the Owners of any 2020 Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) to the Securities Depositories and one or more Information Services; but such mailing will not be a condition precedent to a redemption and neither failure to receive a redemption notice nor any defect in the redemption notice will affect the validity of the proceedings for the redemption of such 2020 Bonds or the cessation of the accrual of interest on the 2020 Bonds to be redeemed.

The redemption notice will state the redemption date and the redemption price, will state that such redemption is conditioned upon the timely delivery of the redemption price by the Successor Agency to the Trustee for deposit in the Escrow Fund, will designate the CUSIP number of the 2020 Bonds to be redeemed, state the individual number of each Bond to be redeemed or state that all Bonds between two stated numbers (both inclusive) or all of the 2020 Bonds Outstanding are to be redeemed, and will require that such Bonds be then surrendered at

the Designated Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on the 2020 Bonds to be redeemed will not accrue from and after the redemption date.

Upon the payment of the redemption price of 2020 Bonds being redeemed, each check or other transfer of funds issued for such purpose will, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the 2020 Bonds being redeemed with the proceeds of such check or other transfer.

Right to Rescind Notice. The Successor Agency has the right to rescind any notice of the optional redemption of 2020 Bonds by written notice to the Trustee, upon no less than three days' prior written notice to the Trustee, on or prior to the date fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2020 Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The Successor Agency and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Partial Redemption of 2020 Bonds. In the event only a portion of any 2020 Bond is called for redemption, then upon surrender of such 2020 Bond the Successor Agency will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new 2020 Bond or 2020 Bonds of the same interest rate and maturity, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the 2020 Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the 2020 Bonds so called for redemption have been duly deposited with the Trustee, the 2020 Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest will accrue thereon from and after the redemption date specified in such notice.

Manner of Redemption. Whenever any 2020 Bonds or portions thereof are to be selected for redemption by lot, the Trustee will make the selection, in accordance with DTC procedures. In the event of redemption by lot of 2020 Bonds, the Trustee shall assign to each 2020 Bond then Outstanding a distinctive number for each $5,000 of the principal amount of each such 2020 Bond. The 2020 Bonds to be redeemed shall be the 2020 Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such 2020 Bond of a denomination of more than $5,000 shall be redeemed as shall equal $5,000 for each number assigned to it and so selected. All 2020 Bonds redeemed or purchased pursuant to the Indenture shall be cancelled and disposed of by the Trustee, in accordance with its then customary practices.

Purchase in Lieu of Redemption. In lieu of redemption of any Term Bonds, amounts on deposit in the Debt Service Fund or in the Principal Account may also be used and withdrawn by the Successor Agency and the Trustee, respectively, at any time, upon the Written Request of the Successor Agency, for the purchase of the Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Successor Agency may in its discretion determine. The par amount of any Term Bonds so purchased by the Successor Agency in any twelve-month period ending on December 1 in any year shall be credited towards and shall reduce the par

amount of the Term Bonds required to be redeemed pursuant to the mandatory sinking-fund redemption provisions on December 1 in each year; provided that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by said December 1.

Senior Debt, Parity Debt and Subordinate Debt

Senior Debt. With the refunding of all of the Prior Obligations, no debt will be outstanding that is payable from the Tax Revenues on a basis that is senior to the payment of the 2020 Bonds, and the Indenture prohibits the future issuance of any senior obligations.

Parity Debt. The Indenture defines "**Parity Debt**" as any loan, bonds, notes, advances or indebtedness secured and payable from Tax Revenues on a parity with the 2020 Bonds as authorized by the Indenture. Upon the issuance of the 2020 Bonds, the Successor Agency will have no Parity Debt outstanding. However, the Indenture authorizes the issuance of Parity Debt by the Successor Agency in the future, subject to the conditions set forth in the Indenture, which include the limitation that Parity Debt can only be issued to refund the 2020 Bonds or future Parity Debt and the condition that such Parity Debt shall be issued for savings in accordance with the requirements of Section 34177.5(a) of the Dissolution Act (or any comparable provision of any successor statute). See "APPENDIX A – Summary of Certain Provisions of the Indenture" for additional details.

Subordinate Debt. The Indenture permits the Successor Agency to issue and sell Subordinate Debt (as defined in the Indenture). Such Subordinate Debt would be payable from, or secured by a pledge or lien upon, the Tax Revenues on a subordinate basis to the payment of debt service on the 2020 Bonds. See "APPENDIX A – Summary of Certain Provisions of the Indenture" for additional details.

THE DISSOLUTION ACT

General

The information in this section describes the amendment to the Redevelopment Law pursuant to the Dissolution Act. The following section entitled "SECURITY FOR THE 2020 BONDS" describes the specific pledge of Tax Revenues in favor of the holders of the 2020 Bonds and related matters.

Pre-Dissolution Act Redevelopment Tax Increment System. Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan became the base year valuation. Assuming the taxable valuation never dropped below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of redevelopment agency obligations.

Impact of Dissolution on Redevelopment Tax Increment System. The Dissolution Act requires each county auditor-controller to determine, based on property taxes collected in a redevelopment project area, the amount of property taxes that would have been allocated to the former redevelopment agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the former redevelopment agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the successor agency established and held by the county auditor-controller pursuant to the Dissolution Act.

Post-Dissolution Refunding Bonds. The Dissolution Act provides that any bonds authorized thereunder to be issued by a successor agency will be considered indebtedness incurred by the former redevelopment agency, with the same lien priority and legal effect as if the bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the successor agency's Recognized Obligation Payment Schedule (see "– Recognized Obligation Payment Schedules" below).

The Dissolution Act further provides that bonds authorized by the Dissolution Act to be issued by a successor agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized to be issued by the successor agency under the Dissolution Act are taxes allocated to the successor agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution.

Pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution and as provided in the redevelopment plans for each redevelopment project area, taxes levied upon taxable property in the project area each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called "**taxing agencies**") after the effective date of the ordinance approving the redevelopment plans, or the respective effective dates of ordinances approving

amendments to the redevelopment plans that added territory to the project area, as applicable, are to be divided as follows:

(a) To Taxing Agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the redevelopment project area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinances adopting the redevelopment plans, or the respective effective dates of ordinances approving amendments to the redevelopment plans that added territory to the redevelopment project area, as applicable (each, a "**base year valuation**"), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) To the Former Redevelopment Agency/Successor Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within the redevelopment plan limits, when collected will be paid into a special fund of the successor agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the successor agency to pay the debt service on indebtedness incurred by the former redevelopment agency or the successor to finance or refinance the redevelopment projects of the former redevelopment agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller, constitute the amounts required under the Dissolution Act to be deposited by the county auditor-controller into the Redevelopment Property Tax Trust Fund for each successor agency. In addition, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from paragraph (b) above. Pursuant to SB 107, effective September 22, 2015, debt service override revenues approved by the voters for the purpose of supporting pension programs or capital projects, and programs related to the State Water Project, that are not pledged to or needed for debt service on successor agency obligations are allocated and paid to the entity that levies the override and will not be deposited into the Redevelopment Property Tax Trust Fund. No such overrides are pledged as security for the payment of debt service on the 2020 Bonds under the Indenture.

Recognized Obligation Payment Schedules

Submission of Recognized Obligation Payment Schedule. The Dissolution Act requires successor agencies to prepare, and submit to the successor agency's oversight board and the DOF for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Successor agencies are required to file Recognized Obligation Payment Schedules with the DOF for approval each February 1 for the July 1 through June 30 period immediately following such

February 1 (the next succeeding fiscal year). Pursuant to Section 34177(o)(1)(E) of the Dissolution Act, once per the Recognized Obligation Payment Schedule period, and no later than October 1, a successor agency may submit one amendment to DOF for the second half of the yearly Recognized Obligation Payment Schedule period (January-June), if the Oversight Board makes a finding that a revision is necessary to pay enforceable obligations during the second half of the Recognized Obligation Payment Schedule period. Currently, DOF does not allow successor agencies to add lines for additional obligations when submitting the Amended Recognized Obligation Payment Schedule.

Prior Period Adjustments. Subject to review by the county auditor-controller, differences between actual payments and past estimated obligations on Recognized Obligation Payment Schedules shall be reported in subsequent Recognized Obligation Payment Schedules and shall adjust the amount to be transferred to the Redevelopment Obligation Retirement Fund.

In addition, there are strong incentives for a successor agency to submit recognized obligation payment schedules on time. If a successor agency does not submit a recognized obligation payment schedule to the Oversight Board and the DOF by each February 1 (unless a successor agency elects to file a last and final recognized obligation payment schedule), then a successor agency will be subject to a $10,000 per day civil penalty for every day the schedule is late. Additionally, if a successor agency does not submit a recognized obligation payment schedule to the Oversight Board and the DOF at least 10 days after each February 1 (unless a successor agency elects to file a last and final recognized obligation payment schedule), then a successor agency's administrative cost allowance may be reduced by up to 25%. For additional information regarding procedures under the Dissolution Act relating to late recognized obligation payment schedules and implications for the 2020 Bonds, see "RISK FACTORS – Recognized Obligation Payment Schedule."

Payment of Amounts Listed on the Recognized Obligation Payment Schedule. As defined in the Dissolution Act, "**enforceable obligation**" includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency or the successor agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency or the successor agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and, under certain circumstances, amounts borrowed from the successor agency's low and moderate income housing fund.

A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by a bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bonds for the next payment due in the following half of the calendar year.

Order of Priority of Distributions from Redevelopment Property Tax Trust Fund. Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, a county auditor-controller is to distribute funds for each six-month period as specified in Section 34183 of the Dissolution Act, which is as follows:

(i) first, subject to certain adjustments (as described below) for subordinations for statutory and negotiated pass-through amounts to the extent permitted under the Dissolution Act and no later than each January 2 and June 1, to each local taxing agency

and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations;

(ii) second, on each January 2 and June 1, to the successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments (and amounts required to replenish the related reserve funds, if any) scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;

(iii) third, on each January 2 and June 1, to the successor agency for the administrative cost allowance, as defined in the Dissolution Act; and

(iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

The Dissolution Act requires the county auditor-controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed for statutory pass-through obligations to the taxing entities on each January 2 and June 1 before amounts are distributed by the county auditor-controller from the Redevelopment Property Tax Trust Fund to a successor agency's Redevelopment Obligation Retirement Fund, unless: (i) pass-through payment obligations have been made subordinate to debt service payments for the bonded indebtedness of the former redevelopment agency, as succeeded to by the successor agency; (ii) the successor agency has reported, no later than the December 1 and May 1 preceding the applicable January 2 or June 1 distribution date, that the total amount available to the successor agency from the Redevelopment Property Tax Trust Fund allocation to the successor agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the former redevelopment agency and from funds that have or will become available through asset sales and all redevelopment operations, is insufficient to fund the successor agency's enforceable obligations, pass-through payments and the successor agency's administrative cost allowance for the applicable Recognized Obligation Payment Schedule period; and (iii) the State Controller has concurred with the successor agency that there are insufficient funds for such purposes.

If the requirements set forth in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed on the applicable January 2 or June 1 property tax distribution date (as adjusted for weekends and holidays). To provide for calculated shortages to be paid to the Successor Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Successor Agency's enforceable obligations, pass-through payments and the Successor Agency's administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Successor Agency for administrative costs for the applicable Recognized Obligation Payment Schedule period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed under subordinated negotiated pass-through agreements, if any, in order to be paid to the Successor

Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted.

Consequences of Insufficient Property Tax Revenue. If the requirements set forth in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed on the applicable January 2 or June 1 property tax distribution date (as adjusted for weekends and holidays). To provide for calculated shortages to be paid to the successor agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the successor agency's enforceable obligations, pass-through payments and the successor agency's administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the successor agency for administrative costs for the applicable Recognized Obligation Payment Schedule period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed as pass-through payments, whether contractual or statutory, in order to be paid to the successor agency for bonded indebtedness, but only after the amounts described in the previous two sentences have been exhausted. If there is still an insufficiency, the Dissolution Act permits, but does not require, a loan to be made from the county treasury to the successor agency. For a description of the Successor Agency's pass-through payment obligations, see "SECURITY FOR THE 2020 BONDS – Statutory Pass-Through (AB 1290) Payments" and "– Pass-Through Agreements."

Sources of Payments for Enforceable Obligations. Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the low and moderate income housing fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance (successor agencies are entitled to receive not less than $250,000, unless that amount is reduced by the oversight board), (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the successor agency, as approved by the oversight board).

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by a successor agency and only from the funds specified in the Recognized Obligation Payment Schedule.

No Applicable Redevelopment Plan Limits. In accordance with the Redevelopment Law, redevelopment plans project areas were required to include certain limits on the financing of the redevelopment projects. These limits could include a time limit on the life of the redevelopment plan, a time limit on the incurrence of indebtedness, a time limit on the receipt of property tax increment and the repayment of indebtedness and a limit on the amount of bonded indebtedness outstanding at any time. The Dissolution Act, as amended by SB 107 as of September 22, 2015, clarifies that former tax increment limits set forth in redevelopment plans no longer apply for purposes of paying approved enforceable obligations.

Redevelopment Obligation Retirement Fund. Each successor agency has established within its treasury a "Redevelopment Obligation Retirement Fund" pursuant to Section 34170.5 of the Dissolution Act. Under the Dissolution Act, the county auditor-controller is obligated to transfer each January 2 and June 1, from the Redevelopment Property Tax Trust Fund of the successor

agency into the Redevelopment Obligation Retirement Fund of the successor agency, an amount of tax increment revenue equal to that specified in the successor agency's Recognized Obligation Payment Schedule as approved by the DOF as payable from the Redevelopment Property Tax Trust Fund, subject to certain limitations established by the Dissolution Act.

Elimination of Housing Set-Aside. Before it was amended by the Dissolution Act, the Redevelopment Law required each redevelopment agency to set aside not less than 20% of all tax increment generated in project areas into a low and moderate income housing fund to be used for the purpose of increasing, improving and/or preserving the supply of low and moderate income housing. These tax increment revenues were commonly referred to as "**Housing Set-Aside**." The Dissolution Act eliminates the characterization of certain tax increment revenues as Housing Set-Aside.

Last and Final Recognized Obligation Payment Schedule. Commencing on September 22, 2015, successor agencies that have received a Finding of Completion and the concurrence of the DOF as to the items that qualify for payment, among other conditions, at their option, may file a "Last and Final" Recognized Obligation Payment Schedule. If approved by the DOF, the Last and Final Recognized Obligation Payment Schedule will be binding on all parties and the successor agency will no longer submit future Recognized Obligation Payment Schedules to the DOF or the oversight board. The county auditor-controller would thereafter remit the authorized funds to the Successor Agency in accordance with the approved Last and Final Recognized Obligation Payment Schedule until each remaining enforceable obligation has been fully paid. A Last and Final Recognized Obligation Payment Schedule may only be amended twice, and only with approval of the DOF and the county auditor-controller.

The Successor Agency currently has no plans to file a "Last and Final" Recognized Obligation Payment Schedule.

SECURITY FOR THE 2020 BONDS

The County Auditor-Controller will deposit Tax Revenues into the Redevelopment Property Tax Trust Fund pursuant to the requirements of the Dissolution Act, including Health and Safety Code sections 34183 and 34170.5(b). The 2020 Bonds are payable from and secured primarily by the Tax Revenues.

Pledge of Tax Revenues

Except as required to compensate or indemnify the Trustee, the 2020 Bonds and any Parity Debt are equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund and by a first and exclusive pledge and lien upon all of the moneys in the Debt Service Fund, the Interest Account, and the Principal Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The 2020 Bonds are additionally secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Reserve Account established for the 2020 Bonds. The Bonds are also equally secured by the pledge and lien created with respect to the Bonds by Section 34177.5(g) of the Dissolution Act on moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency are pledged to, or otherwise liable for, the payment of principal of, or interest on, the Bonds.

In consideration of the acceptance of the 2020 Bonds by purchasers of the 2020 Bonds, the Indenture will be deemed to be and will constitute a contract between the Successor Agency and the Trustee for the benefit of the Owners from time to time of the 2020 Bonds, and the covenants and agreements set forth in the Indenture to be performed on behalf of the Successor Agency are for the equal and proportionate benefit, security and protection of all Owners of the 2020 Bonds without preference, priority or distinction as to security or otherwise of any of the 2020 Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

Definition of Tax Revenues

"**Tax Revenues**" is defined in the Indenture to mean all taxes that were eligible for allocation to the Former Agency with respect to the Project Area and are allocated to the Successor Agency pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws and that are deposited in the Redevelopment Property Tax Trust Fund for transfer to the Successor Agency for deposit into the Redevelopment Obligation Retirement Fund, <u>excluding</u> amounts payable by the Successor Agency to taxing entities pursuant to the Senior Pass-Through Agreement, the School District Pass-Through Agreements, or Sections 33492.15, 33607.5 and 33607.7 of the Law, unless such payments are subordinated to payments on the Bonds in accordance with the Law. As used in the Indenture, the term "**Senior Pass-Through Agreement**" means the Agreement between the Former Agency and the County pursuant to Health and Safety Code section 33401, dated January 28, 1992 and the term "**School District Pass-Through Agreements**" means the respective Agreements between the Former Agency and each of the Grass Valley School District and Nevada Joint Union School District, each dated October 25, 1988. Amounts payable under Sections 33607.5 and 33607.7 of the Law are sometimes referred to herein as "Statutory Pass-Through Payments."

Amounts payable under the Senior Pass-Through Agreement have not been subordinated, and therefore are payable on a basis senior to payment of debt service on the 2020 Bonds. The Successor Agency has requested subordination of amounts payable under the School District Pass-Through Agreements, and the time period for each applicable school district to object to such subordination expires on May 10, 2020. Similarly, the Successor Agency has requested subordination of amounts payable as Statutory Pass-Through Payments, and the time period for any affected taxing entity to object to such subordination expires on May 25, 2020. For additional information on amounts payable as Statutory Pass-Through Payments, and under the School District Pass-Through Agreements and the Senior Pass-Through Agreement, see "– Statutory Pass-Through (AB 1290) Payments," and "– Pass-Through Agreements," respectively.

Recognized Obligation Payment Schedule (ROPS) Covenant

The Successor Agency covenants in the Indenture that it will comply with all of the requirements of the Law. Pursuant to Section 34177 of the Law, not later than each date a Recognized Obligation Payment Schedule is due, the Successor Agency shall submit to the Oversight Board and the State Department of Finance, a Recognized Obligation Payment Schedule. The Successor Agency shall take all actions required under the Law to include in the Recognized Obligation Payment Schedule for each Semiannual Period (i) debt service on the Bonds so as to enable the Nevada County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on each January 2 and June 1, as applicable, amounts required to enable the Successor Agency to pay timely principal of, and interest on, the Bonds on a timely basis, as such amounts of debt service are set forth in the Indenture.

In order to ensure that amounts are available for the Trustee to pay debt service on all Outstanding Bonds and all amounts due hereunder on a timely basis, the Successor Agency acknowledges that, based on available funds and moneys to be received from the February 1, 2020 Recognized Obligation Payment Schedule distribution dates, the Successor Agency will have sufficient funds to pay debt service on the 2020 Bonds on December 1, 2020.

Thereafter, not later than February 1, 2021 and each February 1 thereafter (or at such other time as may be required by the Dissolution Act), for so long as any Bonds are outstanding, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the Nevada County Auditor-Controller (which may be alternatively be submitted as a Last and Final ROPS) that shall at least include the following amounts:

(i) 100% of the amount of principal and interest on the 2020 Bonds payable and any Parity Debt coming due within the Recognized Obligation Payment Schedule period and 100% of the principal and interest payment due on the next succeeding December 1 (as illustrated below);

(ii) any amount required under this Indenture or any Parity Debt Instrument to replenish the Debt Service Reserve Account under the Indenture or the reserve account established under any Parity Debt Instrument, and

(iii) amounts due to BAM in connection with the 2020 Insurance Policy or 2020 Reserve Policy or any other issuer of a Qualified Reserve Account Credit Instrument under the Indenture or under an insurance or surety bond agreement,

in each annual Recognized Obligation Payment Schedule so as to enable the Nevada County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds coming due in the respective subsequent six-month period and to pay amounts owed to BAM in connection with the 2020 Insurance Policy or 2020 Reserve Policy or any other issuer of a Qualified Reserve Account Credit Instrument, as well as the other amounts set forth above.

By way of illustration, the amount requested under the foregoing clause (i) on the Recognized Obligation Payment Schedule that is filed by February 1, 2021 shall include 100% of the amount of principal of and interest on the 2020 Bonds and any Parity Debt coming due and payable on December 1, 2021, June 1, 2022 and December 1, 2022.

The foregoing actions will also include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to comply with the Indenture.

In the event the provisions set forth in the Dissolution Act as of the Closing Date of the 2020 Bonds that relate to the filing of Recognized Obligation Payment Schedules are amended or modified in any manner, the Successor Agency agrees to take all such actions as are necessary to comply with such amended or modified provisions so as to ensure the timely payment of debt service on the Bonds and, if the timing of distributions of the Redevelopment Property Tax Trust Fund is changed, the receipt of (i) not less than one of half of debt service due during each Bond Year on all Outstanding Bonds prior to December 1 of such Bond Year, and (ii) the remainder of debt service due during such Bond Year on all Outstanding Bonds prior to the next succeeding June 1.

If any amounts then due and payable to BAM under this Indenture are not included on any current Recognized Obligation Payment Schedule and the Successor Agency is then legally permitted to amend such Recognized Obligation Payment Schedule, the Successor Agency will submit to the Oversight Board and the State Department of Finance a request to amend such Recognized Obligation Payment Schedule to include such amounts then due and payable to BAM.

Last and Final Recognized Obligation Payment Schedule. The Successor Agency shall not submit the final amendment to a "Last and Final" Recognized Obligation Payment Schedule without the prior written consent of BAM unless all amounts that could become due to BAM are included as a line item on the "last and final" Recognized Obligation Payment Schedule.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in any six-month period to pay the principal of and interest on the 2020 Bonds (see "RISK FACTORS").

Flow of Funds Under the Indenture

General. The Successor Agency previously established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Dissolution Act and agrees to hold and maintain the Redevelopment Obligation Retirement Fund as long as any of the Bonds are Outstanding or any amounts are due and owing to BAM in respect of the 2020 Reserve Policy.

Deposit in Redevelopment Obligation Retirement Fund; Transfer to Debt Service Fund. The Indenture provides that the Successor Agency shall deposit all of the Tax Revenues received with respect to any Bond Year into the Redevelopment Obligation Retirement Fund promptly upon receipt thereof. All Tax Revenues received by the Successor Agency in excess of the amount required to pay debt service on the 2020 Bonds and any Parity Debt in any Bond Year, and except as may be provided to the contrary in the Indenture or Parity Debt Instrument, shall be released from the pledge and lien under the Indenture and shall be applied in accordance with the Law, including but not limited to the payment of debt service on any Subordinate Debt. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the 2020 Bonds and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indentures, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Redevelopment Obligation Retirement Fund, except as may be provided in the Indenture and in any Supplemental Indenture.

Deposit of Amounts by Trustee. There is established a trust fund to be known as the Debt Service Fund, which will be held by the Trustee under the Indenture in trust. Concurrently with transfers with respect to Parity Debt pursuant to Parity Debt Instruments, moneys in the Redevelopment Obligation Retirement Fund shall be transferred by the Successor Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are hereby established in the Debt Service Fund, and in the following order of priority:

> Interest Account. On or before the 5th Business Day preceding each Interest Payment Date, the Successor Agency shall withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee, for deposit in the Interest Account an amount which, when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable.
>
> Principal Account. On or before the 5th Business Day preceding each December 1 on which the principal of the Bonds becomes due and payable, and at maturity, the Successor Agency shall withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal coming due and payable on such date on the Bonds. No such deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next December 1 on all of the Outstanding Bonds and any Parity Debt. All moneys in the Principal Account shall be used and withdrawn by the

Trustee solely for the purpose of paying the principal of the Bonds and any Parity Debt as it shall become due and payable.

Debt Service Reserve Account. There is established in the Debt Service Fund a separate account known as the "Debt Service Reserve Account," solely as security for payments on the 2020 Bonds, which shall be held by the Trustee in trust for the benefit of the Owners of the 2020 Bonds. The Debt Service Reserve Account will be utilized as set forth below under "–Debt Service Reserve Account; 2020 Reserve Policy." In connection with the future issuance of Bonds pursuant to the Indenture, if any, the Successor Agency shall determine whether such Bonds shall be secured by a separate debt service reserve account.

Debt Service Reserve Account; 2020 Reserve Policy

Deposit of 2020 Reserve Policy. On the date of issuance of the 2020 Bonds, the Successor Agency will cause the 2020 Reserve Policy, in an amount equal to the Reserve Requirement for the 2020 Bonds, to be deposited into the Debt Service Reserve Account.

The amounts available under the 2020 Reserve Policy shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account for the 2020 Bonds in such order of priority, in the event of any deficiency at any time in any of such accounts. The Trustee shall comply with all documentation relating to the 2020 Reserve Policy as shall be required to maintain the 2020 Reserve Policy in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required by the Indenture, including the reimbursement of all amounts due and owing to BAM in respect of the 2020 Reserve Policy.

The Successor Agency shall have no obligation to replace the 2020 Reserve Policy or to fund the Debt Service Reserve Account with cash if, at any time that the 2020 Bonds are Outstanding, amounts are not available under the 2020 Reserve Policy or if the rating of the claims-paying ability of BAM is downgraded or withdrawn.

In connection with the future issuance of Bonds pursuant to the Indenture, the Successor Agency shall determine whether or not such Bonds shall be secured by a debt service reserve fund.

For additional details on the 2020 Reserve Policy, see "APPENDIX A – Summary of Certain Provisions of the Indenture."

Definition of Reserve Requirement. The Indenture defines "**Reserve Requirement**" to mean, with respect to the 2020 Bonds and each series of Parity Debt issued in the form of Bonds for which a reserve is required, the least of:

(i) 125% of the average Annual Debt Service with respect to that series of Bonds,

(ii) Maximum Annual Debt Service with respect to that series of Bonds, or

(iii) with respect to an individual series of Bonds, 10% of the original principal amount of such series of Bonds (or, if such series of Bonds has more than a de minimis

amount of original issue discount or premium, 10% of the issue price of such series of Bonds);

provided, that the Reserve Requirement shall be determined on an individual basis for each series of Bonds, and in no event shall the Successor Agency, in connection with the issuance of Parity Debt in the form of Bonds pursuant to a Supplemental Indenture be obligated to deposit an amount in the Debt Service Reserve Account or other reserve account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, in the event the amount of any such deposit is so limited, the Reserve Requirement shall, in connection with the issuance of such Parity Debt issued in the form of Bonds, be increased only by the amount of such deposit as permitted by the Code; and, provided further that the Successor Agency may meet all or a portion of the Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture.

In the event a Qualified Reserve Account Credit Instrument is delivered at any time to meet the entirety of the Reserve Requirement with respect to any series of Bonds (that is, no cash is being deposited or will remain deposited in the Debt Service Reserve Account or other reserve account with respect to those series of Bonds), then, notwithstanding the foregoing definition, the Reserve Requirement will, with respect to those series of Bonds, be determined only at the time of the delivery of the Qualified Reserve Account Credit Instrument and will not be subject to increase or decrease at a later date.

Pass-Through Payments

Statutory Pass-Through (AB 1290) Payments. All new redevelopment plans that were adopted, or existing redevelopment plans that were amended in certain manners, after January 1, 1994, became subject to statutorily defined pass-through requirements and plan limitations generally known as AB1290 requirements. The payments required to be made to taxing entities pursuant to the AB1290 requirements are referred to as "**Statutory Pass-Through Payments**." *The Successor Agency has requested subordination of amounts payable as Statutory Pass-Through Payments, and the time period for any affected taxing entity to object to such subordination expires on May 25, 2020.*

Under the AB1290 mechanism, pass-through payments are made to all jurisdictions receiving a portion of the basic 1% property tax levy, except jurisdictions having pre-existing contractual pass-through agreements. The pass-through payments are made in three periods, or tiers, each beginning in a different year (years 1, 11, and 31), and extending through the plan's remaining duration. The payments received by each jurisdiction are based on a specified percentage of the growth in assessed valuation over a base (the assessed valuation in the year prior to the beginning of a period), multiplied by the property tax apportionment factor for the jurisdiction. The City is entitled to passthrough payments from the first tier only. In the case of the Downtown Redevelopment Project, the first year of pass-throughs is the first year in which tax increment is collected in the project area; in the case of the Hamilton Redevelopment Project and the Grass Valley Redevelopment Project, the first year of pass-throughs is the first year in which the tax increment receipts exceed $100,000. In each case, a base year is set in the year prior to the first year of pass-through payments.

The initial statutory payments are a percentage of tax increment received by the Successor Agency. For payments under tiers two and three, payments derive from future base

levels of assessed valuation. Under Redevelopment Law, the initial base year for the tier two payments was set in the 10th year in which a redevelopment agency received tax increment payments or, for older amended plans, the 10th year after the earliest amended fiscal limit is reached.

The payments are limited to fixed percentages of those increases (25% of tier one increases, 21% of tier two increases and 14% of tier three increases; all percentages are calculated on tax increment after the deposits to the Housing Fund formerly required by the Redevelopment Law). The Successor Agency continues to receive its full share of tax revenue from assessed valuation above the original project area base year assessed valuations and below the AB1290 base levels. It also receives its share of the tax increment remaining after payment of the statutory pass-throughs. See "APPENDIX B – FISCAL CONSULTANT'S REPORT" for further information.

Pass-Through Agreements. Pursuant to former Section 33401 of the Redevelopment Law, the Former Agency entered into individual pass-through agreements with three taxing entities. The agreements provide that the Successor Agency will pay each taxing entity an amount of money to alleviate the fiscal detriment created by the Project Area. One of the agreements is a senior obligation and has not be subordinated to debt service on the 2020 Bonds, while the Successor Agency has requested subordination of the other two agreements to bond debt service payments.

> *Senior Pass Through-Agreement with the County.* The senior lien agreement of the County provides for allocation of tax increment to the County prior to being available for debt service. The agreement provides for two levels of allocation tied to the aggregate average increase in assessed valuation in the Project Area, however according to the Fiscal Consultant, growth which would cause including the second tier would require aggregate average increase in assessed valuation in excess of 8% and is not expected to occur prior to expiration of the agreement. Under the first tier, the County receives its share of tax increment attributable to the inflation adjustment of up to 2%- in essence, the County receives additional property taxes above the base year revenue amount, calculated by increasing the real property portion of base year values by an inflation factor of up to 2 percent annually. The Agency retains the County's share of tax increment attributable to aggregate average annual growth between 2 and 6 percent.
>
> *Pass-Through Agreements with School Districts*. The Successor Agency also has agreements with the Nevada Union High School District and the Grass Valley School District referred to herein, collectively, as the "School District Pass-Through Agreements." The agreements call for the Successor Agency to pass through 80% of each school district's share of the revenue attributable to Section 33676. *The Successor Agency has requested subordination of amounts payable under the School District Pass-Through Agreements, and the time period for each applicable school district to object to such subordination, based on substantial evidence that the Successor Agency will not be able to make payments due on the 2020 Bonds and amounts payable under the applicable School District Pass-Through Agreement, expires on May 10, 2020.*

See APPENDIX B and "THE PROJECT AREA – Projected Tax Revenues and Debt Service Coverage" for additional information on the pass-through agreements.

Limited Obligation

The 2020 Bonds are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State or any of their political subdivisions except the Successor Agency are liable therefor. The 2020 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. No member of the Successor Agency, the Oversight Board or the Board of Supervisors of the County shall be individually or personally liable for the payment of the principal of or interest on the 2020 Bonds; but nothing contained in the Indenture relieves any such member, officer, agent or employee from the performance of any official duty provided by law.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the 2020 Bonds, Build America Mutual Assurance Company (previously defined as "**BAM**") will issue its Municipal Bond Insurance Policy for the 2020 Bonds (previously defined as the "**2020 Insurance Policy**"). The 2020 Insurance Policy guarantees the scheduled payment of principal of and interest on the 2020 Bonds when due as set forth in the form of the 2020 Insurance Policy included as an exhibit to this Official Statement.

The 2020 Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281,its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law. BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the 2020 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the 2020 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the 2020 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the 2020 Insurance Policy), and BAM does not guarantee the market price or liquidity of the 2020 Bonds, nor does it guarantee that the rating on the 2020 Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $534.9 million, $132.5 million and $402.4 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the 2020 Bonds or the advisability of investing in the 2020 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the 2020 Bonds, and the issuer and underwriter assume no responsibility for their content. BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the 2020 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the 2020 Bonds, whether at the initial offering or otherwise.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the 2020 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the 2020 Bonds, whether at the initial offering or otherwise.

PROPERTY TAXATION IN CALIFORNIA

Property Tax Collection Procedures

Classification. In the State, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the County assessor. The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property arising pursuant to State law, regardless of the time of the creation of other liens.

Generally, ad valorem taxes are collected by a county (the "**Taxing Authority**") for the benefit of the various entities (e.g., cities, schools and special districts) that share in the ad valorem tax (each a taxing entity) and successor agencies eligible to receive distributions from the respective redevelopment property tax trust funds.

Collections. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes: (i) initiating a civil action against the taxpayer, (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (iii) filing a certificate of delinquency for record in the county recorder's office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

Penalty. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default by operation of law and declaration of the tax collector on or about June 30 of each fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to delinquent taxes with respect to property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date.

Delinquencies. The valuation of property is determined as of the January 1 lien date as equalized in August of each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1 and become delinquent August 31.

Supplemental Assessments. California Revenue and Taxation Code Section 75.70 provides for the reassessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of the increase or decrease in a property's value and prorating the resulting property taxes to

reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against real property. Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, and this delayed the realization of increased property taxes from the new assessments for up to 14 months. Since fiscal year 1984-85, revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as the general property tax. The receipt of Supplemental Assessment revenues by taxing entities typically follows the change of ownership by a year or more. This statute provides increased revenue to the Redevelopment Property Tax Trust Fund to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Area, tax increment may increase.

The Successor Agency received approximately $30,763 in supplemental revenues in Fiscal Year 2018-19. Given their variability and unpredictability, revenues resulting from Supplemental Assessments have not been included in the Fiscal Consultant's projections of tax increment available to pay debt service on the 2020 Bonds.

Property Tax Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. The portions of the reimbursement amount that are allocated to each taxing entity within the County are based on the percentage of the total assessed value in the County that each taxing entity's assessed value represents.

In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act to be deducted from tax increment revenues before monies are deposited into the Redevelopment Property Tax Trust Fund.

The combined property tax and AB x1 26 administration fees are estimated to amount to approximately $56,000 in fiscal year 2020-21, or approximately 2.7% of the tax increment revenue from the Project Area.

Delinquencies; Teeter Plan

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"). Consequently, secured property tax revenues in the Project Area do not reflect actual collections because the County allocates secured property tax revenues to the Successor Agency as if 100% of the calculated property taxes were collected without adjustment for delinquencies, redemption payments or roll adjustments. The County could elect to terminate this policy and, in such event, the amount of the levy of property tax revenue that could be allocated to the Successor Agency would depend upon the actual collections of the secured taxes within the Project Area.

Unitary Property

Assembly Bill ("**AB**") 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with fiscal year 1988-89, tax revenues derived from unitary property and assessed by the State Board of Equalization are accumulated in a single Tax Rate Area for the County. The tax revenues are then to be allocated to each taxing entity county-wide as follows: (i) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to 2%; (ii) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro rata county wide; and (iii) any increase in revenue above 2% would be allocated in the same proportion as the taxing entity's local secured taxable values are to the local secured taxable values of the County.

AB 454 (Statutes of 1987, Chapter 921) further modified Chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenue derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

The County includes the taxable value of utilities as part of the reported taxable values of the Project Area. Consequently, the base year values of redevelopment projects are increased by the amount of utility value that existed originally in the base year.

Article XIIIA of the State Constitution

Article XIIIA limits the amount of ad valorem taxes on real property to 1% of "full cash value" of such property, as determined by the county assessor. Article XIIIA defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value,' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." Furthermore, the "full cash value" of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Article XIIIA (i) exempts from the 1% tax limitation taxes to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition; (ii) requires a vote of two-thirds of the qualified electorate to impose special taxes, or certain additional ad valorem taxes; and (iii) requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

The validity of Article XIIIA has been upheld by both the California Supreme Court and the United States Supreme Court.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIIIA. Proposition 58 amended Article XIIIA to provide that the terms "purchase" and "change of ownership," for the purposes of determining full cash value of property under Article XIIIA, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first $1,000,000 of other property between parents and children. This amendment to Article XIIIA may reduce the rate of growth of local property tax revenues.

Proposition 60 amended Article XIIIA to permit the State Legislature to allow persons over the age of 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence assessed value to the new residence. As a result of the State Legislature's action, the growth of property tax revenues may decline.

Legislation enacted by the State Legislature to implement Article XIIIA provides that all taxable property is shown at full-assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value (except as noted). Tax rates for voter-approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

Each year the SBE announces the applicable adjustment factor. Since the adoption of Proposition 13, inflation has, in most years, exceeded 2% and the announced factor has reflected the 2% cap. The changes in the California Consumer Price Index from October of one year and October of the next year are used to determine the adjustment factor for the January assessment date. During the ten previous fiscal years, the inflation factor has been less than 2% on five occasions. The table below reflects the inflation adjustment factors for the current fiscal year and prior fiscal years back to Fiscal Year 2007-08.

Historical Inflation Adjustment Factors

Fiscal Year	Inflation Adj. Factor
2007-08	2.000
2008-09	2.000
2009-10	2.000
2010-11	-0.237
2011-12	0.753
2012-13	2.000
2013-14	2.000
2014-15	0.454
2015-16	1.998
2016-17	1.525
2017-18	2.000
2018-19	2.000
2019-20	2.000
2020-21	2.000

Appropriations Limitation - Article XIIIB

Article XIIIB limits the annual appropriations of the State and its political subdivisions to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The "base year" for establishing such

appropriations limit is the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Section 33678 of the Redevelopment Law provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by a redevelopment agency of proceeds of taxes levied by or on behalf of a redevelopment agency within the meaning of Article XIIIB, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions. On the basis of these decisions, the Successor Agency has not adopted an appropriations limit.

Proposition 87

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the State Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on certain bonded indebtedness issued by a taxing entity (not the Former Agency or the Successor Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies.

Appeals of Assessed Values

General. Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In the County, a property owner desiring to reduce the assessed value of such owner's property in any one year must submit an application to the County Assessment Appeals Board (the "**Appeals Board**"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of each application by the staff of the County Assessor's Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces the assessment or confirms the assessment.

The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), the County Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well.

Base Year Appeals. Appeals for reduction in the "base year" value of an assessment, which generally must be made within three years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for "ongoing hardship" in the then current

year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the tax increment revenues attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted.

Proposition 8 Appeals. Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions under this code section may be initiated by the County Assessor or requested by the property owner.

After a roll reduction is granted under this code section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIIIA of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it again became subject to the annual inflationary factor growth rate allowed under Article XIIIA.

The Successor Agency cannot guarantee that reductions undertaken by the County Assessor or requested by a property owner pursuant to Proposition 8 will not in the future reduce the assessed valuation of property in the Project Area and, therefore, the Tax Revenues that secure the 2020 Bonds.

See "THE PROJECT AREA – Assessment Appeals" and "APPENDIX B – Fiscal Consultant's Report" for additional information. See also "RISK FACTORS – COVID-19 Pandemic."

Propositions 218 and 26

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the "Supermajority Vote to Pass New Taxes and Fees Act." Proposition 26 amended Article XIIIC of the California Constitution by adding an expansive definition for the term "tax," which previously was not defined under the California Constitution.

Tax Revenues securing the 2020 Bonds are derived from property taxes that are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and Proposition 26.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Successor Agency revenues or the Successor Agency's ability to expend revenues.

THE SUCCESSOR AGENCY

The Dissolution Act dissolved the Former Agency as of February 1, 2012. Thereafter, pursuant to Section 34173 of the Dissolution Act, the City Council formally elected to became the Successor Agency to the Former Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City.

Successor Agency Powers

All powers of the Successor Agency are vested in its five members who are elected members of the City Council. Pursuant to the Dissolution Act, the Successor Agency is a separate public body from the City and succeeds to the organizational status of the Former Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Successor Agency is tasked with expeditiously winding down the affairs of the Former Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, substantially all Successor Agency actions are subject to approval by the Oversight Board, as well as review by the DOF.

Status of Compliance with Dissolution Act

The Successor Agency completed the due diligence process required by the Dissolution Act, and received its Finding of Completion from the DOF on May 10, 2013. Subsequently, the Successor Agency's Long-Range Property Management Plan was also approved.

The Successor Agency has submitted all of its Recognized Obligation Payment Schedules on a timely basis. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications for the 2020 Bonds, see "RISK FACTORS – Recognized Obligation Payment Schedule."

Last and Final ROPS

The Successor Agency currently has no current plans to file a "Last and Final" ROPS.

City Audited Financial Statements

The City of Grass Valley's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2019 (the "**City CAFR**") is attached as APPENDIX E. The City CAFR includes certain information related to the Successor Agency for the fiscal year ended June 30, 2019. The Successor Agency's audited financial statements were audited by JJACPA, Inc., Dublin, California (the "**Auditor**"). The Auditor has not been asked to consent to the inclusion of the City CAFR in this Official Statement and has not reviewed this Official Statement.

As described in "SECURITY FOR THE 2020 BONDS – Limited Obligation," the 2020 Bonds are payable from and secured by a pledge of Tax Revenues and the 2020 Bonds are not a debt of the City. The City CAFR is attached as APPENDIX E to this Official Statement only because it includes certain financial information related to the Successor Agency.

THE PROJECT AREA

General

The Project Area encompasses 488 acres and has remained unchanged in its configuration since it was adopted in 1988. At the time of adoption, the majority of the Project Area, or 84%, was considered developed or an integral part of a developed area. 23% was public land and the remaining 15% was considered undeveloped or vacant land. The Project Area contains the historical downtown of the City and the commercial strip that runs along Main Street out to Hughes Avenue; it also includes much of the older residential development in the City. A map of the Project Area is included at the beginning of this Official Statement.

Land Use Types

The Project Area is primarily residential, with approximately 61% of the assessed valuation deriving from residential properties. Commercial properties account for approximately 30% of Project Area assessed valuation. The following table shows the taxable value of existing land uses for fiscal year 2019-20 in the Project Area.

TABLE 1
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY OF GRASS VALLEY
Land Use Within the Project Area
Fiscal Year 2019-20

Land Use	Parcels	Total Taxable Value	% of Total Taxable Value
Residential	982	$226,862,506	61.08%
Commercial	229	112,997,237	30.43
Industrial	6	6,375,596	1.72
Vacant Land	71	4,411,911	1.19
Other	51	2,940,997	0.79
Total Secured	1,339	353,588,247	95.21
Unsecured/State Assessed		17,802,365	4.79
TOTAL		**$371,390,612**	**100.00%**

Source: Fraser & Associates.

Assessed Valuation

The following table shows the historical taxable values of the Project Area over the past ten fiscal years. Taxable values have increased from $287,987,465 in Fiscal Year 2014-15 to $371,488,612 in Fiscal Year 2019-20. The subsequent table shows the tax increment levy and receipts over the past five fiscal years, followed by a table showing a historical analysis of Tax Revenues. The homeowner's property tax relief exemption is reimbursed by the State; it is added back to property tax revenue distributed to the Successor Agency. For projections of growth in incremental assessed valuation in the Project Area and the impact on Tax Revenues, see " – Projected Tax Revenues and Debt Service Coverage" below.

TABLE 2A
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY
Historical Assessed and Incremental Valuations in the Project Area
Fiscal Years 2009-10 through 2019-20

Fiscal Year	Locally-Assessed Secured Value	Unsecured Value	Total Taxable Value	Percentage Change	Total Incremental Value[1]
2009-10	$302,874,584	$16,273,005	$319,147,589	N/A	$226,401,331
2010-11	279,843,029	18,175,867	298,018,896	(6.62)%	205,272,638
2011-12	274,471,585	16,819,205	291,290,790	(2.26)	198,544,532
2012-13	265,488,130	15,406,582	280,894,712	(3.57)	188,148,454
2013-14	261,479,446	15,286,939	276,766,385	(1.47)	184,020,127
2014-15	272,794,825	15,192,640	287,987,465	4.05	195,241,207
2015-16	284,287,332	13,753,267	298,040,599	3.49	205,294,341
2016-17	308,076,399	13,437,131	321,513,530	7.88	228,767,272
2017-18	323,493,904	12,980,367	336,474,271	4.65	243,728,013
2018-19	339,018,420	14,963,888	353,982,308	5.20	261,236,050
2019-20	353,688,247	17,800,365	371,488,612	4.95	278,742,354
Total Percentage Change				16.40%	
Average Percentage Change				1.53%	

(1) Taxable Value above base year value of $92,746,258.
Source: Nevada County Auditor-Controller Office.

TABLE 2B
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY
Historical Tax Increment Levy and Receipts
Fiscal Years 2014-15 through 2018-19

Fiscal Year	Levy per County[1]	Tax Increment Receipts Less Supplementals	% of Levy Received	Supplementals	Total Tax Increment Receipts[2]	% of Levy Received
2014-15	$1,952,412	$1,946,780	99.71%	$49,676	$1,996,456	102.26%
2015-16	2,052,943	2,057,459	100.22	63,351	2,120,810	103.31
2016-17	2,287,673	2,287,519	99.99	76,317	2,363,836	103.33
2017-18	2,437,280	2,443,183	100.24	50,003	2,493,186	102.29
2018-19	2,612,361	2,631,935	100.75	30,763	2,662,698	101.93
Average Receipts to Levy			100.21%			102.59%

(1) Initial levy reported by Nevada County.
(2) Receipts based on total deposits to the RPTTF for each fiscal year.
Source: Fraser & Associates.

TABLE 2C
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY OF GRASS VALLEY
Historical Analysis of Tax Revenues
Fiscal Years 2014-15 through 2018-19

Category	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Tax Increment	$1,946,780	$2,057,459	$2,287,519	$2,443,183	$2,631,935
Supplemental Taxes	49,676	63,351	76,317	50,003	30,763
Total Tax Increment (1)	1,996,456	2,120,810	2,363,836	2,493,186	2,662,698
Liens on Tax Increment:					
Property Tax Administration Fees	35,207	35,464	41,474	44,954	49,994
Section 33676 Allocations (2)	181,918	191,651	199,714	200,149	220,218
Senior Negotiated Tax Sharing (3)	127,067	133,828	139,346	139,600	153,620
Tax Revenue	**1,652,264**	**1,759,867**	**1,983,302**	**2,108,483**	**2,238,866**
Obligations For Which Subordination Has Been Requested					
Negotiated Tax Sharing (4)	165,867	175,062	182,220	191,751	201,473
Statutory Payment (5)	0	0	0	0	0
Net Tax Increment	1,486,397	1,584,805	1,801,082	1,916,732	2,037,393

(1) Reflects total deposits to the RPTTF.
(2) Payments former Section 33676.
(3) Payments per negotiated agreement with Nevada County.
(4) Payments per School District Pass-Through Agreements with the Grass Valley School District and the Nevada Union School District. The Successor Agency has requested subordination of amounts payable under the School District Pass-Through Agreements, and the time period for each applicable school district to object to such subordination expires on May 10, 2020.
(5) Statutory payments should have begun in 2016-17, but the County has not yet implemented them. The Successor Agency has requested subordination of amounts payable as Statutory Pass-Through Payments, and the time period for any affected taxing entity to object to such subordination expires on May 25, 2020.

Source: Fraser & Associates.

Recent and Potential Future Development in the Project Area

Since the dissolution of the Former Agency, there has been a limited amount of development activity within the Project Area. As noted above, within the past five fiscal years Assessed Valuations in the Project Area have grown steadily from Fiscal Year 2015-16 to Fiscal Year 2019-20, with fiscal year growth rates ranging from 3.49% to 7.88%.

There are various projects in the City currently underway or proposed for future development, which are anticipated to further increase assessed valuations in the future. Because these projects are outside the Project Area, they will not contribute to increased Tax Revenues available for debt service on the 2020 Bonds. The Fiscal Consultant does not assume any increased assessed valuation from new development in the Project Area in the Fiscal Consultant's Report. See APPENDIX B. Similarly, the projected debt service coverage table included in this Official Statement do not assume any increased assessed valuation from new development. See "– Projected Tax Revenues and Debt Service Coverage."

Major Property Owners

The ten largest assessees in the Project Area for Fiscal Year 2019-20 are shown in the following table. The table includes the total valuations for the assessees, the valuation for the area as a whole, and the percentage of Project Area total valuation accounted for by each owner. Valuations shown are net of homeowner exemptions. None of the top ten assessees in the Project Area have a pending appeal.

TABLE 3
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY
Top Ten Assessees by Valuation in the Project Area
Fiscal Year 2019-20[(1)]

	Assessee	Type of Use	2019-20 Secured Value[(1)]	% of Total Value[(2)]	% of Incremental Value[(2)]
1.	Gold Miners Inn, LLC.	Hotel	$13,101,129	3.70%	4.91%
2.	James B Conley & Alma O Conley	Apartment	6,902,633	1.95%	2.59%
3.	Wendell C. Smith Family Holdings LLC	Mix of uses	5,882,863	1.66%	2.21%
4.	Pardini General Partnership	Industrial	5,427,859	1.53%	2.04%
5.	Hilltop Commons 2005	Apartments	4,998,272	1.41%	1.87%
6.	Grass Valley Courtyard Suites	Hotel	4,154,633	1.17%	1.56%
7.	Collins, Patricia	Apartments	3,956,099	1.12%	1.48%
8.	Ramos, Maria	Restaurant	3,003,671	0.85%	1.13%
9.	Hattar Saadeh & Hilda Trustees	Retail	2,605,104	0.74%	0.98%
10.	Pezollo Ronald J Trustee	Apartments	2,330,000	0.66%	0.87%
	Total Secured Valuation		**$52,362,263**	**14.80%**	**19.64%**

(1) Based on ownership of locally-assessed secured property.
(2) Based on 2019-20 Project Area secured taxable value of $353,688,247 and incremental secured taxable value of $266,670,103.
Source: Nevada County Auditor-Controller Office.

Assessment Appeals

Appeals of assessments by property owners in the Project Area can result in reductions in assessed valuations that could potentially affect the Successor Agency. Reductions in prior-year assessed valuations do not currently affect the Successor Agency's allocation of regular tax increment revenue due to the County Auditor-Controller's practice of deducting taxpayer refunds from supplemental revenue payments to the Successor Agency and not from the regular tax increment apportionment. However, as described below, the Assessor can reduce annual assessed valuations on specific properties, which can affect the Successor Agency.

The most common type of appeal filed is known as a Proposition 8 appeal, in which the property owner seeks a reduction in a particular year's assessment based on the current economic value of the property. The assessor may also adjust valuations based on Proposition 8 criteria. Reductions in valuation made under Proposition 8 are temporary, with valuations restored to their full assessments once the economic reason for the reduction no longer applies. Such reductions can affect the Successor Agency's tax increment while they are in effect.

Property owners may also appeal the Proposition 13 base assessment of a property. Although less frequently filed, such appeals, if successful, can permanently reduce the enrolled

valuation of a property and consequently affect the Successor Agency's annual revenue. As noted, the County Auditor-Controller's office applies tax refunds due to successful property tax appeals to the Successor Agency's total tax increment, including supplemental assessments.

The Fiscal Consultant reports there are no appeals pending for parcels in the Project Area. However, the County could process future Proposition 8 reductions due to the impact that the Covid-19 pandemic is having on the value of property. The Successor Agency is unable to estimate the potential impact that this could have on future property values or tax increment revenues. See "RISK FACTORS – COVID-19 Pandemic."

Projected Tax Revenues and Debt Service Coverage

The Successor Agency has retained the Fiscal Consultant to provide projections of taxable valuations on land in the Project Area and projected Tax Revenues available for debt service on the 2020 Bonds. Table 4 below show the Tax Revenues for Fiscal Year 2019-20.

TABLE 4
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY
Estimate of Net Tax Increment for Fiscal Year 2019-20

	Taxable Value [1]
Local Secured	
Land	$115,108,455
Improvements	245,269,535
Personal Property	1,493,377
Gross Local Secured	361,871,367
Exempt	8,183,120
Net Local Secured	353,688,247
State Assessed	0
Unsecured	
Land	148,362
Improvements	7,644,374
Personal Property	10,285,855
Total Unsecured	18,078,591
Less: Exempt	(278,226)
Net Unsecured	17,800,365
Total Value	**371,488,612**
	92,746,258
Incremental Taxable Value	278,742,354
Tax Increment	2,787,424
Unitary Tax Increment	15,500
Total Tax Increment Revenue	**2,802,924**
Adjustments / Liens to Tax Increment Revenue:	
Property Tax Administration Fees [2]	54,657
Section 33676 Allocation	232,210
Senior Pass-Through Payment [4]	161,936
Tax Revenues	**2,354,121**
Obligations for Which Subordination Has Been Requested	
Negotiated Tax Sharing [3]	211,389
Statutory Payment [4]	43,580
Net Tax Increment	**2,099,152**

(1) Taxable values per Nevada County Assesor's Office.
(2) Estimated based on 1.9 percent of tax increment.
(3) Payments per School District Pass-Through Agreements with Nevada County, Grass Valley School District, and the Nevada Union School District. The Successor Agency has requested subordination of amounts payable under the School District Pass-Through Agreements, and the time period for each applicable school district to object to such subordination expires on May 10, 2020.
(4) Statutory payments per Section 33607.5 and 33607.7 of the CRL. The Successor Agency has requested subordination of amounts payable as Statutory Pass-Through Payments, and the time period for any affected taxing entity to object to such subordination expires on May 25, 2020.

Sources: County of Nevada, Fraser & Associates.

Tax Revenues are projected over the duration of the 2020 Bonds, as shown in Tables 5 and 6 below. Table 5 shows a projection assuming 0% growth each fiscal year, starting in Fiscal Year 2020-21. Table 6 shows a projection assuming 2% growth and no new development. In both tables, taxable value has been reduced for open assessment appeals. The other property categories of value have been held constant in both projections.

The Successor Agency believes that the assumptions used in the Fiscal Consultant's Report and its footnotes, upon which the projections in Tables 5 and 6, respectively, below are based, are reasonable; however, the actual growth rate of assessed valuation may be less than the projected rate in the Project Area and may decrease. Therefore, the actual Tax Revenues received during the forecast period may vary from the projections and the variations may be material.

Tables 7 sets forth projected debt service coverage on the 2020 Bonds based on the projection of Tax Revenues set forth in Tables 5 and 6, respectively.

The Fiscal Consultant has not made any adjustments to the tax increment projections for the possible impact that the COVID-19 pandemic may have on future property values and tax increment revenues. See "RISK FACTORS – COVID-19 Pandemic."

TABLE 5
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY
Projection of Tax Revenues
(In Thousands of Dollars)
(0% Growth)

						Less: Senior Liens				Less: Obligations For Which Subordination Has Been Requested		
Fiscal Year	Total Real Property[1]	Other Property[2]	Total Value	Value Over Base Of $92,746	Total Increment[3]	33676 Adjustment[4]	Property Tax Admin. Fees [5]	Senior Pass-Through Payment[6]	Tax Revenues	Statutory Payments[7]	Negotiated Pass-Through Payments[8]	Net Tax Increment Revenue
2019-2020	$359,988	$11,501	$371,489	$278,742	$2,803	$232	$55	$162	$2,354	$44	$211	$2,099
2020-2021	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	92	211	2,050
2021-2022	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2022-2023	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2023-2024	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2024-2025	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2025-2026	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2026-2027	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2027-2028	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2028-2029	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2029-2030	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2030-2031	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2031-2032	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2032-2033	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2033-2034	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2034-2035	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2035-2036	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2036-2037	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2037-2038	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
Totals					**$53,256**	**$4,412**	**$1,038**	**$3,077**	**$44,728**	**$877**	**$4,016**	**$39,835**

(1) Prior Year Real Property held constant.
(2) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
(3) Based on the application of 1% tax rate to incremental taxable value plus actual unitary from 2018-19.
(4) Payments allocated per former Section 33676 to the City of Grass Valley, the Nevada Irrigation District, the County Superintendent of Schools and Sierra College.
(5) Per SB 2557, reflects Project Area share of Nevada County's property tax administrative costs. Also includes County Auditor-Controller costs for implementation of the Dissolution Act.
(6) Per pass-through agreement with Nevada County.
(7) Statutory Pass-Through Payments. Includes one time repayment of prior year amounts in 2020-21. The Successor Agency has requested subordination of amounts payable as Statutory Pass-Through Payments, and the time period for any affected taxing entity to object to such subordination expires on May 25, 2020.
(8) Based on School District Pass-Through Agreements with the Grass Valley School District and Nevada Union High School District. The Successor Agency has requested subordination of amounts payable under the School District Pass-Through Agreements, and the time period for each applicable school district to object to such subordination expires on May 10, 2020.

Sources: County of Nevada, Fraser & Associates.

TABLE 6
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY
Projection of Tax Revenues
(In Thousands of Dollars)
(2% Growth)

						Less: Senior Liens				Less: Obligations For Which Subordination Has Been Requested		
Fiscal Year	Total Real Property[1]	Other Property[2]	Total Value	Value Over Base Of $92,746	Total Increment[3]	33676 Adjustment[4]	Property Tax Admin. Fees [5]	Senior Pass-Through Payment[6]	Tax Revenues	Statutory Payments[7]	Negotiated Pass-Through Payments[8]	Net Tax Increment Revenue
2019-2020	$359,988	$11,501	$371,489	$278,742	$2,803	$232	$55	$162	$2,354	$44	$211	$2,099
2020-2021	367,187	11,501	378,688	285,942	2,875	243	56	170	2,406	99	222	2,086
2021-2022	374,531	11,501	386,032	293,286	2,948	255	57	178	2,459	56	232	2,170
2022-2023	382,022	11,501	393,523	300,776	3,023	266	59	186	2,512	63	242	2,207
2023-2024	389,662	11,501	401,163	308,417	3,100	278	60	194	2,567	70	253	2,245
2024-2025	397,455	11,501	408,956	316,210	3,178	290	62	202	2,623	76	264	2,283
2025-2026	405,405	11,501	416,906	324,159	3,257	302	64	211	2,680	83	275	2,322
2026-2027	413,513	11,501	425,014	332,267	3,338	315	65	220	2,739	91	287	2,362
2027-2028	421,783	11,501	433,284	340,538	3,421	328	67	228	2,798	98	298	2,402
2028-2029	430,219	11,501	441,720	348,973	3,505	341	68	238	2,859	105	310	2,444
2029-2030	438,823	11,501	450,324	357,578	3,591	354	70	247	2,921	113	322	2,486
2030-2031	447,599	11,501	459,100	366,354	3,679	367	72	256	2,984	120	334	2,529
2031-2032	456,551	11,501	468,052	375,306	3,769	381	73	266	3,048	128	347	2,573
2032-2033	465,682	11,501	477,183	384,437	3,860	395	75	276	3,114	136	360	2,617
2033-2034	474,996	11,501	486,497	393,751	3,953	410	77	286	3,181	144	373	2,663
2034-2035	484,496	11,501	495,997	403,251	4,048	424	79	296	3,249	153	386	2,710
2035-2036	494,186	11,501	505,687	412,941	4,145	439	81	306	3,318	161	400	2,757
2036-2037	504,070	11,501	515,571	422,824	4,244	455	83	317	3,389	170	414	2,806
2037-2038	514,151	11,501	525,652	432,906	4,345	470	85	328	3,462	179	428	2,855
Totals					**$67,081**	**$6,546**	**$1,308**	**$4,565**	**$54,663**	**$2,090**	**$5,959**	**$46,614**

(1) Prior Year Real Property increased by 2 percent per year.
(2) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
(3) Based on the application of 1% tax rate to incremental taxable value plus actual unitary from 2018-19.
(4) Payments allocated per former Section 33676 to the City of Grass Valley, the Nevada Irrigation District, the County Superintendent of Schools and Sierra College.
(5) Per SB 2557, reflects Project Area share of Nevada County's property tax administrative costs. Also includes County Auditor-Controller costs for implementation of the Dissolution Act.
(6) Per pass-through agreement with Nevada County.
(7) Statutory Pass-Through Payments. Includes one time repayment of prior year amounts in 2020-21. The Successor Agency has requested subordination of amounts payable as Statutory Pass-Through Payments, and the time period for any affected taxing entity to object to such subordination expires on May 25, 2020.
(8) Based on School District Pass-Through Agreements with the Grass Valley School District and Nevada Union High School District. The Successor Agency has requested subordination of amounts payable under the School District Pass-Through Agreements, and the time period for each applicable school district to object to such subordination expires on May 10, 2020.

Sources: County of Nevada, Fraser & Associates.

TABLE 7
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY OF GRASS VALLEY
Projected Debt Service Coverage[(1)]
(In Thousands of Dollars)
(0% Growth and 2% Growth)

Bond Year Ending Dec. 1	2020 Bonds Debt Service*	Tax Revenues (0% Growth)	Debt Service Coverage (0% Growth)*	Tax Revenues (2% Growth)	Debt Service Coverage (2% Growth)*
2020	$462	$2,099	4.54x	$2,099	4.54x
2021	599	2,050	3.42x	2,086	3.48x
2022	599	2,099	3.50x	2,170	3.62x
2023	599	2,099	3.51x	2,207	3.69x
2024	598	2,099	3.51x	2,245	3.75x
2025	598	2,099	3.51x	2,283	3.82x
2026	601	2,099	3.49x	2,322	3.86x
2027	604	2,099	3.48x	2,362	3.91x
2028	600	2,099	3.50x	2,402	4.00x
2029	602	2,099	3.49x	2,444	4.06x
2030	602	2,099	3.49x	2,486	4.13x
2031	603	2,099	3.48x	2,529	4.20x
2032	606	2,099	3.47x	2,573	4.25x
2033	603	2,099	3.48x	2,617	4.34x
2034	605	2,099	3.47x	2,663	4.40x
2035	601	2,099	3.49x	2,710	4.51x
2036	603	2,099	3.48x	2,757	4.57x
2037	604	2,099	3.47x	2,806	4.64x
2038	605	2,099	3.47x	2,855	4.72x

** Preliminary; subject to change.*

(1) Assumes both the Statutory Pass-Through Amounts and amounts due under the School District Pass-Through Agreements have not been subordinated to debt service on the 2020 Bonds, because the subordination process has not yet been completed. The Successor Agency has requested subordination of amounts payable as Statutory Pass-Through Payments, and the time period for any affected taxing entity to object to such subordination expires on May 25, 2020. Similarly, the Successor Agency has requested subordination of amounts payable under the School District Pass-Through Agreements, and the time period for each applicable school district to object to such subordination expires on May 10, 2020. With the successful subordination of such amounts, projected Tax Revevenues and debt service coverage would increase. See Tables 5 and 6 for additional details on projected Tax Revenues.

Sources: Underwriter and Fraser & Associates.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the 2020 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the 2020 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The various legal opinions to be delivered concurrently with the issuance of the 2020 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

Recognized Obligation Payment Schedule

Tax Revenues will not be withdrawn from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller and remitted to the Successor Agency without a duly approved and effective Recognized Obligation Payment Schedule to pay debt service on the 2020 Bonds and to pay other enforceable obligations for each applicable annual period. In the event the Successor Agency failed to file a Recognized Obligation Payment Schedule as required, the availability of Tax Revenues to the Successor Agency could be adversely affected for such period. See "THE DISSOLUTION ACT – Recognized Obligation Payment Schedules."

AB 1484 also added provisions to the Dissolution Act implementing certain penalties in the event a successor agency does not timely submit a Recognized Obligation Payment Schedule as required. Specifically, an oversight board approved Recognized Obligation Payment Schedule must be submitted by the successor agency to the county auditor-controller and the DOF, no later than each February 1 for the subsequent annual period. If a successor agency does not submit a Recognized Obligation Payment Schedule by such deadlines, the city or county that established the redevelopment agency will be subject to a civil penalty equal to $10,000 per day for every day the schedule is not submitted to the DOF. Additionally, a successor agency's administrative cost allowance is reduced by 25% if the successor agency does not submit an oversight board-approved Recognized Obligation Payment Schedule within 10 days of the February 1 deadline, with respect to the Recognized Obligation Payment Schedule for the subsequent annual period.

Challenges to Dissolution Act

Several successor agencies, cities and other entities have filed judicial actions challenging the legality of various provisions of the Dissolution Act. One such challenge is an action filed on August 1, 2012, by Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, "**Syncora**") against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215). Syncora are monoline financial guaranty insurers domiciled in the State of New York, and as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance. Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint alleged that the Dissolution Act, and specifically the "Redistribution Provisions" thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the "contract clauses" of the United States and California Constitutions (U.S. Const. art. 1, §10, cl.1; Cal. Const. art. 1, §9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleged that the Redistribution Provisions violate the "Takings Clauses" of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders' and Syncora's contractual right to critical security mechanisms without just compensation.

After hearing by the Sacramento County Superior Court on May 3, 2013, the Superior Court ruled that Syncora's constitutional claims based on contractual impairment were premature. The Superior Court also held that Syncora's takings claims, to the extent based on the same arguments, were also premature. Pursuant to a Judgment stipulated to by the parties, the Superior Court on October 3, 2013, entered its order dismissing the action. The Judgment, however, provides that Syncora preserves its rights to reassert its challenges to the Dissolution Act in the future. The Successor Agency does not guarantee that any reassertion of challenges by Syncora or that the final results of any of the judicial actions brought by others challenging the Dissolution Act will not result in an outcome that may have a material adverse effect on the Successor Agency's ability to timely pay debt service on the 2020 Bonds.

Reduction in Taxable Value

Tax increment revenue available to pay principal of and interest on the 2020 Bonds are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property in the Project Area caused by economic factors beyond the Successor Agency's control, such as relocation out of the Project Area by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the tax increment available to pay debt service on the 2020 Bonds. Such reduction of tax increment available to pay debt service on the 2020 Bonds could have an adverse effect on the Successor Agency's ability to make timely payments of principal of and interest on the 2020 Bonds; this risk could be increased by the significant concentration of property ownership in the Project Area (see "THE PROJECT AREA – Major Property Owners").

As described in greater detail under the heading "PROPERTY TAXATION IN CALIFORNIA – Article XIIIA of the State Constitution," Article XIIIA provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the 2020 Bonds could reduce tax increment available to pay debt service on the 2020 Bonds.

In addition to the other limitations on, and required application under the Dissolution Act of Tax Revenues on deposit in the Redevelopment Property Tax Trust Fund, the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing Tax Revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Successor Agency. Although the federal and State Constitutions include clauses generally

prohibiting the Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the tax increment available to pay debt service on the 2020 Bonds and adversely affect the source of repayment and security of the 2020 Bonds.

Risks to Real Estate Market

The Successor Agency's ability to make payments on the 2020 Bonds will be dependent upon the economic strength of the Project Area. The general economy of the Project Area will be subject to all of the risks generally associated with urban real estate markets. Real estate prices and development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development within the Project Area could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a significant decline in the general economy of the Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of Tax Revenues by the Successor Agency from the Project Area. See "THE PROJECT AREA – Projected Tax Revenues and Debt Service Coverage" for a description of the debt service coverage on the 2020 Bonds.

Risks Related to Bond Insurance and BAM

In connection with the delivery of the 2020 Bonds, the Successor Agency will pay the premiums for the 2020 Insurance Policy and the 2020 Reserve Policy to BAM. The Successor Agency can provide no assurances that BAM will be able to meet its obligations under the 2020 Insurance Policy or the 2020 Reserve Policy, if and when required to do so. In addition, any change in the ratings of BAM could impact the price of the 2020 Bonds in the secondary market. See "RATINGS."

Concentration of Property Ownership

The ten largest assessees in the Project Area for Fiscal Year 2019-20 represent approximately 14.8% of the total taxable value in the Project Area and 19.6% of the incremental value, as shown in Table 3 above.

The bankruptcy, termination of operations or departure from one of the Project Area by one of the largest property owners from the Project Area could adversely impact the availability of Tax Revenues to pay debt service on the 2020 Bonds. In addition, the resolution of any future assessment appeal by a top ten assessee in the Project Area could have a material adverse impact on the amount of Tax Revenues.

Reduction in Inflationary Rate

As described in greater detail below, Article XIIIA of the State Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIIIA limits inflationary assessed

value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%.

Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation several times; in fiscal year 2010-11, the inflationary value adjustment was negative for the first time at -0.237%. Although the fiscal year 2019-20 inflationary value adjustment will be 2.00%, the Successor Agency is unable to predict if any adjustments to the full cash value of real property within the Project Area, whether an increase or a reduction, will be realized in the future.

Development Risks

The general economy of a redevelopment project area will be subject to all the risks generally associated with real estate development. Projected development within a redevelopment project area may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within a redevelopment project area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in a redevelopment project area is delayed or halted, the economy of the redevelopment project area could be affected. If such events lead to a decline in assessed values, they could cause a reduction in incremental property tax revenues.

Levy and Collection of Taxes

The Successor Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the tax increment available to pay debt service on the 2020 Bonds.

Although the County currently includes the property taxes allocable to the Successor Agency in its Teeter Plan, the County could elect to terminate this policy and, in such event, the amount of the levy of property tax revenue that could be allocated to the Successor Agency would depend upon the actual collections of the secured taxes within the Project Area. In such event, delinquencies in the payment of property taxes by the owners of land in the Project Area, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Successor Agency's ability to make timely payments on the 2020 Bonds.

Bankruptcy and Foreclosure

The payment of the property taxes from which Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the 2020 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings.

Projected Tax Revenues

In estimating that projected Tax Revenues will be sufficient to pay debt service on the 2020 Bonds, the Successor Agency has made certain assumptions with regard to present and future assessed valuation in the Project Area, future tax rates and percentage of taxes collected. The Successor Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the net tax increment available to pay debt service on the 2020 Bonds will be less than those projected and such reduced net tax increment may be insufficient to provide for the payment of principal of, and interest on, the 2020 Bonds. See "THE PROJECT AREA – Projected Tax Revenues and Debt Service Coverage."

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Project Area. In general, the owners and operators of property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Project Area be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

Natural Disasters

The value of the property in the Project Area in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts and wildfires. In the event that one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and the value of property in the Project Area could be diminished in the aftermath of such events. A substantial reduction of the value of such properties and could affect the ability or willingness of the property owners to pay the property taxes. Some potential natural disasters that could adversely affect property values are described below, but this list is not exhaustive.

Seismic. The Project Area is not within an Alquist-Priolo zone as defined in Special Report 42 of the California Division of Mines and Geology. The closest active known fault is the Cleveland Hill fault near Oroville, approximately 50 miles to the north. However, ground movement can be felt in the Project Area from earthquakes at intermediate distances (e.g., a Truckee earthquake in 1968) and from distant earthquakes (e.g., a Winters-Vacaville 1892 event).

A major earthquake would be expected to cause considerable damage to transportation systems. Roads, bridges and highway overpasses are susceptible to damage or failure in the

event of a major earthquake. Landslides would be intensified as a result of ground shaking, and could affect portions of the roadway system located in landslide potential areas. Seismic damage could also occur to treated water and sewage pipelines, gas pipelines, and to telephone and power lines.

Fire. The land in and around the Project Area has a generally high potential for wildland fires of devastating intensity. See "– Structural and Wildland fire Risks," below.

Flood. The frequency and severity of flooding has increased in recent years, partly as a result of increasing urban development. As more land becomes covered with impermeable surfaces such as buildings, parking lots and roads, water cannot drain into the soil and surface runoff increases, thereby causing acute local flooding.

According to Federal Emergency Management Agency Flood Insurance Rate Maps (FIRM), the City and its planning area are relatively well-drained. The 100-year flood designations are generally confirmed to narrow bands along local drainage ways. A few transportation corridors are susceptible to flooding in a 100-year flood event. However, to the extent culverts and storm drainings are not maintained, other localized flood could occur, causing property damage and decreased assessed valuations in the Project Area. In addition, future development will likely result in increased runoff, thus increasing the potential for flood in natural and man-made drainage ways.

Flooding as a result of dam failure can occur as a result of man-made or natural causes. Those causes include improper siting, structural design flaws, erosion of the face of foundation, earthquakes, massive landslides, and rapidly rising flood waters. The only dam capable of inundating any portion of the City Planning Area in event of failure is the Scotts Flat Lake Darn operated by Nevada Irrigation District. Inundation as a result of dam failure would most likely be the result of an earthquake. However, the area of the County in which these dams exist is not located within an historical seismic zone.

Droughts. From time to time, areas of the State have experienced significant drought conditions that resulted in severe impacts to water supplies. The Successor Agency cannot predict if and when drought conditions may return or what effect drought conditions may have on the future development of the Project Area or property values therein.

Subsidence. Subsidence consists of surface land sinking into subsurface holes or fissures. Subsidence may be caused by a variety of natural conditions, some in combination with human activity. The primary cause of actual and potential subsidence in the City area is previous underground withdrawal of material from mining. Improper burial of organic materials during land development, while an issue, tends to be less hazardous. Subsidence hazards in the Project Area are principally man-made, rather than natural geologic phenomena, and are addressed under "–Mine-Related Hazards," below. See also "–Slope Instability," below.

Climate Change. Local impacts of climate change are not definitive, but parcels within the Project Area could experience changes to local and regional weather patterns; increased risk of flooding; water restrictions; and vegetation changes. These changes could adversely impact property values within the Project Area. See "–Structural and Wildland Fire Risks" below.

Mine-Related Hazards

The collapse of the Old Brunswick shaft of the Idaho-Maryland Mine Complex near the City during the 1998 storm season dramatized the danger to persons and property presented by abandoned mines. In that May 1998, incident, the sudden subsidence of land above a long-hidden mine entrance claimed property and undercut the foundation of a new home near the City.

Despite its colorful contribution to local history, mining had, and continues to have, a serious "downside" in terms of safety. Unfortunately, the magnitude of potential mine-related problems in the Sierra foothills is just beginning to be recognized. That recognition includes an admission by State Mining and Geology experts that little is known about the locations of mine-related hazards, a factor inhibiting comprehensive solutions.

Mine-related hazards include the presence of open holes at ground surface; inadequately covered/shored up shafts and tunnels below ground level; tailings; and other abandoned mining features. Safety and hazard concerns resulting from old mine operations include the risk of falling into open shafts, surface collapse/subsidence into old shafts, and the presence of residual toxic materials generated in mining processes.

A substantial portion of the City's Planning Area (including the Project Area) is underlain by a deep, extensive labyrinth of abandoned mine tunnels. The Empire Mine tunnels alone extend some 365 miles beneath the City. Literally dozens of mining claims were "worked" in the City area during the heyday of gold mining, Some were large, mechanized operations. Most were small and more labor intensive.

Hard-rock mining, as historically practiced in the County, was also characterized by (1) one or more angular shafts from surface to underground tunnels for transporting miners, equipment, and ore; and (2) vertical air shafts from tunnels up to the surface, whose functions were to admit fresh air to the otherwise depleted atmosphere below. Tailings piles (ore storage) and tailings ponds (used in ore processing) were also typical surface features of deep mines. Mines and mining, always dangerous while in operation, posed new dangers when abandoned. Air shafts were left exposed or covered by a few boards. They are typically holes of four to ten feet in diameter on the surface, extending hundreds of feet down to the mine tunnels below. Access shafts were often covered hurriedly by closing off the mine mouth (entrance) with logs, then backfilling with rock and earth. In time, the forgotten-but-"reclaimed" site sprouted vegetation, hiding a large hole lurking perhaps as little as eight to ten feet below the surface.

The susceptibility of mine shafts to subsidence or cave-ins depends on a number of factors, particularly water content of the soil above and the depth and physical condition of the shaft. The California Division of Mines and Geology believes that septic systems contribute to subsidence by keeping otherwise dry soil overburden wet and heavy, thus triggering collapses that might otherwise not occur. The greatest problem regarding mine-related surface hazards is the absence of information about the locations and physical characteristics of abandoned tunnel entrances and shafts. Without that information, it is difficult to assess the magnitude of the problem or to devise remedial programs.

Slope Instability

Unstable soils and geologic conditions have historically resulted from vegetation removal associated with wildfires, timber harvesting, mining, and grading as part of road and building site development. Depending on local topographic, geologic and hydrogeologic conditions, significant

precipitation can exacerbate unstable conditions, resulting in landslides and mudslides. Any area adjacent to a hydraulically mined area is subject to landslide activity due to the removal of supporting rock and soil. Under those conditions, earthquakes or heavy rains can initiate slide activity.

Landslides are events in which surface masses of slope-forming earth move outward and downward from their underlying and stable floors in response to the force of gravity. Unstable or potentially unstable slopes are susceptible to slide, falls, creeps, or mud flows. Although slope movements can occur in any type of rock material certain bedrock formations exhibit a high susceptibility to such movement. This type is generally not found in the western portion of the County, but could occur on a local basis.

Structural and Wildland Fire Risks

The land in and around the Project area has a generally high potential for wildland fires of devastating intensity. This is due to the presence, particularly in less urban settings, of heavier timber, woodland and brush, the occurrence of steep slopes, dry weather conditions, and human activity. Fire protection agencies in the immediate area include the City's fire department, the County's consolidated fire district. Other fire agencies may assist with fires pursuant to mutual aid agreements and plans.

The California Department of Forestry and Fire Protection (CDF) provides fire protection for wildland areas, and is legally responsible only for wildland fires, not structural fires, during the fire season. Existing standards for development that are expected to provide adequate access, fire flows. and other facilities to maintain an appropriate level of fire protection will continue to derive from the California Building Code, the California Fire Code, and the California Mechanical Code.

With respect to water capacity for fire-fighting readiness, the City's municipal water system serves approximately 1,357 acres, being approximately 60% of the current incorporated area and a few properties outside the City, such as the Nevada County Fair Grounds. Nevada Irrigation District provides water service to the remaining portions of the City and nearby unincorporated areas. Under a current agreement, the City purchases raw water from Nevada Irrigation District, and then treats and distributes the water. Of the 250,000-acre feet of water available to Nevada Irrigation District approximately 170,000 acre feet are currently used. The City's treatment facility has the capacity to treat five times the amount of water currently processed. Limitations exist on expansion of the City's water service due to topographical constraints and location of the treatment facility.

Due to the location of most reservoirs at 100-200 feet in elevation above the City, the water system provides adequate pressure and flows for firefighting purposes. There are isolated areas of inadequate piping, and areas that have no hydrants. These areas are being upgraded as the City develops.

COVID-19 Pandemic

The COVID-19 coronavirus pandemic, and efforts to contain the spread of the virus, are impacting governments, businesses and people in a manner that is having negative effects on global, national and local economies. In addition, stock markets in the United States and globally have seen significant declines and volatility attributed to coronavirus concerns. Future property taxes to the Successor Agency could be impacted. The initial impact could occur because

upcoming property tax installments could be deferred, or some taxpayers may be unable to make their property tax payments. Such impacts could be offset because the County operates under the Teeter Plan, which shields the Successor Agency from delinquencies. There is the possibility that the County could end the Teeter Plan in the future, although County staff has indicated that they have no plan to do that. Through April 15, 2020, the County reports it has received 91 percent of the property tax levy, which results in a delinquency rate of approximately 9 percent, which is slightly higher than the normal 4-5 percent delinquency rate. The value of property on the 2020-21 and future tax rolls could be reduced, which will not be known until the tax roll is released sometime in late July 2020. At this time, there is no way to provide an estimate of the impact that the pandemic could have on future property taxes.

Changes in the Law

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of tax increment available to pay debt service on the 2020 Bonds.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the 2020 Series A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2020 Series A Bonds were issued, as a result of future acts or omissions of the Successor Agency in violation of its covenants in the Indenture. In addition, current and future legislative proposals, if enacted into law, may cause interest on the 2020 Series A Bonds to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals. Should such an event of taxability occur, the 2020 Series A Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2020 Bonds, or, if a secondary market exists, that the 2020 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2020 Series A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the 2020 Series B Taxable Bonds is not intended to be excluded from gross income for federal income tax purposes.

The opinions set forth in the preceding paragraph are subject to the condition that the Successor Agency comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the 2020 Series A Bonds. The Successor Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2020 Series A Bonds.

Tax Treatment of Original Issue Discount and Premium. The issue price for original issue discount (as further discussed below) and market discount purposes (the "OID Issue Price") for each maturity of the 2020 Series A Bonds is the price at which a substantial amount of such maturity of the 2020 Series A Bonds is first sold to the public (excluding bond houses and brokers and similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The OID Issue Price of a maturity of the 2020 Series A Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

If the OID Issue Price of a maturity of the 2020 Series A Bonds is less than the principal amount payable at maturity, the difference between the OID Issue Price of each such maturity, if any, of the 2020 Series A Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the OID Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the District complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals under the Code; and (d) the accretion of original issue discount in each year may result in certain collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. An OID Bond would be treated in a similar manner for purposes of California personal income taxes.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the OID Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a 2020 Series A Bond is purchased at any time for a price that is less than the 2020 Series A Bond's stated redemption price at maturity or, in the case of an OID Bond, its OID Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased a 2020 Series A Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a 2020 Series A Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such 2020 Series A Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the 2020 Series A Bonds.

An investor may purchase a 2020 Series A Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the 2020 Series A Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor's basis in the bond. Investors who purchase a 2020 Series A Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the 2020 Series A Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the 2020 Series A Bond.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2020 Bonds is exempt from California personal income taxes.

Other Tax Considerations. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2020 Bonds, or as to the consequences of owning or receiving interest on the 2020 Bonds, as of any future date. Prospective purchasers of the 2020 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2020 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2020 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2020 Bonds, the ownership, sale or disposition of the 2020 Bonds, or the amount, accrual or receipt of interest on the 2020 Bonds.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), is expected to assign its rating of "AA" to the 2020 Bonds, based on the understanding that BAM will deliver the 2020 Insurance Policy with respect to the 2020 Bonds upon delivery. See "BOND INSURANCE." In addition, S&P has assigned its underlying municipal bond rating of "A+" to the 2020 Bonds.

These ratings reflect only the view of S&P, and an explanation of the significance of the ratings, and any outlook assigned to or associated with the ratings, should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Successor Agency has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

There is no assurance that these ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any rating on the 2020 Bonds may have an adverse effect on the market price or marketability of the 2020 Bonds.

CONTINUING DISCLOSURE

The Successor Agency will covenant for the benefit of owners of the 2020 Bonds to provide certain financial information and operating data relating to the Successor Agency by not later than April 1 after the end of each fiscal year of the Successor Agency (currently June 30th), commencing not later than April 1, 2021 with the report for the 2019-20 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain listed events. The specific nature of the information to be contained in the Annual Report or the notices of listed events is summarized in "APPENDIX D – Form of Continuing Disclosure Certificate," attached to this Official Statement. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**").

The City and its related governmental entities, including the Successor Agency, have previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations. During the last five years, the City and its related entities failed to comply in certain respects with continuing disclosure obligations related to outstanding bonded indebtedness. Such failures to comply included:

- the failure to file on a timely basis the City's audited financial statements;
- the failure to file on a timely basis certain required annual operating data; and
- the failure to file on a timely basis significant event notices pertaining to rating changes.

Subsequently, the City has engaged NHA Advisors, LLC, as its dissemination agent, to remediate its prior instances of non-compliance and ensure future compliance with its continuing disclosure undertakings. Prior to the sale of the 2020 Bonds, the City has made all remedial filings of all audited financial statements, annual operating data, and significant event notices covering the prior five-year period.

CONCLUDING INFORMATION

Underwriting

The 2020 Bonds are being purchased by Hilltop Securities, Inc., as underwriter (the "**Underwriter**"). The Underwriter has agreed to purchase the 2020 Series A Bonds at a price of $_____ (being the principal amount of the 2020 Series A Bonds plus/less a [net] original issue premium/discount of $_____ and less an Underwriter's discount of $_____), and the 2020 Series B Taxable Bonds at a price of $_____ (being the principal amount of the 2020 Series B Taxable Bonds plus/less a [net] original issue premium/discount of $_____ and less an Underwriter's discount of $_____). The initial public offering prices set forth on the cover page hereof may be changed by the Underwriter. The Underwriter may offer and sell the 2020 Bonds to certain dealers and others at a price lower than the public offering prices set forth on inside cover page hereof.

The Underwriter may offer and sell 2020 Bonds to certain dealers and others at a price lower than the offering price stated on the inside cover page of this Official Statement. The offering price may be changed from time to time by the Underwriter.

Municipal Advisor

The Successor Agency has retained the services of NHA Advisors, LLC, San Rafael, California, as municipal advisor in connection with the sale of the 2020 Bonds. The municipal advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

Legal Matters

The final approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, will be delivered at the time of delivery of the 2020 Bonds. A copy of the proposed form of Bond Counsel's final approving opinion with respect to the 2020 Bonds is attached hereto as APPENDIX F. In addition, certain legal matters will be passed on by Jones Hall, A Professional Law Corporation, as Disclosure Counsel and Quint & Thimmig LLP, as Underwriter's Counsel. Certain legal matters will be passed on for the Successor Agency by the City Attorney as counsel to the Successor Agency. *Compensation paid to Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon the sale and delivery of the 2020 Bonds.*

No Litigation

There is no action, suit or proceeding known to the Successor Agency to be pending and notice of which has been served upon and received by the Successor Agency, or threatened, restraining or enjoining the execution or delivery of the 2020 Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Successor Agency taken with respect to any of the foregoing.

Miscellaneous

All of the preceding summaries of the Indenture, the Redevelopment Law, the Dissolution Act, other applicable legislation, the Redevelopment Plan for the Project Area, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Successor Agency for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2020 Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement has been duly authorized by the Successor Agency.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY

By: _____

City Manager/
Executive Director

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

This Appendix summarizes certain provisions of the Indenture not summarized elsewhere in this Official Statement. Reference is made to the Indenture itself for the complete terms and conditions thereof, a copy of which can be obtained from the Trustee.

Certain Definitions

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds and Parity Debt in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled and (b) the principal amount of the Outstanding Bonds and Parity Debt payable by their terms in such Bond Year.

"BAM" means Build America Mutual Assurance Company, or any successor thereto or assignee thereof, as issuer of the 2020 Insurance Policy and the 2020 Reserve Policy.

"Bond" or "Bonds" means the 2020 Bonds and, if the context requires, any additional Parity Debt issued pursuant to a Supplemental Indenture.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Successor Agency, of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

"Bond Proceeds Fund" means the fund by that name established and held by the Trustee.

"Bond Year" means, any twelve-month period beginning on December 2 in any year and ending on the next succeeding December 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date, and end on December 1, 2020.

"Business Day" means a day of the year on which banks in San Francisco, California, or the city where the Designated Corporate Trust Office of the Trustee is located are not required or permitted to be closed and on which the New York Stock Exchange is not closed.

"City" means the City of Grass Valley, a municipal corporation and charter city duly organized and existing under the laws of the State of California.

"Closing Date" means, with respect to the 2020 Bonds, the date on which the 2020 Bonds are delivered by the Trustee to the original purchaser thereof.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Community Redevelopment Law" means the Community Redevelopment Law, constituting Part 1 of Division 24 of the California Health and Safety Code.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate executed by the Successor Agency dated as of the Closing Date, as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Successor Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to City, County and Successor Agency administrative staff costs, printing expenses, bond insurance and surety bond premiums, transferred proceeds penalties due the United States of America, underwriting fees, rating agency fees, filing and recording fees, initial fees and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

"Costs of Issuance Account" means the account by that name within the Bond Proceeds Fund established and held by the Trustee.

"County" means the County of Nevada, a county duly organized and existing under the Constitution and laws of the State.

"Debt Service Fund" means the fund by that name established and held by the Trustee.

"Debt Service Reserve Account" means the account by that name established and held by the Trustee.

"Defeasance Obligations" means (a) cash and (b) Federal Securities.

"Depository" means (a) initially, DTC (as herein defined), and (b) any other Securities Depository acting as Depository.

"Depository System Participant" means any participant in the Depository's book-entry system.

"Designated Corporate Trust Office" means the designated corporate trust office of the Trustee, at 475 Sansome Street, 12th Floor San Francisco, California, 94111, Attention: Sonia Flores.

"Dissolution Act" means Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for

example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, (iv) any commingled investment fund in which the Successor Agency and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment, or (v) the investment is the Local Agency Investment Fund of the State of California but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States, as certified in writing by the Successor Agency to the Trustee.

"Federal Securities" means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and CATS and TGRS), or obligations the payment of principal of and interest on which are unconditionally guaranteed by the United States of America.

"Fiscal Year" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the Successor Agency to the Trustee in writing as its official fiscal year period.

"Former Agency" means the former Redevelopment Agency of the City of Grass Valley, a public body corporate and politic duly organized and existing under the Community Redevelopment Law and dissolved in accordance with the Dissolution Act.

"Indenture" means the Indenture of Trust by and between the Successor Agency and the Trustee, as originally entered into or as it may be amended or supplemented by any Supplemental Indenture entered into pursuant to the provisions thereof.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice as such under the laws of the State, appointed by the Successor Agency, and who, or each of whom:

(a) is in fact independent and not under domination of the Successor Agency;

(b) does not have any substantial interest, direct or indirect, with the Successor Agency; and

(c) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

"Independent Redevelopment Consultant" means any consultant or firm of such consultants appointed by the Successor Agency, and who, or each of whom:

(a) is judged by the Successor Agency to have experience in matters relating to the issuance of tax allocation refunding bonds or otherwise with respect to the financing of redevelopment projects;

(b) is in fact independent and not under domination of the Successor Agency;

(c) does not have any substantial interest, direct or indirect, with the Successor Agency; and

(d) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

"Information Services" means "EMMA" or the "Electronic Municipal Market Access" system of the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Successor Agency may designate in a Written Certificate of the Successor Agency delivered to the Trustee.

"Interest Account" means the account by that name established and held by the Trustee.

"Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the 2020 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base-lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

"Law" means the Community Redevelopment Law, constituting Part 1 of Division 24 of the California Health and Safety Code, together with the Dissolution Act, and the acts amendatory thereof and supplemental thereto.

"Maximum Annual Debt Service" means, as of the date of calculation with respect to a series of Bonds, the largest Annual Debt Service for such series of Bonds for the current or any future Bond Year.

"Moody's" means Moody's Investor Services, Inc., and its successors.

"Nominee" means (a) initially, Cede & Co., as nominee of DTC, and (b) any other nominee of the Depository.

"Outstanding" when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of the Indenture;

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Successor Agency pursuant hereto;

and

(d) Bonds which have matured and been paid, in accordance with the Indenture.

"Oversight Board" means the Countywide Oversight Board for the County of Nevada, duly constituted from time to time pursuant to Section 34179 of the California Health and Safety Code.

"Owner" or "Bondowner" means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Parity Debt" means any bonds, notes or other obligations that are payable from and secured by a lien on Tax Revenues that is on parity with the lien in favor of the Bonds under the Indenture.

"Parity Debt Instrument" means any resolution, indenture of trust, loan agreement, trust agreement or other instrument authorizing the issuance of any Parity Debt, including, without limitation, a Supplemental Indenture.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to conclusively rely upon any investment direction from the Successor Agency as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State), but only to the extent that the same comply with the Successor Agency's investment policies at the time such Permitted Investment is acquired, provided that the Trustee shall be entitled to conclusively rely upon any investment directions from the Successor Agency as conclusive certification to the Trustee that investments described therein are in compliance with the Successor Agency's investment policy then in effect:

(a) Cash;

(b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America;

(c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America;

(d) evidence of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated;

(e) Federal Housing Administration debentures;

(f) the following listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(i) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;

(iii) Federal Home Loan Banks (FHL Banks) consolidated debt obligations; and

(iv) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(g) unsecured certificates of deposit, time deposits, and bankers' acceptances or other similar bank deposit products (having maturities of not more than 365 days) of any bank (which may include the Trustee and its affiliates) the short-term obligations of which are rated "A-1+" or better by S&P or "Prime-1" by Moody's;

(h) deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least $15 million;

(i) commercial paper (having original maturities of not more than 270 days) rated at the time of purchase "A-1+" by S&P or "Prime-1" by Moody's;

(j) money market funds (including funds for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise) rated at least "Aam" or "AAm-G" by S&P or at least "Aa2" by Moody's;

(k) "State Obligations", which means:

(i) direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of such state, subdivision or agency and which is rated at least "Aa" by Moody's or at least "AA" by S&P;

(ii) direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P or "MIG-1" by Moody's; and

(iii) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated "AA-" or better by S&P or "Aa3" or better by Moody's;

(l) pre-refunded municipal obligations rated "AAA" by S&P or "Aaa" by Moody's meeting the following requirements:

(i) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(ii) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(iii) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification Report");

(iv) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(v) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and

(vi) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent;

(m) repurchase agreements with (1) any domestic bank, or domestic branch of a foreign bank, the long-term debt of which is rated at least "AA-" by S&P or "Aa3" Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "AA-" by S&P or °Aa3" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least "AA-" by S&P or "Aa3" by Moody's;

(n) investment agreements with a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P or "Aa" by Moody's;

(o) the Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided that for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee; and

(p) the Nevada County Investment Pool.

"Principal Account" means the account by that name established and held by the Trustee.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met

at the time of acceptance thereof by the Trustee: (a) at the time of issuance of the letter of credit, insurance policy or surety bond is rated in the top two categories (without regard to modifiers) by either S&P or Moody's or any other nationally recognized statistical rating organization (NRSRO); (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months; (c) such letter of credit, insurance policy or surety bond has a stated amount at least equal to the Reserve Requirement or, if such letter of credit, insurance policy or surety bond is being provided with respect to only a portion of the Reserve Requirement, such letter of credit, insurance policy or surety bond has a stated amount at least equal to that portion of the Reserve Requirement with respect to which funds are proposed to be released; and (d) the Trustee is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture.

"Recognized Obligation Payment Schedule" means the schedule by that name prepared in accordance with the requirements of Section 34177(l) of the California Health and Safety Code.

"Record Date" means, with respect to any Interest Payment Date, the close of business on the 15th calendar day of the month preceding such Interest Payment Date, whether or not such 15th calendar day is a Business Day.

"Redevelopment Obligation Retirement Fund" means the fund established and held by the Successor Agency pursuant to Section 34170.5(a) of the California Health and Safety Code.

"Redevelopment Plan" means the Redevelopment Plan for the Redevelopment Project approved by Ordinance No. 401, adopted by the City Council of the City on November 8, 1988, as amended by Ordinance No. 516 (amending the time limit for the establishment of debt and the time limit on the repayment of indebtedness and receipt of tax increment funds), adopted by the City Council of the City on November 22, 1994, as amended by Ordinance No. 568 (to extend time limits applicable to the Redevelopment Project), adopted by the City Council of the City on March 3, 1999, as amended by Ordinance No. 687 (eliminating the time limit for the incurrence of debt and to extend the effectiveness of the Redevelopment Plan by one year), adopted by the City Council of the City on November 27, 2007, together with any amendments thereof at any time duly authorized pursuant to the Law.

"Redevelopment Property Tax Trust Fund" means the fund established pursuant to Section 34170.5(b) of the California Health and Safety Code and administered by the Nevada County Auditor-Controller.

"Registration Books" means the records maintained by the Trustee for the registration and transfer of ownership of the Bonds.

"Refunding Law" means Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, and the acts amendatory thereof and supplemented thereto.

"Report" means a document in writing signed by an Independent Redevelopment Consultant and including:

(a) a statement that the person or firm making or giving such Report has read the pertinent provisions of the Indenture to which such Report relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

"Responsible Officer" means, with respect to the Trustee, any officer within the corporate trust division (or any successor group or department of the Trustee) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, with responsibility for the administration of the Indenture.

"S&P" means S&P Global Ratings, and its successors.

"School District Pass-Through Agreements" means the respective Agreements between the Former Agency and each of the Grass Valley School District and Nevada Joint Union School District, each dated October 25, 1988.

"Securities Depositories" means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Successor Agency may designate in a Written Request of the Successor Agency delivered to the Trustee.

"Semiannual Period" means (a) each six-month period beginning on January 1 of any calendar year and ending on June 30 of such calendar year, and (b) each six-month period beginning on July 1 of any calendar year and ending on December 31 of such calendar year.

"Senior Pass-Through Agreement" means the Agreement between the Former agency and the County pursuant to Health and Safety Code section 33401, dated January 28, 1992.

"State" means the State of California.

"Subordinate Debt" means any loan, advances or indebtedness issued or incurred by the Successor Agency, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues, including revenue bonds and other debts and obligations scheduled for payment pursuant to Section 34183(a)(2) of the Law; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to (i) the pledge of and lien upon the Tax Revenues hereunder for the security of the Bonds, and (ii) the Successor Agency's obligation to reimburse the provider of a letter of credit, surety bond or similar instrument for the debt service reserve account for any Parity Debt.

"Supplemental Indenture" means any resolution, agreement or other instrument that has been duly adopted or entered into by the Successor Agency, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Trustee" means MUFG Union Bank, N.A., as trustee hereunder, or any successor thereto appointed as trustee hereunder in accordance with the Indenture.

"Written Request of the Successor Agency" or "Written Certificate of the Successor Agency" means a request or certificate, in writing signed by the City Manager of the City or the Finance Director of the City or his or her designee, or by any other officer of the Successor Agency duly authorized by the Governing Board of the Successor Agency for that purpose.

Certain Covenants of the Successor Agency

Punctual Payment**.** The Successor Agency shall punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds together with the premium thereon, if any, in strict conformity with the terms of the Bonds and of the Indenture. The Successor Agency shall faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and the Bonds. Nothing herein contained shall prevent the Successor Agency from making advances of its own moneys howsoever derived to any of the uses or purposes referred to herein.

Extension of Payment**.** The Successor Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Successor Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Payment of Claims**.** The Successor Agency shall promptly pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Successor Agency or upon the Tax Revenues or other amounts pledged to the payment of the Bonds, or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. Nothing herein contained shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said claims.

Books and Accounts; Financial Statements**.** The Successor Agency shall at all times keep, or cause to be kept, proper and current books and accounts in which accurate entries are made of the financial transactions and records of the Successor Agency. Within two-hundred and seventy (270) days after the close of each Fiscal Year an Independent Certified Public Accountant shall prepare an audit of the financial transactions and records of the Successor Agency for such Fiscal Year. To the extent permitted by law, such audit may be included within the annual audited financial statements of the City. The Successor Agency shall furnish a copy of such financial statements to any Owner upon reasonable request of such Owner and at the expense of such Owner. The Trustee shall have no duty to review such audits, and the information contained therein shall not constitute constructive notice to the Trustee of any default or Event of Default.

Protection of Security and Rights of Owners**.** The Successor Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the Closing Date with respect to any series of Bonds, such series of Bonds shall be incontestable by the Successor Agency.

Payments of Taxes and Other Charges**.** Except as otherwise provided herein, the Successor Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Successor Agency or the properties then owned by the Successor Agency in the Project Area, or upon the revenues therefrom when the same shall become due. Nothing herein contained shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said taxes, assessments or charges.

The Successor Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Project Area or any part thereof.

Dissolution Act Invalid; Maintenance of Tax Revenues**.** In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions, provisions of the Law or the equivalent become applicable to the Bonds, the Successor Agency shall comply with all requirements of the Law or the equivalent to ensure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and, in the case of amounts payable by the State, appropriate officials of the State.

No Arbitrage**.** The Successor Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2020 Series A Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2020 Series A Bonds would have caused the 2020 Series A Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

Private Activity Bond Limitation. The Successor Agency shall assure that the proceeds of the 2020 Series A Bonds are not so used as to cause the 2020 Series A Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

Federal Guarantee Prohibition. The Successor Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the 2020 Series A Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Rebate Requirement. The Successor Agency shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2020 Series A Bonds.

Maintenance of Tax-Exemption. The Successor Agency shall take all actions necessary to assure the exclusion of interest on the 2020 Series A Bonds from the gross income of the Owners of the 2020 Series A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2020 Series A Bonds.

Further Assurances. The Successor Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in the Indenture.

Provisions Relating to the Trustee

Duties, Immunities and Liabilities of Trustee**.**

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants, duties or obligations shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of

any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) The Successor Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Successor Agency has knowledge that the Trustee shall cease to be eligible in accordance with subsection (e) below, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of at least 30 days' written notice of such removal by the Successor Agency to the Trustee, whereupon the Successor Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Successor Agency and by giving the Owners notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Successor Agency shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction at the expense of the Successor Agency for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing, acknowledging and delivering to the Successor Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the Successor Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Successor Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Successor Agency shall mail a notice of the succession of such Trustee to the trusts hereunder to the Owners at their respective addresses shown on the Registration Books. If the Successor Agency fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Successor Agency.

(e) Any Trustee appointed under the Indenture in succession to the Trustee shall be a financial institution having a corporate trust office in the State, having (or in the case of a corporation, national banking association or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least $50,000,000, and subject to supervision or examination by federal or state authority. If such financial institution publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such financial institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign promptly in the manner and with the effect specified in this Section. The Successor Agency will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this subsection (e), so long as any Bonds are Outstanding.

Merger or Consolidation**.** Any bank, national banking association or trust company into which the Trustee may be merged or converted or with which may be consolidated or any bank, national banking association or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association or trust company shall be eligible under the Indenture, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Liability of Trustee**.**

(a) The recitals of facts in the Indenture and in the Bonds contained shall be taken as statements of the Successor Agency, and the Trustee shall not assume responsibility for the correctness of the same, nor make any representations as to the validity or sufficiency of the Indenture or of the security for the Bonds or the tax status of interest thereon nor shall incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own gross negligence or willful misconduct. The Trustee shall not be liable for the acts of any agents of the Trustee selected by it with due care. The Trustee and its officers and employees may become the Owner of any Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made by a responsible employee or officer, unless the Trustee shall have been grossly negligent or have acted with willful misconduct in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it and believed by it to be authorized or within the rights or powers conferred upon it by the Indenture, except for actions arising from the gross negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty or obligation.

(e) The Trustee shall not be deemed to have knowledge or notice (in each case either actual or constructive) of any Event of Default hereunder unless and until a Responsible Officer of the Trustee shall have actual knowledge thereof, or shall have received written notice thereof from the Successor Agency at its Designated Corporate Trust Office. In the absence of such actual knowledge or notice, the Trustee may conclusively assume that no Event of Default has occurred and is continuing under the Indenture. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by any other party of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee may rely conclusively on the Successor Agency's certificates to establish the Successor Agency's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Tax Revenues into the Redevelopment Obligation Retirement Fund and the investment and application of moneys on deposit in the Redevelopment Obligation Retirement Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder). The Trustee shall have no liability or obligation to the Bondowners with respect to the payment of debt service on the Bonds by the Successor Agency or with respect to the observance or performance by the Successor Agency of the other conditions, covenants and terms contained in the Indenture, or with respect to the investment of any moneys in any fund or account established, held or maintained by the Successor Agency pursuant to the Indenture or otherwise. No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by law. The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys or receivers and the Trustee shall not be responsible for any intentional misconduct or negligence on the part of any agent, attorney or receiver appointed with due care by it hereunder. The Trustee shall have no responsibility, opinion, or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds. Before taking any action under the Indenture at the request of the Owners the Trustee may require that indemnity a satisfactory to it be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its gross negligence or willful misconduct in connection with any action so taken.

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, pandemics, public emergencies, quarantine restrictions, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, or, as a result of the foregoing, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to the Indenture and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys available for use in connection with its services hereunder); provided, however, that the Successor Agency shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Successor Agency whenever a person is to be added or deleted form the listing. If the Successor Agency elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Successor Agency understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall be entitled to conclusively presume that the directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Successor Agency shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Successor Agency and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Successor Agency. The Trustee shall not be liable for any losses, fees, taxes, costs, expenses or other charges arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Successor Agency agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Successor Agency; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee in writing immediately upon learning of any compromise or unauthorized use of the security procedures. The Trustee shall not be responsible for or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Right to Rely on Documents and Opinions**.** The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or prescribed by the proper party or parties, and shall not be required to make any investigation into the facts or matters contained thereon. The Trustee may consult with counsel of its selection, including, without limitation, counsel of or to the Successor Agency, with regard to legal questions, and, in the absence of gross negligence or willful misconduct by the Trustee, the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith. The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by the Indenture it shall be necessary that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be

deemed to be conclusively proved and established by a Written Certificate of the Successor Agency, which shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture in reliance upon such Written Certificate, but the Trustee may, in lieu thereof, accept other evidence of such matter or may be require such additional evidence as may reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant or Independent Redevelopment Consultant appointed by the Successor Agency.

Preservation and Inspection of Documents**.** All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times upon reasonable written notice to the inspection of the Successor Agency and any Owner, and their agents and representatives duly authorized in writing, during regular business hours and under reasonable conditions.

Compensation and Indemnification**.** The Successor Agency shall pay to the Trustee from time to time compensation, as previously agreed upon writing, for all services rendered under the Indenture in accordance with the letter proposal from the Trustee approved by the Successor Agency and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel), agents and employees, incurred in and about the performance of its powers and duties under the Indenture. The Trustee shall have a first lien on the Tax Revenues and all funds and accounts held by the Trustee hereunder to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel).

The Successor Agency further covenants and agrees to indemnify, defend and save the Trustee and its officers, directors, agents and employees, harmless from and against any loss, expense and liabilities, including legal fees and expenses, which it may incur arising out of or in connection with the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the gross negligence or willful misconduct of the Trustee. The foregoing obligations of the Successor Agency and the rights of the Trustee shall survive resignation or removal of the Trustee under the Indenture and payment of the Bonds and discharge of the Indenture.

Deposit and Investment of Moneys in Funds**.** Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Debt Service Reserve Account and the Costs of Issuance Account shall be invested by the Trustee in Permitted Investments as directed by the Successor Agency in the Written Request of the Successor Agency filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such Written Request of the Successor Agency, the Trustee shall hold such moneys uninvested. The Trustee shall be entitled to rely conclusively upon the written instructions of the Successor Agency directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. Moneys in the Redevelopment Obligation Retirement Fund may be invested by the Successor Agency in any obligations in which the Successor Agency is legally authorized to invest its funds. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder shall be deposited in the Interest Account. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability

for losses, fees, taxes or other charges arising from any investments, reinvestments or liquidations made at the direction of the Successor Agency or otherwise.

The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish, upon receipt of written request, the Successor Agency cash transaction statements which shall include detail for all investment transactions made by the Trustee under the Indenture. All moneys held by the Trustee shall be held in trust, but need not be segregated from other funds unless specifically required by the Indenture. Except as specifically provided in the Indenture, the Trustee shall not be liable to pay interest on any moneys received by it, but shall be liable only to account to the Successor Agency for earnings derived from funds that have been invested. The Successor Agency covenants that all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Indenture or the Code) at Fair Market Value. The Trustee has no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Successor Agency in any Written Certificate or Written Request of the Successor Agency. Trustee shall be deemed to have complied with such valuation through use of its automated pricing service as reflected on its trust accounting statements.

Accounting Records and Financial Statements**.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which accurate entries shall be made of all transactions of the Trustee relating to the proceeds of the Bonds made by it and all funds and accounts held by the Trustee established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Successor Agency upon reasonable prior notice, at reasonable hours and under reasonable circumstances. The Trustee shall furnish to the Successor Agency, upon receipt of written request, an accounting of all transactions in the form of its customary statements relating to the proceeds of the Bonds and all funds and accounts held by the Trustee pursuant to the Indenture.

Appointment of Co-Trustee or Agent**.** It is the purpose of the Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under the Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate co-trustee.

In the event that the Trustee shall appoint an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them; provided, however, in no event shall the Trustee be responsible or liable for the acts or omissions of any co-trustee.

Should any instrument in writing from the Successor Agency be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Successor Agency. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

Other Transactions with Successor Agency**.** The Trustee, either as principal or agent, may engaged in or be interested in any financial or other transaction with the Successor Agency.

Amendments

Amendment With And Without Consent of Owners. The Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption and without the consent of any Owners, to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Successor Agency in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers herein reserved to or conferred upon the Successor Agency; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Successor Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not, in the reasonable determination of the Successor Agency, materially adversely affect the interests of the Owners; or

(c) to amend the Debt Service Payment Schedule set forth in the Indenture to reflect the issuance of Parity Debt or to take into account the redemption of any Bond prior to its maturity; or

(d) to provide for the issuance of Parity Debt pursuant to a Supplemental Indenture, as such issuance is authorized by the Indenture.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding with the consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal, interest or redemption premium, (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, or (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Trustee without its prior written consent. In addition, the Trustee shall receive an opinion

of counsel concerning the Supplemental Indenture's lack of any material adverse effect on the Owners.

Effect of Supplemental Indenture**.** From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement or Replacement of Bonds After Amendment**.** After the effective date of any amendment or modification of the Indenture, the Successor Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Successor Agency, as to such amendment or modification and in that case upon demand of the Successor Agency the Owners of such Bonds shall present such Bonds for that purpose at the Designated Corporate Trust Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the Successor Agency may determine that new Bonds shall be prepared at the expense of the Successor Agency and executed in exchange for any or all of the Bonds, and in that case, upon demand of the Successor Agency, the Owners of the Bonds shall present such Bonds for exchange at the Designated Corporate Trust Office of the Trustee, without cost to such Owners.

Amendment by Mutual Consent**.** The provisions of the Indenture shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

Trustee's Reliance. The Trustee may conclusively rely, and is protected in relying, upon a Written Certificate of the Successor Agency and an opinion of Bond Counsel stating that all requirements of the Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Bond Owners.

Events of Default

Events of Default and Acceleration of Maturities**.** The following events shall constitute "Events of Default" under the Indenture:

(a) if default shall be made by the Successor Agency in the due and punctual payment of the principal of or interest on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made by the Successor Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds or any Parity Debt Instrument contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of sixty (60) days following receipt by the Successor Agency of written notice from the Trustee or any Owner of the occurrence of such default, provided that if in the reasonable opinion of the Successor Agency the failure stated in the notice can be corrected, but not within such sixty (60) day period, such failure will not constitute an event of default if corrective action is instituted by the Successor Agency within such sixty (60) day period and the Successor Agency thereafter diligently and in good faith cures such failure in a reasonable period of time; or

(c) If the Successor Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Successor Agency or of the whole or any substantial part of its property.

If an Event of Default has occurred and is continuing, the Trustee may, or, if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) with respect to Events of Default pursuant to clause (a) or clause (c) above, declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) the Trustee shall, subject to the provisions of the Indenture, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity.

Immediately upon a Responsible Officer of the Trustee receiving written notice or actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency by telephone promptly confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee shall also give such notice to the Owners by mail, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Successor Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law), and the reasonable fees and expenses of the Trustee, (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall promptly give written notice of the foregoing to the Owners of all Bonds then Outstanding, and the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration**.** All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee hereunder upon the date of the declaration of acceleration as provided in the Indenture, and all sums thereafter received by the Trustee hereunder, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents and advisors (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest; and

Third, to the payment of any amounts owed to BAM under the Indenture that are not payable pursuant to paragraph "Second" above.

Power of Trustee to Control Proceedings**.** In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however,* that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Owner's Right to Sue**.** No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds. The right of any Owner of any Bond to receive payment of the principal of and interest on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding any other provision of the Indenture.

Non-Waiver**.** Nothing in the Indenture or in the Bonds shall affect or impair the obligation of the Successor Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged hereunder, the principal of and interest on the Bonds to the respective Owners on the respective Interest Payment Dates, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Owners or the Trustee to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner or the Trustee shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners and the Trustee by the Law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners and the Trustee.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Owners or the Trustee, the Successor Agency, the Trustee and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Actions by Trustee as Attorney-in-Fact**.** Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, *provided, however,* the Trustee shall have no duty or obligation to exercise any such right or remedy unless it has been indemnified to its satisfaction from any loss, liability or expense (including fees and expenses of its outside counsel and the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel).

Remedies Not Exclusive**.** No remedy conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

Defeasance of the Bonds

If the Successor Agency shall pay and discharge the entire indebtedness on all Bonds or any portion thereof in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal of and interest on all or the applicable portion of Outstanding Bonds, as and when the same become due and payable; or

(ii) by irrevocably depositing with the Trustee, in trust, or an escrow holder, in escrow, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay all or a portion of Outstanding Bonds, including all principal and interest, or;

(iii) by irrevocably depositing with the Trustee, in trust or an escrow holder, in escrow, Defeasance Obligations in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds or a portion thereof (including all principal and interest) at or before maturity; or

(iv) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

then, at the election of the Successor Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Successor Agency under the Indenture shall cease and terminate with respect to all Outstanding Bonds or, if applicable, with respect to that portion of the Bonds which has been paid and discharged, except only (a) the covenants of the Successor Agency hereunder with respect to the Code, (b) the obligation of the Trustee to transfer and exchange Bonds hereunder, (c) the obligations of the Successor Agency to compensate and indemnify the Trustee, and (d) the obligation of the Successor Agency to pay or cause to be paid to the Owners, from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee all fees, expenses and costs of the Trustee. In the event the Successor Agency shall, pursuant to the foregoing provision, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Successor Agency all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Successor Agency has determined to pay and discharge in part.

In the case of a defeasance or payment of all of the Bonds Outstanding, any funds thereafter held by the Trustee which are not required for said purpose or for payment of amounts due the Trustee pursuant to the Indenture shall be paid over to the Successor Agency for deposit in the Redevelopment Obligation Retirement Fund.

Certain Provisions Related to the 2020 Insurance Policy

(a) Books and Records. The Successor Agency and the Trustee shall keep, or cause to be kept, proper books of record and account in which complete and correct entries shall be made of its transactions and all funds and accounts by or maintained pursuant to the Indenture, which shall at all times during normal business hours and upon reasonable notice be subject to inspection by BAM or its agents or representatives who have been duly authorized in writing.

(b) Information. The Successor Agency agrees to provide information reasonably requested by BAM and will further provide appropriately designated individuals and officers to discuss the affairs, finances and accounts of the Successor Agency or any other matter as BAM may reasonably request.

(c) Meet and Confer; ROPS Denial. The Successor Agency shall provide BAM with copies of all Recognized Obligation Payment Schedules ("ROPS") submitted and any and all correspondence received from the State Department of Finance ("DOF") upon receipt. Documents posted by DOF under their existing procedures on the DOF website shall meet this requirement. In the event that the Successor Agency is a party to a meet and confer with the DOF that relates to the payment of or security for the 2020 Bonds or Policy Costs, the Successor Agency shall notify BAM and, if the subject of the meet and confer could impact the payment of or security for the 2020 Bonds or Policy Costs, BAM shall have the right to participate in the meet and confer process either by appearance with the Successor Agency at the meet and confer or through written submission as BAM determines in its discretion. In the event the Successor Agency receives a ROPS denial, whether relating to the 2020 Bonds or not, and such denial could delay the receipt of tax revenues necessary to pay debt service on the Bonds, Policy Costs or 2020 Insurance Policy Reimbursement Amounts, the Successor Agency agrees to cooperate in good faith with BAM and BAM shall receive prompt notice of any such event and shall be permitted to attend any meetings with the Successor Agency and the DOF and to discuss such matters with the DOF directly.

(d) BAM as Third-Party Beneficiary. BAM is recognized as and shall be deemed to be an irrevocable third-party beneficiary of the Indenture and may enforce the provisions hereof as if it were a party hereto.

(e) Additional Debt. The Successor Agency shall not issue or incur any bonds, debt or other obligations that are payable from or secured by the Tax Revenues on a basis senior or superior to the 2020 Bonds. The Successor Agency shall not issue or incur any bonds, indebtedness or other obligations payable or secured on a parity basis with the 2020 Bonds except for refunding bonds issued to refund the 2020 Bonds or other outstanding parity bonds, provided that such refunding bonds generate debt service savings. Any additional subordinate debt shall be payable on the same dates as the 2020 Bonds and shall be in all respects, including security and payment, subordinate and junior to the 2020 Bonds and the replenishment of the debt service reserve fund for the 2020 Bonds, including the reimbursement of all amounts due and payable to BAM relating to the 2020 Reserve Policy.

(f) ROPS. The Successor Agency shall abide by the covenant related to ROPS set forth in the Indenture. In the event the Successor Agency fails to provide the Oversight Board for approval, or provide the DOF with an Oversight Board approved ROPS, by the statutory deadlines relating to the 2020 Bonds for any period, the Successor Agency designates BAM as its attorney in fact with the power to make such a request relating to the 2020 Bonds. To the extent permitted by the Law, the Successor Agency agrees to amend any ROPS filing for any period during which amounts owed to BAM with respect to the 2020 Insurance Policy and/or 2020 Reserve Policy are not included on such ROPS.

(g) Final Amendment to Last and Final ROPS. The Successor Agency will not, without the prior written consent of BAM, approve or submit for approval by the Oversight Board or the DOF the final amendment to an approved Last and Final ROPS unless all amounts that could become due to BAM are included as a line item on the Last and Final ROPS.

(h) Redevelopment Obligation Retirement Fund. The Successor Agency agrees to abide by the covenant related to the Redevelopment Obligation Retirement Fund set forth in the Indenture. The Successor Agency agrees that to the extent there exists an Event of Default under the Indenture or the City declares a fiscal emergency, it shall take all steps necessary to cause an amount equal to the amount requested on each Recognized Obligation Payment Schedule pursuant to the Indenture for such period to be deposited directly from the County to the Trustee, to the extent that the County agrees to comply with such procedure.

(i) Notice and Other Information to be given to BAM. Except to the extent such information is filed with the MSRB's EMMA system, the Successor Agency shall provide BAM with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Certificate and (ii) to the holders of 2020 Bonds or the Trustee under the Indenture. BAM shall receive copies of all notices and amendments relating to the 2020 Bonds and the Successor Agency's subordinate bonds, if any. The notice address of BAM is set forth in the Indenture.

(j) Defeasance. The investments in any defeasance escrow relating to the 2020 Bonds shall be limited to Defeasance Obligations. At least three (3) Business Days prior to any defeasance with respect to the 2020 Bonds, the Successor Agency shall deliver to BAM draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the 2020 Bonds, a verification report (a "Verification Report") prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to BAM and shall be in form and substance satisfactory to BAM. In addition, the escrow agreement shall provide that: (1) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the applicable 2020 Bonds is excludable) from gross income of the holders of the 2020 Bonds of the interest on the 2020 Bonds for federal income tax purposes and the prior written consent of BAM, which consent will not be unreasonably withheld. (2) The Successor Agency will not exercise any prior optional redemption of 2020 Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to BAM a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption. (3) The Successor Agency shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without written notice to and the prior written consent of BAM.

(k) Trustee. BAM shall receive prior written notice of any name change of the Trustee for the 2020 Bonds or the resignation, removal or substitution of the Trustee. Each Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least $250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least $1 billion of assets, or (C) otherwise approved by BAM in writing. No resignation, removal or substitution of the Trustee shall take effect until a successor, acceptable to BAM, shall be qualified and appointed. BAM shall have the right to direct the replacement of the Trustee upon the occurrence of an event of a default on the 2020 Bonds and any event of default under any senior or subordinate obligations to the extent BAM determines in its sole discretion that there exists or could exist a conflict of interest.

(l) Amendments, Supplements and Consents. BAM's prior written consent is required for all amendments and supplements to the Indenture, with the exceptions noted below. The

Successor Agency shall send copies of all amendments or supplements to BAM and the rating agencies that have assigned a rating to the 2020 Bonds.

a. *Consent of BAM*. Any amendments or supplements to the Indenture shall require the prior written consent of BAM with the exception of amendments or supplements:

   i. To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or

   ii. To grant or confer upon the holders of the 2020 Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the 2020 Bonds, or

   iii. To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Indenture other conditions, limitations and restrictions thereafter to be observed, or

   iv. To add to the covenants and agreements of the Successor Agency in the Indenture other covenants and agreements thereafter to be observed by the Successor Agency or to surrender any right or power therein reserved to or conferred upon the Successor Agency, or

   v. To issue additional bonds in compliance with the terms of the Indenture, including the additional debt condition set forth above.

b. *Consent of BAM in Addition to Owner Consent*. Any amendment, supplement, modification to, or waiver of, the Indenture that requires the consent of holders of the 2020 Bonds or adversely affects the rights or interests of BAM shall be subject to the prior written consent of BAM.

c. *Notice to and Consent of BAM in the Event of Insolvency*. To the extent the Successor Agency enters into any reorganization or liquidation plan with respect to the Successor Agency, it must be acceptable to BAM. In the event of any reorganization or liquidation of the Successor Agency, BAM shall have the right to file a claim, object to and vote on behalf of all holders of the 2020 Bonds absent a continuing failure by BAM to make a payment under the 2020 Insurance Policy. The Successor Agency shall provide BAM with immediate written notice of any insolvency event that causes the Successor Agency to be unable to pay its obligations as and when they become due. In the event of a receivership or out-of-court restructuring, BAM shall have the right to negotiate and speak on behalf of and bind the bondholders and any agreements reached must be acceptable to BAM.

d. *Consent of BAM upon Default*. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, monetary or nonmonetary, BAM shall be entitled to control

and direct the enforcement of all rights and remedies granted to the holders of the 2020 Bonds or the Trustee for the benefit of the owners of the 2020 Bonds under the Indenture. No monetary or nonmonetary default or event of default may be waived without BAM's written consent.

e. *BAM as Owner*. Upon the occurrence and continuance of a default or an event of default with respect to the 2020 Bonds, BAM shall be deemed to be the sole and exclusive owner of the outstanding 2020 Bonds, for all purposes under the Indenture, including, without limitation, for purpose of approvals, consents, exercising remedies and approving agreements relating to the 2020 Bonds.

f. *Consent of BAM for Acceleration.* BAM's prior written consent is required as a condition precedent to and in all instances of acceleration.

g. *Grace Period for Payment Defaults*. No grace period shall be permitted for payment defaults on the 2020 Bonds. No grace period for a covenant default shall exceed 30 days without the prior written consent of BAM.

h. *Special Provisions for Insurer Default*. If an Insurer Default shall occur and be continuing, then, notwithstanding anything in the Indenture to the contrary, (1) if at any time prior to or following an Insurer Default, BAM has made payment under the 2020 Insurance Policy, to the extent of such payment BAM shall be treated like any other holder of the 2020 Bonds, for all purposes, including giving of consents, and (2) if BAM has not made any payment under the 2020 Insurance Policy, BAM shall have no further consent rights until the particular Insurer Default is no longer continuing or BAM makes a payment under the 2020 Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) BAM has failed to make any payment under the 2020 Insurance Policy when due and owing in accordance with its terms; or (B) BAM shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the 2020 Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of BAM (including without limitation under the New York Insurance Law).

(m) Payment Procedure Under the 2020 Insurance Policy. In the event that principal and/or interest due on the 2020 Bonds shall be paid by BAM pursuant to the 2020 Insurance Policy, the 2020 Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Successor Agency, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Successor Agency to the

registered owners shall continue to exist and shall run to the benefit of BAM and BAM shall be subrogated to the rights and remedies of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the 2020 Bonds.

(n) In the event that on the second (2nd) business day prior to any payment date on the 2020 Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the 2020 Bonds due on such payment date, the Trustee shall immediately notify BAM or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall notify BAM or its designee immediately upon receipt of payment.

(o) In addition, if the Trustee has notice that any Owner of the 2020 Bonds has been required to disgorge payments of principal of or interest on the 2020 Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the 2020 Insurance Policy or Trustee shall notify BAM or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of BAM.

(p) The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for Owners of the 2020 Bonds as follows:

a. If there is a deficiency in amounts required to pay interest and/or principal on the 2020 Bonds, the Trustee shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such Owners of the 2020 Bonds in any legal proceeding related to the payment and assignment to Insurer of the claims for interest on the 2020 Bonds, (ii) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the 2020 Insurance Policy payment from BAM with respect to the claims for interest so assigned, and (iii) disburse the same to such respective Owners; and

b. If there is a deficiency in amounts required to pay principal of the 2020 Bonds, the Trustee shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such Owner of the 2020 Bonds in any legal proceeding related to the payment of such principal and an assignment to BAM of the 2020 Bonds surrendered to BAM, (ii) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the 2020 Insurance Policy payment therefore from BAM, and (iii) disburse the same to such respective Owners.

(q) The Trustee shall designate any portion of payment of principal on 2020 Bonds paid by BAM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of 2020 Bonds registered to the then current Owner, whether DTC or its nominee or otherwise, and shall issue a replacement 2020 Bond to BAM, registered in the name directed by BAM, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement 2020 Bond shall have no effect on the amount of principal or interest payable by the Successor Agency on any 2020 Bond or the subrogation or assignment rights of BAM.

(r) Payments with respect to claims for interest on and principal of 2020 Bonds disbursed by the Trustee from proceeds of the 2020 Insurance Policy shall not be considered to discharge the obligation of the Successor Agency with respect to such 2020 Bonds, and BAM shall become the owner of such unpaid 2020 Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

(s) Irrespective of whether any such assignment is executed and delivered, the Successor Agency and the Trustee agree for the benefit of BAM that:

a. They recognize that to the extent BAM makes payments directly or indirectly (*e.g.*, by paying through the Trustee), on account of principal of or interest on the 2020 Bonds, BAM will be subrogated to the rights of such Owners to receive the amount of such principal and interest from the Successor Agency, with interest thereon, as provided and solely from the sources stated in the Indenture and the 2020 Bonds; and

b. They will accordingly pay to BAM the amount of such principal and interest, with interest thereon as provided in the transaction documents and the 2020 Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the 2020 Bonds to Owners, and will otherwise treat BAM as the owner of such rights to the amount of such principal and interest.

(t) Additional Payments. The Successor Agency agrees unconditionally that it will pay or reimburse BAM on demand, solely from the Tax Revenues, any and all reasonable charges, fees, costs, losses, liabilities and expenses that BAM may pay or incur, including, but not limited to, fees and expenses of BAM's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Indenture ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of BAM spent in connection with the actions described in the preceding sentence. The Successor Agency agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to BAM until the date BAM is paid in full.

(u) Notwithstanding anything herein to the contrary, the Successor Agency agrees to pay to BAM, solely from the Tax Revenues, (i) a sum equal to the total of all amounts paid by BAM under the 2020 Insurance Policy (the "2020 Insurance Policy Payment"); and (ii) interest on such 2020 Insurance Policy Payments from the date paid by BAM until payment thereof in full by the Successor Agency, payable to BAM at the Late Payment Rate per annum (collectively, the "2020 Insurance Policy Reimbursement Amounts") compounded semi-annually. The Successor Agency hereby covenants and agrees that the 2020 Insurance Policy Reimbursement Amounts are payable from and secured by a lien on and pledge of the Tax Revenues on parity with debt service due on the 2020 Bonds.

(v) Debt Service Reserve Account. The prior written consent of BAM shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into

the Debt Service Reserve Account, if any. Amounts on deposit in the Debt Service Reserve Account shall be applied solely to the payment of debt service due on the 2020 Bonds.

(w) Exercise of Rights by BAM. The rights granted to BAM under the Indenture and 2020 Bonds to request, consent to or direct any action are rights granted to BAM in consideration of its issuance of the 2020 Insurance Policy. Any exercise by BAM of such rights is merely an exercise of BAM's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the 2020 Bonds and such action does not evidence any position of BAM, affirmative or negative, as to whether the consent of the holders of the 2020 Bonds or any other person is required in addition to the consent of BAM.

(x) BAM shall be entitled to pay principal or interest on the 2020 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Successor Agency (as such terms are defined in the 2020 Insurance Policy) and any amounts due on the 2020 Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not BAM has received a claim upon the 2020 Insurance Policy.

Certain Provisions Related to the 2020 Reserve Policy

(a) The Successor Agency shall repay, solely from the Tax Revenues, any draws under the 2020 Reserve Policy and pay all related reasonable expenses incurred by BAM. Interest shall accrue and be payable on such draws and expenses from the date of payment by BAM at the Late Payment Rate.

(b) Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw. The Successor Agency shall include the repayment of Policy Costs in its Recognized Payment Obligation Schedule.

(c) Amounts in respect of Policy Costs paid to BAM shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to BAM on account of principal due, the coverage under the 2020 Reserve Policy will be increased by a like amount, subject to the terms of the 2020 Reserve Policy.

(d) All cash and investments in the Debt Service Reserve Account and all other available amounts in any funds available to pay debt service on the 2020 Bonds shall be transferred to the Debt Service Fund for payment of debt service on the 2020 Bonds before any drawing may be made on the 2020 Reserve Policy or any Qualified Reserve Account Credit Instrument. Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Qualified Reserve Account Credit Instruments (including the 2020 Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Debt Service Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Qualified Reserve Account Credit Instruments on deposit in the Debt Service Reserve Account shall be made on a pro-rata basis prior to replenishment of any cash drawn from Debt Service Reserve Account. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable Qualified Reserve Account Credit Instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(e) Draws under the 2020 Reserve Policy may only be used to make payments on the 2020 Bonds (and for the avoidance of doubt, not any other obligations of the Successor Agency, whether issued on parity with the 2020 Bonds, or otherwise).

(f) If the Successor Agency shall fail to pay any Policy Costs in accordance with the requirements of the Indenture, BAM shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided hereunder, other than: (i) acceleration of the maturity of the 2020 Bonds; or (ii) remedies which would adversely affect Owners of the 2020 Bonds.

(g) In order to secure the Successor Agency's payment obligations with respect to the Policy Costs, there is hereby granted and perfected in favor of BAM a security interest (subordinate only to that of the owners of the 2020 Bonds) in the Tax Revenues and amounts in the accounts and funds pledged as security for the 2020 Bonds. The Indenture shall not be discharged until all Policy Costs owing to BAM shall have been paid in full. The Successor Agency's obligation to pay such amounts shall expressly survive payment in full of the 2020 Bonds.

(h) The Trustee shall ascertain the necessity for a claim upon the 2020 Reserve Policy in accordance with the provisions of this Exhibit D and provide notice to BAM in accordance with the terms of the 2020 Reserve Policy at least three (3) Business Days prior to each date upon which interest or principal is due on the 2020 Bonds.

(i) The 2020 Reserve Policy shall expire on the earlier of the date the 2020 Bonds are no longer Outstanding or the final maturity of the 2020 Bonds.

(j) Policy Costs due and owing shall be included in debt service requirements for purposes of calculation of the additional bonds test set forth in the Indenture.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

FISCAL CONSULTANT'S REPORT

[THIS PAGE INTENTIONALLY LEFT BLANK]

FA FRASER & ASSOCIATES

Redevelopment and Financial Consulting

225 Holmfirth Court
Roseville CA 95661

Phone: (916) 791-8958
FAX: (916) 791-9234

FISCAL CONSULTANT REPORT

Successor Agency to the
Redevelopment Agency of the City of Grass Valley

Grass Valley Redevelopment Project Area

April 2020

GV FCR POS

Section A - Introduction

The Successor Agency to the Redevelopment Agency of the City of Grass Valley (Agency or Successor Agency) is considering the issuance of Tax Allocation Refunding Bonds, Series 2020 (Bonds). The Agency intends to pledge a portion of the former tax increment revenues generated from the Grass Valley Project Area (Project Area) to repayment of the Bonds.

The purpose of this Fiscal Consultant Report (Report) is to provide in depth information about the tax increment revenues to be used to support repayment of the Bonds. The Report includes the following sections that address various aspects of the revenue stream:

A. **Introduction**: This section provides an overview of the Report and its purpose.
B. **Redevelopment Dissolution Act**: Includes a discussion of the Redevelopment Dissolution Act bills that are contained in AB 26, AB 1484 and SB 107 as further amended by various assembly and senate bills enacted by the Legislature of the State of California and signed by the Governor (jointly the Dissolution Act).
C. **General Information**: Provides information on the Project Area, including a general description of the Redevelopment Plan and a brief description of the systems and procedures used by Nevada County for the allocation of tax increment is also included.
D. **Taxable Values and Historical Revenues**: Information in this section includes a description of the categories of taxable values, the Top Ten Assessees in the Project Area and the historical trends in values and revenues.
E. **Assessment Appeals**: The findings from a review of the records of the Nevada County Assessor's Office are included in this section.
F. **Estimate of Current and Future Revenues**: This part of the report includes the tax increment projections for the Project Area.
G. **Adjustments and Liens on Revenue**: This section provides information on and the estimated impact of adjustments and liens on the revenue stream.

The value and revenue estimates contained in this Report are based upon information, data and assumptions which we believe to be reasonable and accurate. The assessment practices and county allocation procedures discussed in this Report are based on information provided by representatives of Nevada County. Assessment practices and allocation procedures are set, in part, administratively and can be changed. Nothing came to our attention during this review to indicate changes are imminent. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore we do not represent them as results that will actually be achieved. However, they have been conscientiously prepared on the basis of our experience in the field of financial analysis for redevelopment agencies.

The spread of the COVID-19 coronavirus pandemic is impacting governments, businesses and people in a manner that is having negative effects on global, national and local economies. In addition, stock markets in the United States and globally have seen significant declines and volatility attributed to coronavirus concerns. Future property

taxes to the Successor Agency could be impacted. The initial impact could occur because the April property tax installment could be deferred, or some taxpayers may be unable to make their property tax payments. Such impacts could be offset because the County operates under the Teeter Plan, which shields the Agency from delinquencies. There is the possibility that the County could end the Teeter Plan in the future, although County staff has indicated that they have no plan to do that as of the date of this report. Through April 15, the County reports it has received 91 percent of the property tax levy from the second installment, which at 9 is slightly higher than the normal 4-5 percent rate per installment. The value of property on the 2020-21 and future tax rolls could be reduced, which will not be known until the tax roll is released sometime in late July. At this time, there is no way to provide an estimate of the impact that the pandemic could have on future property taxes.

Section B – Redevelopment Dissolution Act

In December 2011, the California Supreme Court issued its opinion in the case of *California Redevelopment Association, et al., v. Matosantos, et al.* The Court upheld the right of the state of California (State) to dissolve redevelopment agencies pursuant to AB 26, which had been passed by the legislature and signed by the governor in June 2011. Based on modified time lines approved by the Court, all redevelopment agencies in the State, including the Grass Valley Redevelopment Agency (Original Agency) were dissolved effective February 1, 2012. The City of Grass Valley has assumed the role of Successor Agency, which is a separate legal entity from the City, and is charged with winding down the affairs of the Original Agency and to make payments due on enforceable obligations, as defined in the Dissolution Act .

Under the Dissolution Act, tax increment is no longer deemed to flow directly to the Successor Agency. Rather, all funds are considered property taxes. The requirement to deposit a portion of the tax increment into a low and moderate income housing fund has been interpreted to not be required. The Dissolution Act allows the Agency to issue refunding bonds so long as the refunding results in debt service savings. The Agency is authorized to pledge the property tax revenues that were formerly tax increment revenues to secure repayment of the refunded bonds.

The County Auditor-Controller is required to determine the amount of property taxes that would have been allocated to each redevelopment agency had such agencies not been dissolved. All former tax increment monies go into a Redevelopment Property Tax Trust Fund (Trust Fund or RPTTF) which is held and controlled by the County Auditor-Controller. References in this report to tax increment indicate property taxes that are deposited to the RPTTF.

The money in the Trust Fund is used as follows:

1. Allocate to the County property tax administrative fees and other costs needed to implement the Dissolution Act.

2. Pay all pass-through payments to the taxing entities. The Project Area has pass-through obligations to make payments required pursuant to former Section 33676, former Section 33401 and Sections 33607.5 and 33607.7 of the Community Redevelopment Law (CRL). The Agency is pursuing subordination for certain pass-through payments as explained further in this Report.
3. Pay obligations required per the approved Recognized Obligation Payment Schedule (ROPS), including debt service on the Bonds.
4. Pay the administrative allowance, which goes to the Successor Agency to be used to wind down the affairs of the Original Agency.
5. Distribute the balance to the taxing entities pursuant to Sections 34183 and 34188 of the Dissolution Act.

The allocations from the Trust Fund take place in two six-month installments in January and June of each year. The Successor Agency prepares a forward looking annual ROPS to cover the subsequent fiscal year which is split into two ROPS cycles: 1) The ROPS A cycle, which covers the July to December period, and 2) The ROPS B cycle, which covers the January to June period. Once approved by the Oversight Board and DOF, the County Auditor-Controller releases the Trust Fund revenues to pay for the obligations on the ROPS. By way of illustration, funds released in January 2020 reflect property taxes collected during the July to December 2019 while the June 2020 allocation will generally reflect property taxes that were collected from January to May 2020. Any excess Trust Fund revenue not needed to meet the various obligations shown in items one through four above is reallocated to the taxing entities. The allocation system in the Dissolution Act can cause a problem in meeting debt service payments, since semi-annual debt service payment on the Bonds are uneven. Interest payments are due in the spring each year and principal and interest payments are due in the fall. [To discuss – we have shown in the ROPS cash flow that the Agency will deposit 100% of debt service on the B ROPS starting in 21-22] This is shown on the ROPS cash flow in the appendix.

Section C - General Information

The Project Area

The Redevelopment Plan for the Project Area was originally adopted on November 8, 1988 by Ordinance No. 401 N.S. The Project Area has been amended three times. The third amendment was approved by Ordinance 687 on November 27, 2007 to eliminate the time limit for establishing loans, advances or indebtedness. This amendment triggered additional statutory payments to certain taxing entities. SB 107 has clarified that statutorily required tax increment limits, and financial time limits, no longer apply to successor agencies for purposes of repaying enforceable obligations.

The Project Area encompasses 488 acres and has remained unchanged in its configuration since it was adopted. At the time of adoption, the majority of the Project Area, or 84 percent, was considered developed or an integral part of a developed area. Twenty three percent of the Project Area was public land and the remaining 15 percent

was considered undeveloped or vacant. The Project Area contains the historical downtown of the City and the commercial strip that runs along Main Street out to Hughes Avenue. The Project Area also includes much of the older residential development in the City.

Shown below is a land use breakdown of the Project Area by parcel and taxable value.

LAND USE CATEGORY SUMMARY 2019-20

	Parcels	Taxable Value	Percent of Total
Residential	982	$226,862,506	61.08%
Commercial	229	112,997,237	30.43%
Industrial	6	6,375,596	1.72%
Vacant Land	71	4,411,911	1.19%
Other	51	2,940,997	0.79%
Total Secured	1,339	353,588,247	95.21%
Unsecured / State Assessed		17,802,365	4.79%
Grand Total		**371,390,612**	**100.00%**

Property Tax Allocation Procedures

The method by which a county allocates property taxes and tax increment revenues can have a significant impact on the receipt of such revenues. Incorrectly allocated revenues can result in a redevelopment project area receiving erroneous amounts of revenue. In addition, the method a county uses to allocate delinquent taxes, roll corrections and property tax refunds will impact the amount of tax increment received. For these reasons, Nevada County's procedures for the allocation of property taxes and tax increment were evaluated.

Nevada County calculates tax increment to the Project Area by applying the 1 percent tax rate to incremental taxable values. The County deducts property tax administrative fees and pass-through payments, including allocations per Section 33676, from the revenues available for distribution to the Successor Agency.

Tax increment generated from the secured tax roll is allocated based on 100 percent of the County calculated levy. The method is often referred to as the Teeter Plan. Under the Teeter Plan, taxing entities and redevelopment projects are shielded from the impact of delinquent property taxes. As stated in the introduction, there is the possibility that the County could decide to end the Teeter Plan in response to the pandemic, although County staff has indicated they have no plans to do so at this point in time. The County does adjust secured tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments, based on the Project Area's AB 8 factor.

The AB 8 apportionment factor represents the Project Area's tax increment revenue in relation to total countywide property taxes. Tax increment generated from the application of the one percent tax rate to the unsecured incremental value of a project area is based on the actual collections of unsecured revenues on a county-wide basis and are allocated based on the AB 8 factor.

Subsequent sections of this Report include a discussion of the impact of the County's allocation practices on the Project Area's tax increment revenues, to the extent applicable.

Section D – Taxable Values and Historical Revenues

Taxable Values

Property is valued as of January 1 of each year. Property which is subject to taxation is valued at 100 percent of its full cash value. Locally assessed property is appraised by the county assessor's office. The State Board of Equalization (SBE) provides valuations for state assessed property.

Real property consists of land and improvements and can either appear on the secured or the unsecured roll. The secured roll includes property on which the property tax levied becomes a lien on the property to secure the payment of taxes. Unsecured property does not become a lien on such property, but may become a lien on other property of the taxpayer.

Locally assessed real property is subject to the provisions of Article XIII A of the California Constitution, commonly referred to as Proposition 13. Under Proposition 13, property is valued based either on its value in 1975-76 or if newly constructed or sold after this date, then on the full cash value of the property at that time. Property values may only increase by an inflation factor of up to 2 percent annually. The Proposition 13 value of property is sometimes referred to as the factored base year value. Pursuant to Section 51 (b) of the Revenue and Taxation Code, assessors must enroll the lesser of the market value or the factored base year value of property.

Personal property values can be classified as either secured or unsecured property. Personal property is not subject to the provisions of Proposition 13. Such property is annually appraised at the full cash value of the property. Absent new acquisitions, the full cash value of personal property tends to decline over time as a result of depreciation. Fixtures, while categorized as real property and subject to the restrictions of Proposition 13, are also subject to declining values through depreciation.

State-assessed property is also not subject to the provisions of Proposition 13. Such property is valued by the SBE based on the full cash value of the property. State-assessed property is categorized as secured property and is either unitary or non-unitary property. Since 1987-88, the value of unitary property has been reported on a county-

wide basis, with unitary revenues allocated to taxing entities and redevelopment projects pursuant to a formula contained in AB 454. Starting in 2007-08, unitary railroad value has been reported on a county-wide basis with the resulting revenues allocated under a formula contained in state law. State-assessed non unitary values are reported at the local tax rate area level.

Project Area Value Trends

Table 1 shows the historical taxable values of the Project Area over the past ten years. Taxable values have increased from $319.1 million in 2009-10 to $371.4 million in 2019-20. The total percentage change was 16.37 percent over the period. The average annual percentage change in values was 1.53 percent.

Secured taxable values decreased by approximately $41.4 million between 2009-10 and 2013-14. The major reason for the decline was due to across the board residential Proposition 8 reductions processed by the County Assessor, which reduced value in the Project Area by almost $30 million. (See Section E- Assessment Appeals / Proposition 8 Reductions for a complete discussion). There were also residential changes of ownership that reduced value by an additional $9.9 million.

Beginning in 2013-14, and continuing through 2019-20, secured values in the Project Area began to increase, driven in part by the reversal of Proposition 8 reductions and the sale of property. In total, secured values have increased by over $92 million. The major reasons for the changes are shown in the chart below.

Summary of Secured Value Changes

	2009-10 to 2013-14	2013-14 to 2019-20
Residential Proposition 8 Reductions	($29,775,474)	0
Residential Proposition 8 Reversals	0	18,458,862
Residential Sales	(9,951,388)	43,590,720
Non-Residential Changes	0	23,120,577
CPI / New Development / Other	(1,668,276)	6,938,642
Total	(41,395,138)	92,108,801

Top Ten Assessees

The Top Ten Assessees in the Project Area are summarized on Table 2. The secured taxable value for the Top Ten Assessees represents 14.80 percent of the secured value of the Project Area and 19.64 percent of the secured incremental value.

Historical Tax Increment Revenues

Table 3 shows the historical receipt of tax increment revenues in the Project Area. The initial County levy is first compared to the actual receipt of tax increment exclusive of supplemental revenues to determine collection trends. As shown on Table 3, actual receipts of tax increment have equaled approximately 100.21 percent of the levy. Supplemental property tax receipts are also shown on Table 3. Supplemental taxes are a function of new construction or changes of ownership since the last property tax lien date. When supplemental property taxes are included, the Agency has received on average 102.59 percent of the levy.

Table 4 shows the historical tax increment revenues net of adjustments and liens for pass through payments.

Section E – Assessment Appeals

Taxpayers may appeal their property tax assessments. The value of locally assessed property is appealed to the local county assessor, while the value of state assessed property is appealed to the SBE. Both real and personal property assessments can be appealed. Personal property appeals are filed based on disputes over the full cash value of the property.

Under California law, there are two types of appeals for the value of real property. A base year appeal involves the Proposition 13 value of property. If an assessee is successful with a base year appeal, the value of the property is permanently reduced. In the future, the value can only be increased by an inflation factor of up to 2 percent annually. Appeals can also be filed pursuant to Section 51 (b) of the Revenue and Taxation Code. Under this section of the code, also referred to as Proposition 8 appeals, the value of property can be reduced due to damage, destruction, removal of property or other factors that cause a decline in value. When the circumstance that caused the decline is reversed the value of the property can be increased up to the factored base year value of the property. Values can be reduced under Proposition 8 either based on a formal appeal or they can be set by the county assessor.

Due to the impact that assessment appeals can have on the taxable values and tax increment revenues of a project area, a review of recently resolved and open appeals was conducted. There are no open or recently resolved appeals in the Project Area.

Nevada County allocates refunds related to appeals to the Project Area on the basis of the Project Area's AB 8 apportionment factor applied to all refunds countywide (the AB 8 apportionment factor represents a project area's tax increment revenue in relation to total countywide property taxes). Refunds from appeals that occur outside the Project Area could negatively affect future tax increment revenues. Based on the levy to receipts ratio discussed in Section C above, refunds and other roll corrections have had no discernable impact on the collection of tax increment revenues. We have therefore not adjusted tax increment revenues in the projections shown in Section F by a refund factor.

Proposition 8 Appeals

A number of counties in California, including Nevada County, had processed temporary assessed value reductions for certain properties (Proposition 8 reductions) where the assessed values exceeded the current market value of properties without prompting from individual taxpayers. These reductions affected the tax roll starting in 2009-10. Typically, the properties to be reviewed for these "automatic" reductions were single family homes and condominiums which transferred ownership between 2003 and 2009. During the economic recession that occurred in 2008, residential property values decreased in many areas of the state. Beginning in 2012-13, the County began to reverse many of the reductions to residential property as values began to increase. The chart summarizes our findings.

Proposition 8 Residential Impacts	
Declines - 2009-10 to 2012-13	
Number of Residential Parcel Declines	290
Total Value Decline	($29,775,474)
Increases - 2012-13 to 2019-20	
Number of Residential Parcel Increases	176
Total Value Increase	$18,458,662

As shown above, the County determined that 290 units should receive Proposition 8 reductions that totaled $29.8 million in value reductions through 2012-13. Of that total, 176 have been reversed and increased value by $18.5 million, including the allowable inflation adjustment of up to 2 percent per year. The remaining parcels were sold during this period and removed from the Proposition 8 pool.

The County could process future Proposition 8 reductions due to the impact that the Covid-19 pandemic is having on the value of property. We are unable to estimate the potential impact that this could have on future property values or tax increment revenues.

Section F - Estimate of Current and Future Tax Increment Revenue

County auditor-controller's are required to calculate the funds that flow to the RPTTF as if the redevelopment agency still existed. Given this, the RPTTF, or tax increment revenues, continue to be calculated by first subtracting the base year value of a project area from the current year taxable value in order to determine the incremental taxable value of the project area. The one percent tax rate is then applied to the incremental taxable value in order to determine tax increment revenues.

The Agency also receives supplemental property taxes for the Project Area on an annual basis. Due to the difficulty of estimating supplemental revenues, we have not included such revenues in the projections. Supplemental property taxes typically increase the receipt of tax increment.

Current Year Revenues

An estimate of current year (2019-20) tax increment revenues is shown on Table 5. The values utilized are based on actual taxable values as provided by Nevada County. Tax increment generated from the application of the tax rate to incremental taxable value for is estimated at $2,787,000. Unitary revenues are estimated at $15,500 based on the actual allocation in 2018-19.

Projected Revenues

Tables 6 and 6.1 provide projections of tax increment revenues. Real property consists of locally reported secured and unsecured land and improvement values. The other property category includes personal property and state assessed values.

The future level of real and other property values has been estimated based on actual values reported by Nevada County for 2019-20. Real property values have been increased based on a 2 percent inflation factor on Table 6. In December of 2019, the SBE directed assessors to prepare the 2020-21 tax roll using a 2 percent inflation factor, which is the maximum inflation factor that county assessors can use to increase real property values. In certain fiscal years the inflation factor has been less than 2 percent. The value of other property has been held constant in the projections on Table 6. The value for all property has been held constant on Table 6.1. We have not made any adjustments to the tax increment projections for the possible impact that the Covid-19 pandemic may have on future property values and tax increment revenues.

Section G – Adjustments and Liens on Tax Increment

The tax increment revenues of the Project Area are subject to certain adjustments and liens, as described in this section. The adjustments and liens must be paid prior to the payment of debt service on the Bonds.

Adjustments to Revenue

There are two adjustments to the tax increment revenues shown on Tables 5 and 6 and 6.1 for property tax administrative fees and Section 33676 allocations.

State law allows counties to charge taxing entities, including redevelopment agencies, for the cost of administering the property tax collection system. In addition, the Dissolution Act allows counties to recover their costs in implementing the redevelopment Dissolution Act. Both portions of the fees have been estimated and shown in Table 5 and 6 and 6.1 based on the percentage that such fees represented from the January and June 2019 RPTTF distribution.

For project areas adopted prior to January 1994, taxing entities could elect to receive additional property taxes above the base year revenue amount. Such amounts are calculated by increasing the real property portion of base year values by an inflation factor of up to 2 percent annually. Taxing entities can receive a proportionate share of such revenues if they elected to do so prior to adoption of the redevelopment plan. The City of Grass Valley, the Nevada Irrigation District, the County School Service Fund and the Sierra Community College District have elected to receive additional allocations of property taxes generated in the Project Area.

Former Housing Set-Aside

Prior to the Dissolution Act, the Original Agency was required to deposit not less than 20 percent of the tax increment generated in the Project Area into a special fund to be used for qualified low and moderate income housing programs. The Dissolution Act no longer require such a deposit, so we have not included it on Tables 5, 6 or 6.1.

Negotiated Pass Through Payments

At the time of adoption of the Project Area, the Agency entered into individual agreements with three taxing entities. The agreements provide that the Agency will pay each taxing entity an amount of money to alleviate the fiscal detriment created by the Project Area. One of the agreements is a senior obligation while the Agency has requested subordination to the Bonds for the other two.

The agreement with Nevada County is a senior obligation and calls for tax sharing payments to the County on the basis of three components:

1. Under Component No. 1 the County receives its share of tax increment attributable to the inflation adjustment of up to 2 percent annually. In essence, the County receives payments equal to the amount which they would otherwise receive under Section 33676 of the CRL that was described above. The Agency retains the County's share of tax increment attributable to aggregate average annual growth between 2 and 6 percent.

2. For Component No. 2, the County receives its share of tax increment attributable to aggregate annual growth in excess of 6 percent.

3. Under Component No. 3, the County is eligible to receive additional tax increment payments attributable to growth in excess of 6 percent in amounts sufficient to repay the County for any of the County's share that was received by the Agency (the amounts between 2 and 6 percent) over the prior three fiscal years. Agency repayment in any fiscal year under this Component No. 3 is limited to the actual amount of tax increment attributable to growth in excess of 6 percent which is not derived from the County's share.

The County is currently receiving tax sharing payments based only on Component 1. Given the growth assumptions used for the tax increment projections on Table 6 of 2 percent per year, it is estimated that the County will only receive payments based on Component No. 1.

The Agency also has agreements with the Nevada Union High School District and the Grass Valley School District. The agreements call for the Agency to pass through 80 percent of each District's share of the revenue attributable to Section 33676. The Agency has requested subordination of amounts payable under the agreements, and the time period for each applicable school district to object to such subordination expires on May 10, 2020. Such payments have been shown as subordinate obligations in the projections.

Statutory Payments

Pursuant to 1994 legislation, AB 1290, the Agency is required to make payments to the affected taxing entities from the Project Area since it deleted the debt limit from the Redevelopment Plan. AB 1290 tax sharing payments began in 2016-17 and are based upon growth above levels in 2008-09 (referred to as the AB 1290 AV Base Year).

Payments are only owed to those taxing entities which have not entered into negotiated pass through arrangements with the Agency (the County, the Nevada Union High School District and the Grass Valley School District have entered into negotiated pass through agreements). The payments are based on a three tier formula. All payments are made as if the requirement to make a deposit to the housing set-aside still exists.

Tier	Payment Required
Tier 1	25% of total tax increment attributed to assessed value growth above the AB 1290 AV Base Year during the remaining term the Agency receives tax increment.
Tier 2	Beginning in the 11th year after the AB 1290 AV Base Year, an additional payment equal to 21% of the tax increment attributable to growth above year 10 levels. This tier will start in 2019-20.
Tier 3	Beginning in the 31st year after the AB 1290 AV Base Year, an additional payment equal to 14% of the tax increment attributable to growth above year 30 levels. This tier won't begin until 2039-40 after the Bonds have been repaid.

Health and Safety Code Section 33607.5 authorizes the Agency to request that an affected taxing entity subordinate its right to receive the Statutory Payments to the payment of loans, bonds or other indebtedness of the Agency. The Agency has requested

that the taxing entities that are entitled to the payments be subordinate to the debt service on the Bonds.

As stated above, the Statutory Payments should have begun in 2016-17, but the County has not made any deductions for these. We estimate that the accumulated back payments through 2018-19 total approximately $49,000. The Agency is in the process of informing the County of the required back payments. For purposes of the estimates shown on Tables 6 and 6.1, we have included both the prior amount and current year amount owed in 2020-21.

Table 1
Grass Valley Successor Agency
Grass Valley Project Area

HISTORICAL TAXABLE VALUE

Fiscal Year	Locally-Assessed Secured Value	Unsecured Value	Total Taxable Value	Percentage Change	Total Incremental Value (1)
2019-20	$353,688,247	$17,800,365	$371,488,612	4.95%	$278,742,354
2018-19	339,018,420	14,963,888	353,982,308	5.20%	261,236,050
2017-18	323,493,904	12,980,367	336,474,271	4.65%	243,728,013
2016-17	308,076,399	13,437,131	321,513,530	7.88%	228,767,272
2015-16	284,287,332	13,753,267	298,040,599	3.49%	205,294,341
2014-15	272,794,825	15,192,640	287,987,465	4.05%	195,241,207
2013-14	261,479,446	15,286,939	276,766,385	-1.47%	184,020,127
2012-13	265,488,130	15,406,582	280,894,712	-3.57%	188,148,454
2011-12	274,471,585	16,819,205	291,290,790	-2.26%	198,544,532
2010-11	279,843,029	18,175,867	298,018,896	-6.62%	205,272,638
2009-10	302,874,584	16,273,005	319,147,589	N/A	226,401,331

Total Percentage Change	16.40%
Average Percentage Change	1.53%

(1) Taxable Value above base year value of $92,746,258.

Source: Nevada County Auditor-Controller Office

Table 2
Grass Valley Successor Agency
Grass Valley Project Area

TEN MAJOR PROPERTY TAX ASSESSEES

Assessee	Type of Use	2019-20 Secured Value (1)	%of Total Value (2)	% of Inc. Value (2)
1) Gold Miners Inn, LLC.	Hotel	$13,101,129	3.70%	4.91%
2) James B Conley & Alma O Conley	Apartment	6,902,633	1.95%	2.59%
3) Wendell C. Smith Family Holdings LLC	Mix of uses	5,882,863	1.66%	2.21%
4) Pardini General Partnership	Industrial	5,427,859	1.53%	2.04%
5) Hilltop Commons 2005	Apartments	4,998,272	1.41%	1.87%
6) Grass Valley Courtyard Suites	Hotel	4,154,633	1.17%	1.56%
7) Collins Patricia	Apartments	3,956,099	1.12%	1.48%
8) Ramos Maria	Restaurant	3,003,671	0.85%	1.13%
9) Hattar Saadeh & Hilda Trustees	Retail	2,605,104	0.74%	0.98%
10) Pezollo Ronald J Trustee	Apartments	2,330,000	0.66%	0.87%
Total Secured Valuation		**$52,362,263**	**14.80%**	**19.64%**

(1) Based on ownership of locally-assessed secured property.
(2) Based on 2019-20 Project Area secured taxable value of $353,688,247 and incremental secured taxable value of $266,670,103.

Table 3
Grass Valley Successor Agency
Grass Valley Project Area

HISTORICAL TAX INCREMENT LEVY AND RECEIPTS

	Levy per County (1)	Tax Increment Receipts Less Supplementals	% of Levy Received	Supplementals	Total Tax Increment Receipts (2)	% of Levy Received
2018-19	$2,612,361	$2,631,935	100.75%	$30,763	$2,662,698	101.93%
2017-18	2,437,280	2,443,183	100.24%	50,003	2,493,186	102.29%
2016-17	2,287,673	2,287,519	99.99%	76,317	2,363,836	103.33%
2015-16	2,052,943	2,057,459	100.22%	63,351	2,120,810	103.31%
2014-15	1,952,412	1,946,780	99.71%	49,676	1,996,456	102.26%
Average Receipts to Levy			100.21%			102.59%

(1) Intial levy reported by Nevada County
(2) Receipts based on total deposits to the RPTTF for each fiscal year.

Table 4
Grass Valley Successor Agency
Grass Valley Project Area

HISTORICAL ANALYSIS OF TAX REVENUES

Category	2014-15	2015-16	2016-17	2017-18	2018-19
Tax Increment	$1,946,780	$2,057,459	$2,287,519	$2,443,183	$2,631,935
Supplemental Taxes	49,676	63,351	76,317	50,003	30,763
Total Tax Increment (1)	1,996,456	2,120,810	2,363,836	2,493,186	2,662,698
Liens on Tax Increment:					
Property Tax Administration Fees	35,207	35,464	41,474	44,954	49,994
Section 33676 Allocations (2)	181,918	191,651	199,714	200,149	220,218
Senior Negotiated Tax Sharing (3)	127,067	133,828	139,346	139,600	153,620
Tax Revenue	**1,652,264**	**1,759,867**	**1,983,302**	**2,108,483**	**2,238,866**
Subordinate Obligations					
Negotiated Tax Sharing (4)	165,867	175,062	182,220	191,751	201,473
Statutory Payment (5)	0	0	0	0	0
Net Tax Increment	1,486,397	1,584,805	1,801,082	1,916,732	2,037,393

(1) Reflects total deposits to the RPTTF.
(2) Payments former Section 33676.
(3) Payments per negotiated agreement with Nevada County.
(4) Payments per negotiated agreement with the Grass Valley School District and the Nevada Union School District.
(5) Statutory payments should have begun in 2016-17, but the County has not yet implemented them.

Table 5
Grass Valley Successor Agency
Grass Valley Project Area

ESTIMATE OF TAX REVENUE FOR FISCAL YEAR 2019-20

	Taxable Value (1)
Local Secured	
Land	$115,108,455
Improvements	245,269,535
Personal Property	1,493,377
Gross Local Secured	361,871,367
Exempt	8,183,120
Net Local Secured	353,688,247
State Assessed	0
Unsecured	
Land	148,362
Improvements	7,644,374
Personal Property	10,285,855
Total Unsecured	18,078,591
Exempt	278,226
Net Unsecured	17,800,365
Total Value	**371,488,612**
	92,746,258
Incremental Taxable Value	278,742,354
Tax Increment	2,787,424
Unitary Tax Increment	15,500
Total Tax Increment Revenue	**2,802,924**
Adjustments / Liens to Tax Increment Revenue:	
Property Tax Administration Fees (2)	54,657
Section 33676 Allocation	232,210
Senior Pass-Through Payment (4)	161,936
Tax Revenues	**2,354,121**
Subordinate Obligations	
Negotiated Tax Sharing (3)	211,389
Statutory Payment (4)	43,580
Net Tax Increment	**2,099,152**

(1) Taxable values per Nevada County Assesor's Office.
(2) Estimated based on 1.9 percent of tax increment.
(3) Payments per negoitated agreements with Nevada County, Grass Valley School District, and the Nevada Union School District.
(4) Statutory payments per Section 33607.5 and 33607.7 of the CRL.

Table 6
Grass Valley Successor Agency
Grass Valley Project Area

TAX INCREMENT AND CASH FLOW PROJECTIONS
(000's Omitted)

	Total Real (1) Property	Other (2) Property	Total Value	Value Over Base Of $92,746	Total Tax (3) Increment	Less: Senior Liens: 33676 (4) Adjustment	Less: Senior Liens: Property Tax Admin. Fees (5)	Less: Senior Liens: Senior (6) Pass-Through Payment	Tax Revenues	Less: Subordinate Obligations: (7) Statutory Payment	Less: Subordinate Obligations: (8) Negotiated Pass-Through Payment	Net Tax Increment Revenue
2019 - 2020	$359,988	$11,501	$371,489	$278,742	$2,803	$232	$55	$162	$2,354	44	211	2,099
2020 - 2021	367,187	11,501	378,688	285,942	2,875	243	56	170	2,406	99	222	2,086
2021 - 2022	374,531	11,501	386,032	293,286	2,948	255	57	178	2,459	56	232	2,170
2022 - 2023	382,022	11,501	393,523	300,776	3,023	266	59	186	2,512	63	242	2,207
2023 - 2024	389,662	11,501	401,163	308,417	3,100	278	60	194	2,567	70	253	2,245
2024 - 2025	397,455	11,501	408,956	316,210	3,178	290	62	202	2,623	76	264	2,283
2025 - 2026	405,405	11,501	416,906	324,159	3,257	302	64	211	2,680	83	275	2,322
2026 - 2027	413,513	11,501	425,014	332,267	3,338	315	65	220	2,739	91	287	2,362
2027 - 2028	421,783	11,501	433,284	340,538	3,421	328	67	228	2,798	98	298	2,402
2028 - 2029	430,219	11,501	441,720	348,973	3,505	341	68	238	2,859	105	310	2,444
2029 - 2030	438,823	11,501	450,324	357,578	3,591	354	70	247	2,921	113	322	2,486
2030 - 2031	447,599	11,501	459,100	366,354	3,679	367	72	256	2,984	120	334	2,529
2031 - 2032	456,551	11,501	468,052	375,306	3,769	381	73	266	3,048	128	347	2,573
2032 - 2033	465,682	11,501	477,183	384,437	3,860	395	75	276	3,114	136	360	2,617
2033 - 2034	474,996	11,501	486,497	393,751	3,953	410	77	286	3,181	144	373	2,663
2034 - 2035	484,496	11,501	495,997	403,251	4,048	424	79	296	3,249	153	386	2,710
2035 - 2036	494,186	11,501	505,687	412,941	4,145	439	81	306	3,318	161	400	2,757
2036 - 2037	504,070	11,501	515,571	422,824	4,244	455	83	317	3,389	170	414	2,806
2037 - 2038	514,151	11,501	525,652	432,906	4,345	470	85	328	3,462	179	428	2,855
Totals					**$67,081**	**$6,546**	**$1,308**	**$4,565**	**$54,663**	**$2,090**	**$5,959**	**$46,614**

(1) Prior Year Real Property increased by 2 percent per year.
(2) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
(3) Based on the application of 1% tax rate to incremental taxable value plus actual unitary from 2018-19.
(4) Payments allocated per former Section 33676 to the City of Grass Valley, the Nevada Irrigation District, the County Superintendent of Schools and Sierra College.
(5) Per SB 2557, reflects Project Area share of Nevada County's property tax administrative costs. Also includes County Auditor-Controller costs for implementation of the Dissolution Act.
(6) Per pass-through agreement with Nevada County.
(7) Required payments since the Agency deleted the debt limit from the Plan. Includes one time repayment of prior year amounts in 2020-21.
(8) Based on agreements with the Grass Valley School District and Nevada Union High School District.

Table 6.1
Grass Valley Successor Agency
Grass Valley Project Area

TAX INCREMENT AND CASH FLOW PROJECTIONS
(000's Omitted)

							Less: Senior Liens				Less: Subordinate Obligations		
	Total Real (1) Property	Other (2) Property	Total Value	Value Over Base Of $92,746	Total Tax (3) Increment	33676 (4) Adjustment	Property Tax Admin. Fees (5)	Senior (6) Pass-Through Payment	Tax Revenues	(7) Statutory Payment	(8) Negotiated Pass-Through Payment	Net Tax Increment Revenue
2019 - 2020	$359,988	$11,501	$371,489	$278,742	$2,803	$232	$55	$162	$2,354	44	211	2,099
2020 - 2021	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	92	211	2,050
2021 - 2022	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2022 - 2023	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2023 - 2024	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2024 - 2025	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2025 - 2026	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2026 - 2027	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2027 - 2028	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2028 - 2029	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2029 - 2030	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2030 - 2031	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2031 - 2032	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2032 - 2033	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2033 - 2034	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2034 - 2035	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2035 - 2036	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2036 - 2037	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
2037 - 2038	359,988	11,501	371,489	278,742	2,803	232	55	162	2,354	44	211	2,099
Totals					**$53,256**	**$4,412**	**$1,038**	**$3,077**	**$44,728**	**$877**	**$4,016**	**$39,835**

(1) Prior Year Real Property held constant.
(2) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
(3) Based on the application of 1% tax rate to incremental taxable value plus actual unitary from 2018-19.
(4) Payments allocated per former Section 33676 to the City of Grass Valley, the Nevada Irrigation District, the County Superintendent of Schools and Sierra College.
(5) Per SB 2557, reflects Project Area share of Nevada County's property tax administrative costs. Also includes County Auditor-Controller costs for implementation of the Dissolution Act.
(6) Per pass-through agreement with Nevada County.
(7) Required payments since the Agency deleted the debt limit from the Plan. Includes one time repayment of prior year amounts in 2020-21.
(8) Based on agreements with the Grass Valley School District and Nevada Union High School District.

APPENDIX A
ROPS CASH FLOW

Appendix
Grass Valley Successor Agency
Grass Valley Project Area

ROPS CASH FLOW

	2018-19			2019-20			2020-21			2021-22		
Category	18-19 B Actual January-June 2019	19-20 A Actual July - December 2019	Total	19-20 B Estimate January-June 2020	20-21 A Estimate July - December 2020	Total	20-21 B Estimate January-June 2021	21-22 A Estimate July - December 2021	Total	21-22 B Estimate January-June 2022	22-23 A Estimate July - December 2022	Total
Tax Increment	$1,599,932	$1,032,003	2,631,935	$1,722,318	1,080,606	2,802,924	$1,681,754	1,121,169	2,802,924	$1,681,754	$1,121,169	$2,802,924
Supplemental	253	30,510	30,763									
Total Tax Increment / Trust Fund (1)	1,600,185	1,062,513	2,662,698	1,722,318	1,080,606	2,802,924	1,681,754	1,121,169	2,802,924	1,681,754	1,121,169	2,802,924
Obligations												
Property Tax Administration Fees (2)	48,073	1,921	49,994	53,589	1,068	54,657	32,794	21,863	54,657	32,794	21,863	54,657
Section 33676 Allocations	131,707	88,511	220,218	138,778	93,432	232,210	139,326	92,884	232,210	139,326	92,884	232,210
Negotiated Tax Sharing (3)	212,761	142,332	355,093	223,616	149,709	373,325	223,995	149,330	373,325	223,995	149,330	373,325
Statutory Payments	0	0	0	0	43,580	43,580	55,487	36,991	92,478	26,148	17,432	43,580
Tax Revenues for Debt Service	**$1,207,644**	**$829,749**	**$2,037,393**	**$1,306,335**	**$792,817**	**$2,099,152**	**$1,230,152**	**$820,102**	**$2,050,254**	**$1,259,491**	**$839,661**	**$2,099,152**
2010 Tax Allocation Refund Bond (4)	210,288	0	210,288	68,700	0	68,700	0	0	0	0	0	0
2013 Debt Service - Interest (4)	116,544	116,544	233,088	0	0	0	0	0	0	0	0	0
2013 Debt Service - 50% of Principal (4)	95,000	95,000	190,000	0	0	0	0	0	0	0	0	0
2020 Estimated Debt Service (5)					438,861	438,861	132,123	442,123	574,246	575,947	0	575,947
Total Debt Service (4)	**421,832**	**211,544**	**633,376**	**68,700**	**438,861**	**507,561**	**132,123**	**442,123**	**574,246**	**575,947**	**0**	**575,947**
Remaining Revenue	**785,812**	**618,205**	**1,404,017**	**1,237,635**	**353,956**	**1,591,591**	**1,098,029**	**377,979**	**1,476,008**	**683,544**	**839,661**	**1,523,205**

(1) Reflects actual receipts based on the records of the Agency for 2018-19.
Future years are estimated based on 2019-20 amount.
(2) As reported by the Nevada County Auditor- Controller. Amount estimated for 2019-20 and 2020-21.
(3) Includes both senior and subordinate tax sharing payments.
(4) Reflects amounts recorded on the ROPS.
(5) Estimated debt service per Hilltop Securities.

APPENDIX C

SUPPLEMENTAL INFORMATION – CITY OF GRASS VALLEY AND COUNTY OF NEVADA

*The following information concerning the City of Grass Valley (the "**City**") and the County of Nevada (the "**County**"), is included only for the purpose of supplying general information. The 2020 Bonds are not a debt of the City, the County, the State of California (the "**State**") or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.*

The City is located in the County in the western foothills of the Sierra Nevada mountain range, approximately 57 miles from Sacramento and 88 miles west of Reno and 143 miles northeast of San Francisco. The City was established in 1851 in connection with the California gold rush, and was incorporated in 1893 and became a charter city under the general laws of the State of California and has a council-manager form of government. The population as of January 2019 was estimated at 12,769.

The City has a council-manager form of government. There are five Council Members who serve overlapping terms of four years, and the Council, in turn, selects one of the Council Members to serve as Mayor for one year. The council selects a City Manager to administer the affairs of the City. The City provides the following services: public safety (police, fire and civil defense), highways and street, sanitation, health and social services, culture/recreation, public improvements, planning and zoning and general administrative services.

The County. Nevada County is located in Northern California between Sacramento and Reno, Nevada. The communities of Grass Valley and Nevada City, in the western portion of the Nevada County, and the alpine Town of Truckee, located to the east, comprise the County's principal population centers. Situated northeast of Sacramento at an elevation averaging 2,500 feet, Nevada County enjoys four annual seasons while remaining above the persistent fog of the Sacramento Valley and below the heavy snows of the Sierra Nevada mountains. Agriculture, tourism, high technology, construction and government are major contributors to Nevada County's economy. The Nevada County seat, located in Nevada City (population 3,226), together with the neighboring city of Grass Valley, approximately three miles away are widely known for their arts and cultural activities. The alpine Town of Truckee, located in the Sierra Nevada Mountains at an elevation of 7,650 feet, is as popular community for recreation and quality small town living.

Tourism

Nevada County is situated in Northern California and ranges from near sea level in the great Sacramento Valley, to over 9,000 feet. With numerous rivers, lakes, mountains and meadows it is a natural attraction for snow skiers, water skiers, fisherfolk, kayakers, houseboaters, sailboaters, hikers, mountain bikers, road bikers, and everybody who enjoys the great outdoors, whatever the season.

Population

The following table shows population estimates for the City, the County and the State for the last five years.

CITY OF GRASS VALLEY, NEVADA COUNTY, AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 2015 through 2019 as of January 1

Year (January 1)	City of Grass Valley	Nevada County	State of California
2015	12,804	98,448	38,952,462
2016	12,805	98,710	39,214,803
2017	12,776	98,692	39,504,609
2018	12,785	99,024	39,740,508
2019	12,769	98,904	39,927,315

Source: State Department of Finance.

Employment and Industry

The table below lists employment by industry group for the County of Nevada for the years 2015 to 2019.

NEVADA COUNTY
Annual Average Civilian Labor Force, Employment and Unemployment, Employment by Industry
(March 2019 Benchmark)

	2015	2016	2017	2018	2019
Civilian Labor Force (1)	48,000	48,140	48,350	48,620	48,640
Employment	45,400	45,840	46,360	46,900	47,020
Unemployment	2,600	2,300	1,990	1,710	1,620
Unemployment Rate	5.4%	4.8%	4.1%	3.5%	3.3%
Wage and Salary Employment (2)					
Agriculture	70	70	70	80	80
Mining and Logging and Construction	2,730	2,840	2,900	3,110	3,110
Manufacturing	1,360	1,430	1,420	1,390	1,350
Wholesale Trade	380	390	400	390	420
Retail Trade	3,950	4,030	4,050	4,010	3,970
Transportation, Warehousing and Utilities	470	480	490	500	530
Information	290	290	280	310	270
Financial Activities	1,290	1,320	1,330	1,350	1,330
Professional and Business Services	2,160	2,190	2,210	2,370	2,460
Educational and Health Services	5,320	5,440	5,490	5,390	5,460
Leisure and Hospitality	4,500	4,660	4,930	5,080	5,210
Other Services	1,790	1,880	2,060	2,080	2,080
Federal Government	370	370	370	350	330
State Government	450	440	420	410	420
Local Government	5,700	5,700	5,750	5,870	6,070
Total, All Industries (3)	30,830	31,510	32,150	32,700	33,070

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Largest Employers

The following table lists the major employers within the City as of June 30, 2019.

CITY OF GRASS VALLEY
Major Employers
As of June 2019

Employer Name	Industry	Estimated # of Employees
Sierra NV Memorial Hospital	Hospitals	500-999
Safeway	Grocers-Retail	250-499
Interfaith Food Ministry	Non-Profit Organizations	200-499
AJA Video	Television Station Equipment-Mfrs	100-249
Briarpatch Community Market	Health & Diet Foods-Retail	100-249
Golden Empire Nurse & Rehab	Nursing & Convalescent Homes	100-249
Kmart	Department Stores	100-249
Nevada Irrigation District	Water & Sewage Companies-Utility	100-249
Nevada Union High School	Schools	100-249
Raley's	Grocers-Retail	100-249
Spring Hill Manor Rehab	Skilled Nursing Care Facilities	100-249

Source: Nevada County Economic Resource Council, sorted by number of employees and then alphabetically.

The following tables show the largest major employers in the County.

NEVADA COUNTY
Major Employers (Listed alphabetically)
As of November 2019

Employer Name	Location	Industry
AJA Video	Grass Valley	Television Station Equipment-Mfrs
American Rivers Inc	Nevada City	Organizations
Ananda Village	Nevada City	Churches
Boreal Mountain Resort	Truckee	Resorts
Briarpatch Community Market	Grass Valley	Health & Diet Foods-Retail
Clear Capital	Truckee	Real Estate Loans
Donner Ski Ranch	Soda Springs	Skiing Centers & Resorts
Golden Empire Nurse & Rehab	Grass Valley	Nursing & Convalescent Homes
Interfaith Food Ministry	Grass Valley	Non-Profit Organizations
Jehovah's Witnesses	Grass Valley	Churches
Kmart	Grass Valley	Department Stores
Milhous School Inc	Nevada City	Schools
Networked Insurance Agents LLC	Grass Valley	Insurance
Nevada Irrigation District	Grass Valley	Water & Sewage Companies-Utility
Nevada Union High School	Grass Valley	Schools
Raley's	Grass Valley	Grocers-Retail
Robinson Enterprises Inc	Nevada City	Logging Companies (mfrs)
Safeway	Truckee	Grocers-Retail
Safeway	Grass Valley	Grocers-Retail
Sierra NV Meml Miners Hsptls	Grass Valley	Lawn & Grounds Maintenance
Sierra NV Memorial Hospital	Grass Valley	Hospitals
Spring Hill Manor Rehab	Grass Valley	Skilled Nursing Care Facilities
Sugar Bowl Ski Area	Soda Springs	Skiing Centers & Resorts
Tahoe Forest Hospital District	Truckee	Health Care Management
Towers Casino & Card Room	Grass Valley	Casinos

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2016 through 2020.

CITY OF GRASS VALLEY AND COUNTY OF NEVADA
Effective Buying Income
As of January 1, 2016 through 2020

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2016	City of Grass Valley	$295,978	$35,248
	Nevada County	2,719,523	49,691
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Grass Valley	$303,630	$36,726
	Nevada County	2,880,465	51,777
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Grass Valley	$286,822	$33,193
	Nevada County	2,740,333	50,427
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Grass Valley	$329,788	$37,523
	Nevada County	3,220,439	55,371
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Grass Valley	$351,374	$38,299
	Nevada County	3,220,439	55,371
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019 and 2020.

Commercial Activity

A summary of historic taxable sales within the City and the County during the past five years for which data is available is shown in the following tables. Annual figures are not yet available for calendar year 2019.

Total taxable sales during three quarters of calendar year 2019 in the City were reported to be $382,771,859 a 2.94% increase over the total taxable sales of $371,844,804 reported during three quarters of calendar year 2018. Annual figures are not yet available for calendar year 2019.

CITY OF GRASS VALLEY
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2014	680	$380,078	953	$444,403
2015[1]	661	396,360	1,035	475,633
2016	714	409,026	1,116	479,034
2017	720	415,343	1,113	490,982
2018	683	424,938	1,085	509,831

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during the three quarters of calendar year 2019 in the County were reported to be approximately $1,074,298,062, a 4.02% increase over the total taxable sales of approximately $1,032,825,600 reported during the three quarter of calendar year 2018.

COUNTY OF NEVADA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Figures in Thousands)

	Retail Stores		Total Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2014	2,879	852,754	4,132	1,220,368
2015[1]	1,868	892,426	4,790	1,285,583
2016	3,084	941,558	5,084	1,334,397
2017	3,126	1,020,719	5,119	1,434,403
2018	2,995	1,010,568	5,041	1,410,856

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Board of Equalization.

Construction

Provided below are the building permits and valuations for the City and the County, for calendar years 2014 through 2018.

CITY OF GRASS VALLEY
Total Building Permit Valuations
For Calendar Years 2014 through 2018
(Valuations in Thousands)

	2014	2015	2016	2017	2018
Permit Valuation					
New Single-family	$170.0	$1,790.0	$257.0	$15,967.5	$1,874.2
New Multi-family	5,705.7	0.0	0.0	0.0	0.0
Res. Alterations/Additions	1,220.0	685.4	1,043.9	806.1	1,388.2
Total Residential	$7,095.7	$2,475.4	$1,300.9	$16,773.60	$3,262.40
New Commercial	2,643.0	1,017.5	1,487.0	5,350.0	19.6
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	3,873.7	915.0	1,956.0	304.2	973.1
Com. Alterations/Additions	4,738.5	2,101.5	4,530.7	3,903.8	6,086.3
Total Nonresidential	$11,255.2	$4,034.0	$7,973.7	$9,558.0	$7,079.0
New Dwelling Units					
Single Family	2	7	2	40	8
Multiple Family	88	0	0	0	0
TOTAL	90	7	2	40	8

(1) Totals may not add due to rounding.
Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF NEVADA
Total Building Permit Valuations
For Calendar Years 2014 through 2018
(Valuations in Thousands)

	2014	2015	2016	2017	2018
Permit Valuation					
New Single-family	$57,543.5	$65,959.1	$76,376.6	$109,736.0	120,517.5
New Multi-family	6,743.0	901.6	474.2	590.0	22,079.3
Res. Alterations/Additions	26,551.1	27,614.6	26,904.3	25,258.5	47,778.4
Total Residential	90,837.6	94,475.3	103,755.1	135,584.5	190,375.2
New Commercial	493.7	8,152.8	5,785.4	13,097.0	27,234.7
New Industrial	5,850.7	0.0	0.0	0.0	3,692.0
New Other	9,393.7	5,533.5	8,599.2	9,242.9	25,001.3
Com. Alterations/Additions	13,018.3	15,194.0	9,205.0	8,329.8	25,381.8
Total Nonresidential	28,756.4	28,880.3	23,589.6	30,669.7	81,309.8
New Dwelling Units					
Single Family	215	217	243	402	383
Multiple Family	97	6	6	4	151
TOTAL	312	223	249	406	534

(1) Totals may not add due to rounding.
Source: Construction Industry Research Board, Building Permit Summary.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$_____
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY

2020 SERIES A TAX ALLOCATION REFUNDING BONDS
AND
2020 SERIES B TAXABLE TAX ALLOCATION REFUNDING BONDS

This CONTINUING DISCLOSURE CERTIFICATE (this "**Disclosure Certificate**") is executed and delivered by the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY (the "**Successor Agency**") in connection with the execution and delivery of the bonds captioned above (the "**Bonds**"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of May 1, 2020 (the "**Indenture**"), by and between the Successor Agency and MUFG Union Bank, N.A., as trustee.

The Successor Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Successor Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is nine months after the end of the Successor Agency's fiscal year (currently April 1 based on the Successor Agency's fiscal year end of June 30).

"*Dissemination Agent*" means NHA Advisors, LLC, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Successor Agency a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the Successor Agency in connection with the issuance of the Bonds.

"*Participating Underwriter"* means Hilltop Securities, Inc., as the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2021, with the report for the 2019-20 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the Successor Agency shall provide the Annual Report to the Dissemination Agent (if other than the Successor Agency). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Successor Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Successor Agency to determine if the Successor Agency is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Successor Agency may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Successor Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Successor Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Successor Agency hereunder.

(b) If the Successor Agency does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Successor Agency shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Successor Agency, file a report with the Successor Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Successor Agency's Annual Report shall contain or incorporate by reference the following:

(a) The Successor Agency's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Successor Agency's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in

the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Successor Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) Principal amount of Bonds outstanding as of June 30 of the most recently-completed fiscal year.

(ii) Balance in the Debt Service Reserve Account and a statement of any draws on the 2020 Reserve Policy as of June 30 of the most recently-completed fiscal year.

(iii) The information in the following tables of the Official Statement for the most recently completed fiscal year: Tables 1, 2A, and 3.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Successor Agency shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Successor Agency or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Successor Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the Successor Agency or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the Successor Agency or an obligated person, or the sale of all or substantially all of the assets of the Successor Agency or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the Successor Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Successor Agency, any of which affect security holders, if material (for the definition of "financial obligation," see clause (e)).

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Successor Agency, any of which reflect financial difficulties (for the definition of "financial obligation," see clause (e)).

(b) Whenever the Successor Agency obtains knowledge of the occurrence of a Listed Event, the Successor Agency shall, or shall cause the Dissemination Agent (if not the Successor Agency) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The Successor Agency acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The Successor Agency shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the Successor Agency obtains knowledge of the occurrence of any of these Listed Events, the Successor Agency will as soon as possible determine if such event would be material under applicable federal securities law. If

such event is determined to be material, the Successor Agency will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Successor Agency in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Successor Agency, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Successor Agency.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Successor Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Successor Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Successor Agency. Any Dissemination Agent may resign by providing 30 days' written notice to the Successor Agency.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Successor Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Successor Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Successor Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Successor Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Successor Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the Successor Agency fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Successor Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Successor Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Successor Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's

negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Successor Agency hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Successor Agency, the Bond holders or any other party. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the Successor Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Successor Agency, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2020

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY

By: _____
Authorized Officer

Acknowledged and Agreed to by:

NHA ADVISORS, LLC,
as Dissemination Agent

By:_____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Successor Agency to the Redevelopment Agency of the City of Grass Valley

Name of Issue: Successor Agency to the Redevelopment Agency of the City of Grass Valley 2020 Series A Tax Allocation Refunding Bonds and 2020 Series B Taxable Tax Allocation Refunding Bonds

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that the Successor Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated as of _____, 2020. The Successor Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

NHA ADVISORS, LLC

By: _____
Its: _____

cc: Successor Agency to the
Redevelopment Agency of the City of Grass Valley

APPENDIX E

CITY OF GRASS VALLEY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2019

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF GRASS VALLEY, CALIFORNIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2019

Prepared by:

Finance Department

This page intentionally left blank.

City of Grass Valley, California
Basic Financial Statements
For the year ended June 30, 2019

Table of Contents

Page

INTRODUCTORY SECTION

Table of Contents i

Letter of Transmittal v

Organization Chart ix

List of Officials x

FINANCIAL SECTION

Independent Auditors' Report 1

Management's Discussion and Analysis (Required Supplementary Information) 3

Basic Financial Statements:

Government-Wide Financial Statements:
Statement of Net Position 19
Statement of Activities 20

Fund Financial Statements:

Governmental Funds:
Balance Sheet 24
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position 26
Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Position – Governmental Activities 27
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 28
Reconciliation of Fund Basis Statements to Government-wide Statement of Activities 30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 31
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual – General Fund and Major Special Revenue Funds 32

Table of Contents, Continued

Page

Basic Financial Statements, Continued:

Fund Financial Statements, Continued:

Proprietary Funds:
Statement of Net Position – Proprietary Funds 36
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds 37
Statement of Cash Flows – Proprietary Funds 38

Fiduciary Activities:
Statement of Fiduciary Net Position – Fiduciary Activities 40
Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds 41

Notes to Basic Financial Statements 45

Required Supplementary Information:
Schedule of Changes in the Net OPEB Liability and Related Ratios 94
Net OPEB Liability Schedule of Contributions 95
Schedule of Contributions – Miscellaneous Plan 96
Schedule of Contributions – Safety Plan 97
Schedule of the City's Proportionate Share of the Net Pension Liability – Miscellaneous Plan 98
Schedule of the City's Proportionate Share of the Net Pension Liability – Safety Plan 99

Other Supplemental Information:

Combining and Individual Fund Financial Statements and Schedules:

Nonmajor Governmental Funds:
Combining Balance Sheet 104
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 105

Nonmajor Special Revenue Funds:
Combining Balance Sheet 110
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 114
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Gas Tax 117
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Traffic Safety 118

Table of Contents, Continued

Page

Combining and Individual Fund Financial Statements and Schedules, Continued:

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – DUI Grant 119
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Impact Fees 120
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Downtown Assessment 121
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Fire Reserve 122
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – EPA Brownfield 123
Combining Balance Sheet – Maintenance District Funds 124
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Maintenance District Funds 126
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Maintenance District Funds 130
Combining Balance Sheet – Block Grant Funds 136
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Block Grant Funds 140
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Block Grant Funds 142
Combining Balance Sheet – Housing Funds 154
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Housing Funds 156
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Housing Funds 158

Nonmajor Permanent Funds:
Combining Balance Sheet 166
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 167

Agency Funds:
Combining Statement of Assets and Liabilities 169

This page intentionally left blank.

Finance
Department

March 4, 2020

Honorable Mayor and Members of the City Council,

We are pleased to submit the City of Grass Valley Annual Financial Report for the fiscal year ended June 30, 2019. It is the policy of the Council that a licensed certified public accountant conducts an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to them.

The Annual Financial Report consists of management's representations concerning the City of Grass Valley's finances. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. We believe that the data presented in this report is accurate in all material respects and all statements and disclosures needed for the reader to obtain a thorough understanding of the City's financial activities have been included.

The City's financial statements have been audited by JJACPA, Inc., a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2019 are fairly presented in conforming with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

State statutes require an annual audit of the City's financial records by independent certified public accountants. As noted above, the firm of JJACPA, Inc., Certified Public Accountants audited the City's financial statements. In addition to meeting the requirements set forth in State statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget's Circular A-133. Auditing standards generally accepted in the United States of America and the standards set forth in the General Accounting Office's Government Auditing Standards were used by the auditors in conducting the engagement. The auditor's report on the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information is combined in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in the separately issued single audit report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Grass Valley

The City of Grass Valley is a historic gold mining town located in Sierra Nevada 60 miles northeast of Sacramento and 150 miles north of San Francisco. Grass Valley is the business center of Western Nevada County and is known for its performing arts, fine dining and many year round cultural festivals. The City's charming residential downtown is home to many restored Victorian homes, historic buildings and wooded hillsides. The incorporated area of the City is 5.4 square miles with a sphere of influence of 6.3 square miles.

Grass Valley is home to many high tech companies that have found a welcoming environment for both their growing organization and employees. The City has an array of historic structures including early 1900's architecture and unique shops that adorn historic downtown Mill Street and Main Street. Community events include the month long celebration of a Cornish Christmas as a reminder of its past heritage, lively summer street fairs, the annual Draft Horse Classic, the best County fair in California amongst the tall pines, with its famous treat street, and the annual Fourth of July parade attracting visitors from all over the north state.

The City maintains a number of parks, including a municipal swimming pool. The City has an active historic downtown, and supports a vibrant performing arts community that presents world class events. The City prides itself on listening closely to community residents and working to achieve common goals for the betterment of all of the residents of Grass Valley.

Form of Government

Grass Valley is a Charter City incorporated in 1893. As a Charter City, Grass Valley has more local authority than cities that incorporate under the general laws of the State of California. The Charter is the City's governing document and any changes must be approved by the voters.

The City of Grass Valley operates under a Council-Manager form of government and is governed by a five-member City Council. The Council has the authority to make and enforce all laws and regulations with respect to municipal affairs, subject to the limitations of the City Charter and the State Constitution. Council members are elected at-large and serve overlapping, four-year terms. Council members must be residents of the City. The positions of Mayor and Vice Mayor are chosen by the City Council and serve two-year terms in those positions.

The City Council serves as the policy board for the municipality. As an elected Board of Directors, the City Council provides policy direction, establishes goals, and sets priorities for the City government. In addition to serving as the policy makers for the community, the City Council also is responsible for numerous land use decisions within its borders, including the General Plan. The City Council appoints the City Manager, City Attorney, and all members of advisory boards, commissions, and committees. All other department heads are appointed by the City Manager.

City Services

The City provides a wide range of municipal services, including police and fire protection, water and sewer utilities, street maintenance, parking, parks and recreation, planning, building and safety, and other general government services. Several municipal services are provided through other governmental agencies or private utility companies, including the following:

Service	Agency
Courts, Health and Social Services	County of Nevada
Elementary and Secondary Schools	Nevada Joint Union High School District Grass Valley School District
Community College	Sierra College
Solid Waste Collection and Disposal	Waste Management
Gas, Electric and Telephone	Private Utility Companies

Financial data for all funds through which services are provided by the City have been included in this report. As required by GAAP, these financial statements present the City (the primary government) and its component units (entities for which the government is considered to be financially accountable). Blended component units (although legally separate entities) are in substance part of the government's operations, and so data from these units are combined with data of the primary government. The City has two component units, the activities of which are accounted for in the applicable City governmental or enterprise funds:

1) The Grass Valley Capital Improvements Authority, the Board of which is comprised solely of members of the City Council and which provides financing for the construction and acquisition of City facilities; and
2) The Grass Valley Redevelopment Successor Agency, the Oversight Board of which is comprised of members appointed by the participating agencies and which a) ensures that redevelopment projects currently underway are completed, 2) controls the disposition of redevelopment assets and 3) approves biannual Recognized Obligation Payment Schedules (ROPS).

Budgetary Policy and Control

The City Council establishes annual budgets for the General Fund, Proprietary Funds, and all Special Revenue Funds. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager and Finance Director who then, in coordination with department heads, prepare an estimate of revenues and recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

Financial Information

During the past fiscal year, there were no changes to the City's financial policies or items in which policies impacted the financial information or presentation. Information concerning significant accounting policies affecting the finances of the City is summarized in the Notes to the Financial Statements.

Acknowledgements

The preparation of this Annual Financial Report could not be accomplished without the year-round efficiency of the Finance Division staff and their special efforts, working in conjunction with the City's independent auditors, to produce this document. We would like to take this opportunity to compliment all those staff members of both the City and our independent auditors who were associated with the preparation of this report. We would also like to thank the Council for their continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

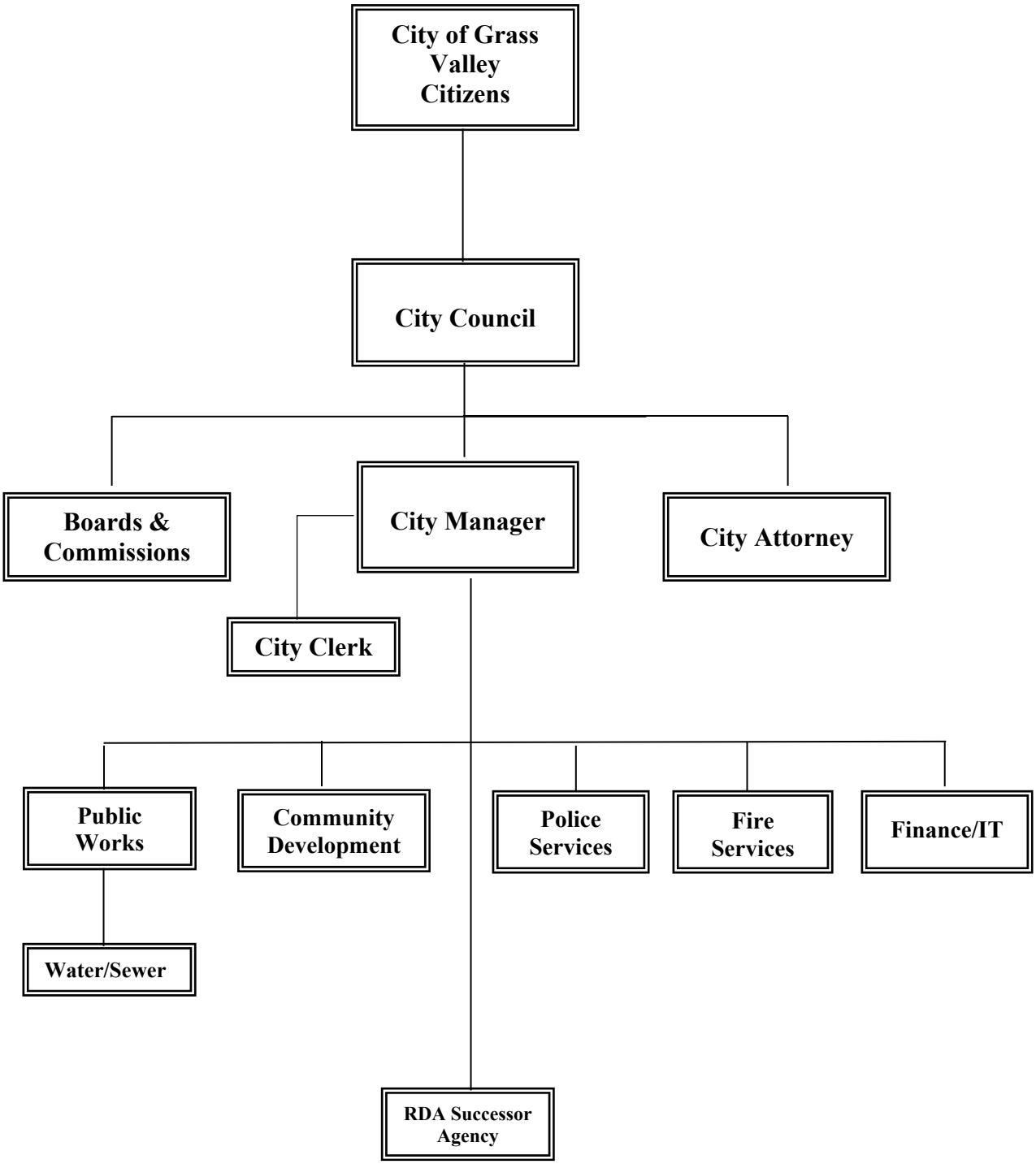
Respectfully Submitted,

Andy Heath
Finance Director

Organization Chart

City of Grass Valley

Organizational Chart



City of Grass Valley, California
Basic Financial Statements
For the year ended June 30, 2019

List of Officials

CITY COUNCIL

- Lisa Swarthout, Mayor
- Ben Aguilar, Vice Mayor
- Jan Arbuckle, Council Member
- Howard Levine, Council Member
- Hilary Hodge, Council Member

CITY OFFICIALS

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

JJACPA, Inc.
A Professional Accounting Services Corp.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
of the 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, the aggregate remaining fund information, and budgetary comparison information of the City of Grass Valley, California (City), as of and for the year ended June 30, 2019, 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.

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, the aggregate remaining fund information, and budgetary comparison information of the City of Grass Valley, California, as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-16, Schedule of Changes in the Net OPEB Liability and Related Ratios on page 94, Net OPEB Liability Schedule of Contributions on page 95, The City's Schedules of Contributions on pages 96-97, and the Schedules of the City's Proportionate Share of the Net Pension Liability on pages 98-99, 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.

Supplementary and 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 accompanying supplementary information, which includes the combining and individual nonmajor fund financial statements and budgetary comparison schedules and the other information, and introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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.

Implementation of New Accounting Standards

As disclosed in the Note 1 to the financial statements, the City implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," during the fiscal year 2018. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 and is included in the City's Single Audit Report.

JJACPA, Inc.

March 4, 2020 **JJACPA, Inc.**

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, 2019. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by approximately $4.4 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 $98.7 million at the end of the 2019 fiscal year. Of that amount, about $13.8 million (the unrestricted net position) may be used to meet the City's ongoing obligations and operating expenses for the next fiscal year.

- Overall City-wide revenues from all governmental and business-type activities increased by approximately $1.4 million when compared to the 2018 fiscal year. The majority of the increase can be attributed to an increase in sales tax related to the October 2018 effective date of the Measure E Transactions Tax Measure and increases in property and other taxes, offset by an overall reduction in Capital Grants and Contributions related to prior year receipts of funding related to the City's Sinkhole Project and Road Project Reimbursements. The City's total expenses for all programs in fiscal year 2019 increased by approximately $2.8 million to $28.8 million compared to $26.0 million in fiscal year 2018, primarily due to costs for capital projects related to the City's Sewer Enterprise Program and normal inflationary costs increases associated with providing citywide general government services.

- The general fund reported a fund balance of approximately $14.1 million at the end of the 2019 fiscal year, an increase of about $2.8 million over fiscal year 2018. This increase can be primarily attributed to higher collections of sales and property taxes and the deferral of certain capital projects appropriated in FY 2018-19 to FY 2019-20 (re-budgeted) – particularly related to Streets and Parks projects funded by the Measure E Transactions Tax.

- The City ended the fiscal year with $8.6 million in restricted and unrestricted net position reported in the enterprise funds, an increase of $2.4 million from the prior year. This increase can be primarily attributed to increases receipts of capital contributions and grants used towards projects in the City's Sewer Enterprise Program.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is in two major parts:

1) **Introductory section**, which includes the Transmittal Letter and general information; and,

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

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, and Combining and Individual Fund Financial Statements and Schedules.

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, 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.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, Continued

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 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, 2019, the City's major funds are as follows:

GOVERNMENTAL FUNDS:

- General Fund
- HOME Grant Special Revenue Fund
- Capital Projects Fund
- Special Projects Capital Projects Fund

PROPRIETARY FUNDS:

- Water Enterprise Fund
- Sewer Enterprise Fund

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, Continued

For the fiscal year ended June 30, 2019, the City adopted annual appropriated budgets for all governmental funds.

Proprietary funds. The City maintains Enterprise-type and Internal Service 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. Internal service funds are an accounting methodology used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and its information technology assets. 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 all of these 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 45–92 of this report. Required Supplementary Information follows the notes on pages 94-99.

Combining and Individual Fund Financial Statements and Schedules

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 104–170 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 $98,691,543 as of June 30, 2019. The Summary of Net Position as of June 30, 2019, and 2018, follows:

	Summary of Net Position					
	2019			2018		
	Govern-mental Activities	Business-type Activities	Total	Govern-mental Activities	Business-type Activities	Total
Current and other assets	$ 30,545,330	$ 13,625,258	$ 44,170,588	$ 28,688,066	$ 11,368,713	$ 40,056,779
Noncurrent assets	50,871,277	43,345,266	94,216,543	49,993,940	43,758,111	93,752,051
Total assets	81,416,607	56,970,524	138,387,131	78,682,006	55,126,824	133,808,830
Deferred outflows -	3,936,674	1,236,256	5,172,930	4,284,082	1,349,621	5,633,703
Total assets and deferred outflows	85,353,281	58,206,780	143,560,061	82,966,088	56,476,445	139,442,533
Current and other liabilities	2,655,718	2,218,391	4,874,109	2,048,257	2,507,256	4,555,513
Long-term liabilities	23,967,309	14,585,509	38,552,818	23,599,451	15,952,814	39,552,265
Total liabilities	26,623,027	16,803,900	43,426,927	25,647,708	18,460,070	44,107,778
Deferred inflows -	1,106,465	335,126	1,441,591	789,994	246,243	1,036,237
Total liabilities and deferred inflows	27,729,492	17,139,026	44,868,518	26,437,702	18,706,313	45,144,015
Net position:						
Net investment in capital assets	48,484,973	32,338,891	80,823,864	47,517,209	31,561,596	79,078,805
Restricted	3,460,568	636,969	4,097,537	3,114,792	634,225	3,749,017
Unrestricted	5,678,248	8,091,894	13,770,142	5,896,385	5,574,311	11,470,696
Total net position	$ 57,623,789	$ 41,067,754	$ 98,691,543	$ 56,528,386	$ 37,770,132	$ 94,298,518

Overall, total net position increased by approximately $4.4 million. Of this amount, net position for governmental activities increased by approximately $1.1 million and net position for business-type activities increased by approximately $3.3 million. Approximately 84 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.

Restricted net position increased by approximately $348,000 and unrestricted net position increased by approximately $2.3 million.

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues

The City's total revenues for governmental and business-type activities were approximately $33.2 million for the fiscal year ended June 30, 2019. Significant revenues collected by the City during fiscal year 2019 were derived from sales taxes (31.3%), charges for services (25.9%), and property taxes (9.0%).

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

1. **Grants and Contributions – Operating and Capital –** The approximately $2.3 million reduction in capital grants and contributions is related the prior year receipt of one-time funding associated with the City's Sinkhole Project and other road reimbursement funding.

2. **Sales Tax**. Annual receipts increased by approximately $2.4 million primarily due to the implementation of the new Measure E Transactions Sales Tax, 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 $200,000 due to the increased in assessed valuation from the prior year.

4. **Use of Money and Property.** The Use of Money and Property increased by approximately $600,000 due to increased interest rates for the City's investment pool and higher cash balances overall citywide.

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The change in net position for the fiscal years ended June 30, 2019, and 2018, follows:

	Changes in Net Position					
	2019			2018		
	Govern-mental Activities	Business-type Activities	Total	Govern-mental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	$ 864,058	$ 7,736,011	$ 8,600,069	$ 786,933	$ 7,763,841	$ 8,550,774
Grants and contributions:						
Operating	210,332	2,606,870	2,817,202	975,369	1,635,782	2,611,151
Capital	1,118,507	1,710,066	2,828,573	4,873,166	220,233	5,093,399
General revenues:						
Property taxes and assessments	3,027,695	-	3,027,695	2,841,644	-	2,841,644
Sales taxes	10,419,068	-	10,419,068	7,987,437	-	7,987,437
Other taxes	2,616,454	-	2,616,454	2,412,096	-	2,412,096
Intergovernmental	1,385,608	-	1,385,608	1,391,142	-	1,391,142
Use of money and property	674,969	304,749	979,718	289,836	91,078	380,914
Contributions	-	-	-	-	-	-
Other general revenues	346,827	179,072	525,899	273,238	260,441	533,679
Total revenues	20,663,518	12,536,768	33,200,286	21,830,861	9,971,375	31,802,236
Expenses:						
Governmental activities:						
General government	5,241,450	-	5,241,450	4,834,983	-	4,834,983
Public safety	8,637,647	-	8,637,647	8,343,877	-	8,343,877
Public ways and facilities	4,148,675	-	4,148,675	3,577,656	-	3,577,656
Community development	950,418	-	950,418	2,104,573	-	2,104,573
Recreation and culture	379,961	-	379,961	315,812	-	315,812
Interest and fiscal charges	388,235	-	388,235	101,535	-	101,535
Business-type activities:	-					
Water	-	2,088,411	2,088,411	-	1,927,106	1,927,106
Sewer	-	6,972,464	6,972,464	-	4,784,671	4,784,671
Total expenses	19,746,386	9,060,875	28,807,261	19,278,436	6,711,777	25,990,213
Excess (Deficiency) of revenues over expenditures before transfers	917,132	3,475,893	4,393,025	2,552,425	3,259,598	5,812,023
Transfers	178,271	(178,271)	-	-	-	-
Change in net position	1,095,403	3,297,622	4,393,025	2,552,425	3,259,598	5,812,023
Net position:						
Beginning of year	56,528,386	37,770,132	94,298,518	57,845,297	34,867,055	92,712,352
Adjustments	-	-	-	(3,869,336)	(356,521)	(4,225,857)
End of year	$ 57,623,789	$ 41,067,754	$ 98,691,543	$ 56,528,386	$ 37,770,132	$ 94,298,518

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Expenses

Governmental and business-type activity expenses of the City for the year totaled approximately $28.8 million. Governmental activity expenses totaled approximately $19.7 million or 68.4% of total expenses. Business-type activities incurred approximately $9.1 million in expenses during the fiscal year. Public safety costs represented 43.7% of total governmental activities expenses.

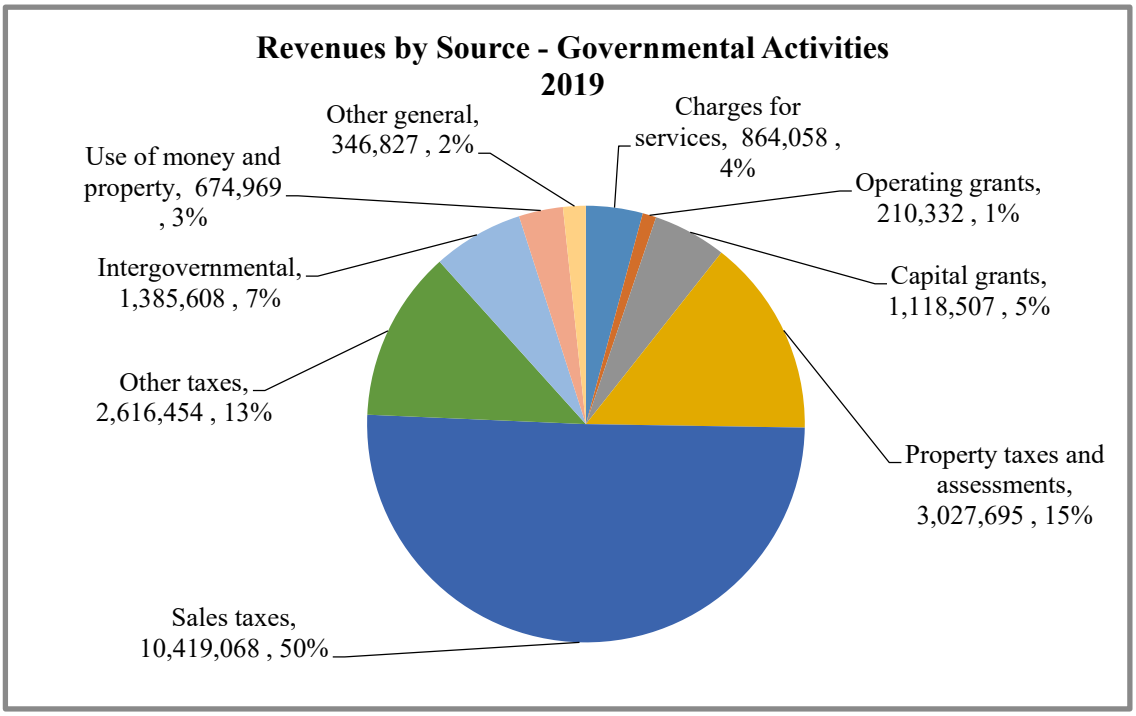
Governmental Activities

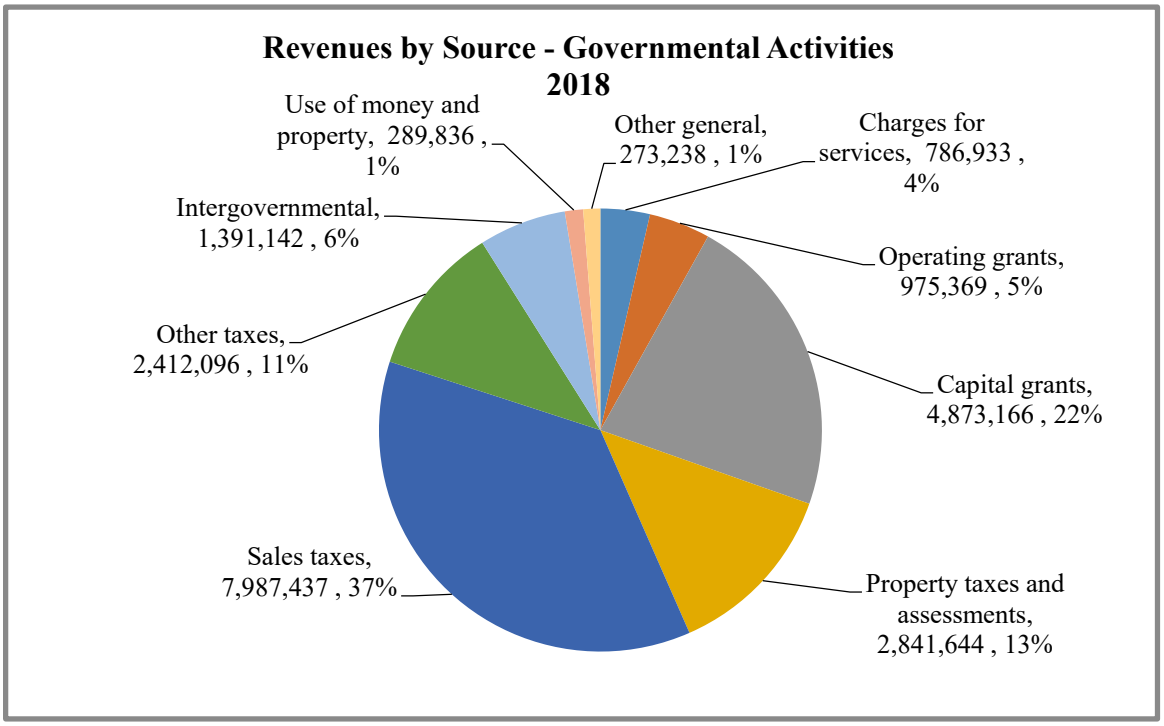
The following table shows the cost of each of the City's major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City's taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2019, and 2018, are as follows:

	2019		2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	$ 5,241,450	$ 5,241,450	$ 4,834,983	$ 4,834,326
Public safety	8,637,647	8,145,726	8,343,877	8,003,213
Public ways and facilities	4,148,675	2,656,535	3,577,656	(1,386,156)
Community development	950,418	780,779	2,104,573	774,238
Recreation and culture	379,961	340,764	315,812	315,812
Interest and fiscal charges	388,235	388,235	101,535	101,535
Total	$ 19,746,386	$ 17,553,489	$ 19,278,436	$ 12,642,968

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

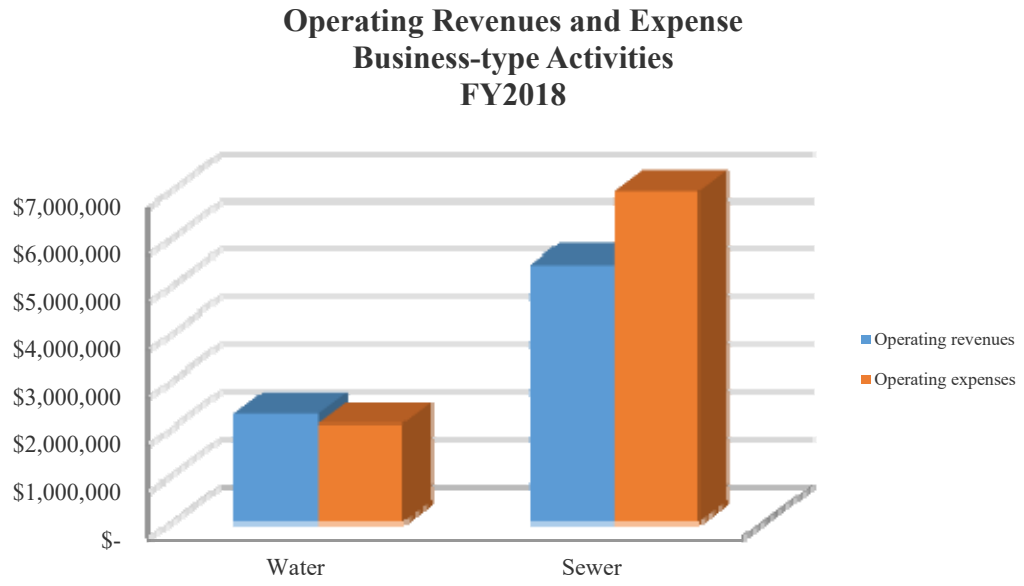
Revenues by source for the fiscal years ended June 30, 2019, and 2018, are as follows:

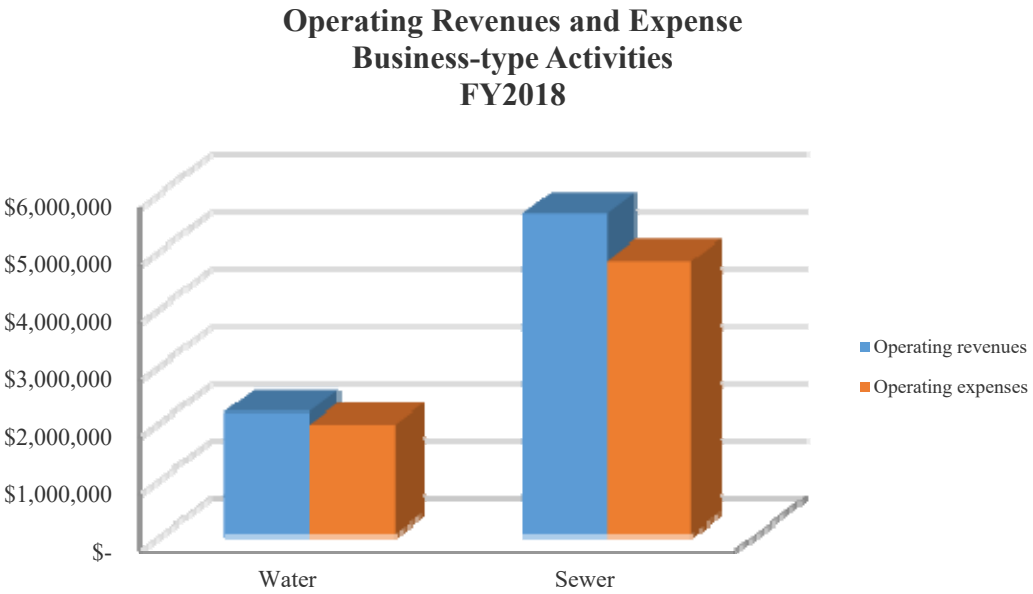




GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

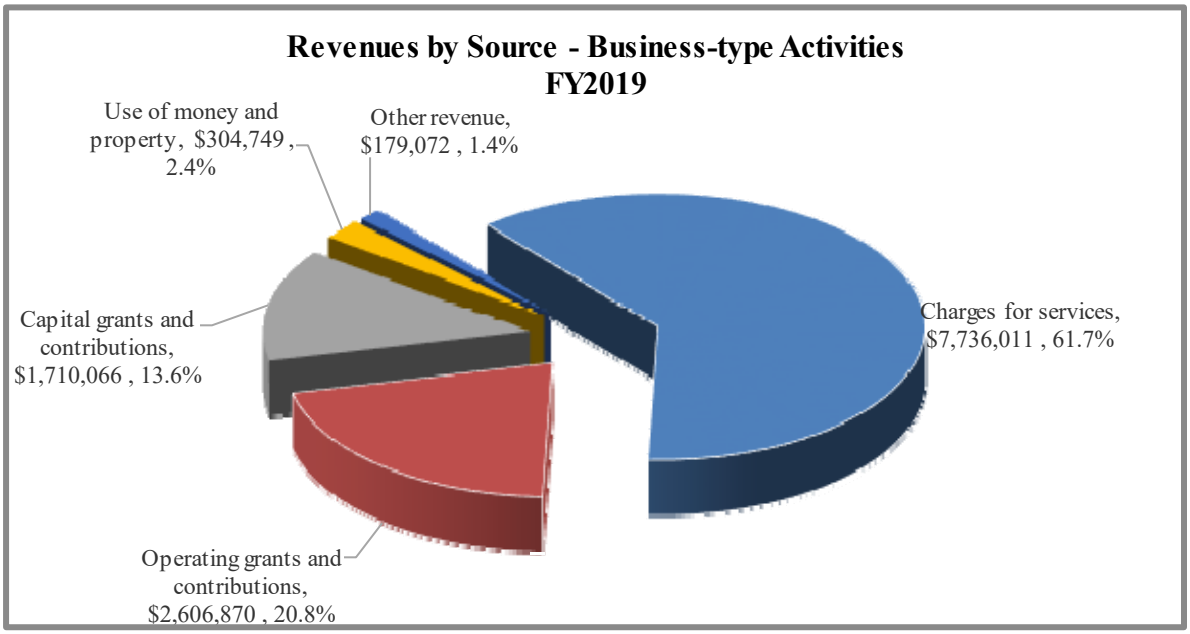
Business-type activities. Business-type activities increased the City's net position by approximately $3.3 million. The City has two business-type activities: Water and Sewer Operations. The operating revenues and expenses for the business-type activities for the fiscal years ended June 30, 2019, and 2018, are as follows:

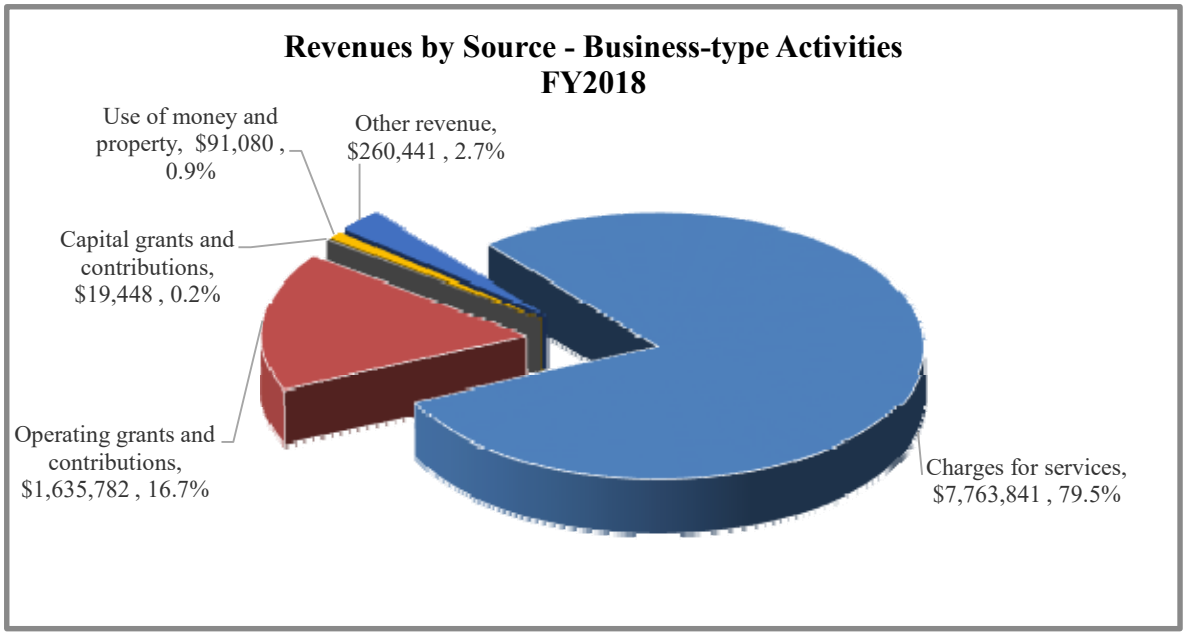




GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The revenues by source for the business-type activities for the fiscal years ended June 30, 2019, and 2018, are as follows:





GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

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, 2019, the City's governmental funds reported combined fund balances of approximately $28.4 million.

The General Fund is the primary operating fund of the City. At the fiscal year ended June 30, 2019, General Fund unassigned fund balance totaled approximately $12.4 million. This is an increase of approximately $2.8 million from the prior year (note: this amount represents funding carried over and appropriated in following year towards applicable capital projects – predominantly for Measure E activities).

Proprietary funds. The City's proprietary funds unrestricted net position increased by approximately $2.5 million in the fiscal year ended June 30, 2019, primarily due to receipts of capital grants and other contributions towards Sewer Fund capital projects.

General Fund Budgetary Highlights

The difference between the final budget and actual net change in fund balance realized is a positive net change (addition to available fund balance) of approximately $1.1 million. This was mainly due to increased collections of sales taxes due to the passage of Measure E effective in October 2018 offset by increased public safety expenditures (Measure E funds used for these programs) and capital projects related to building safety and security.

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amount to approximately $94.0 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.

Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	$ 2,942,518	$ 2,881,632	$ 239,401	$ 239,401	$ 3,181,919	$ 3,121,033
Construction in progress	4,789,597	3,196,858	1,495,535	5,986,406	6,285,132	9,183,264
Buildings and Improvements	5,167,870	4,825,570	31,818,995	27,717,378	36,986,865	32,542,948
Equipment	2,765,172	2,947,439	349,635	356,365	3,114,807	3,303,804
Infrastructure	34,947,659	36,142,441	9,441,700	9,458,561	44,389,359	45,601,002
Leased assets	258,461	-				
Total	$ 50,871,277	$ 49,993,940	$ 43,345,266	$ 43,758,111	$ 93,958,082	$ 93,752,051

More detail of the capital assets and current activity can be found in the notes to the financial statements on page 51 for significant accounting policies and Note 5 on page 63 for other capital asset information.

Economic Outlook

In June 2019, the City Council adopted the FY 2019-20 Budget which includes General Fund revenues of $12.8 million and appropriations of $13.1 million. Additionally, as a result of the passage of Measure E in June 2018, the FY 2019-20 Budget also includes projected Measure E sales tax revenues of $5.6 million and Measure E expenditures of $6.5 million.

In June 2019, the City of Grass Valley electorate approved Measure E – effectively removing the Measure N sunset clause while increasing the Transactions Tax from ½ -cent to 1-cent citywide. It is expected that the increased transaction tax will result in a total of $5.6 million in annual revenue, which will be dedicated towards the City's Police and Fire operations; and the City's Street Rehabilitation and Parks Programs. Regular sales tax revenue is conservatively projected to be slightly higher year-over-year.

The City will continue to face significant fiscal pressures in the short and long term relating primarily to salary and benefit expenditures. CalPERS has provided actuarial estimates indicating that annual costs to amortize unfunded pension liabilities will be approximately $1 million more annually by FY 2024-25.

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Economic Outlook, Continued

The City also continues to experience medical premium increases for most of the medical plans offered by the City to its employees. The City's aggregate employer contribution towards medical premiums has risen; and as in the past, it is uncertain whether these costs will stabilize in the near 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 530-274-4300.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

City of Grass Valley, California
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
Cash and investments	$ 17,886,731	$ 11,791,889	$ 29,678,620
Restricted cash and investments	-	636,969	636,969
Receivables:			
Taxes	2,231,667	-	2,231,667
Interest	163,498	-	163,498
Accounts	-	1,017,561	1,017,561
Intergovernmental	181,395	178,839	360,234
Loans/Notes receivable	9,742,712	-	9,742,712
Other	337,418	-	337,418
Prepaid items	1,909	-	1,909
Capital assets:			
Nondepreciable	7,732,115	1,734,936	9,467,051
Depreciable	43,139,162	41,610,330	84,749,492
Total assets	81,416,607	56,970,524	138,387,131
Deferred outflows: Pension plan	3,699,281	1,214,383	4,913,664
Deferred outflows: OPEB	237,393	21,873	259,266
Total assets and deferred outflows	$ 85,353,281	$ 58,206,780	$ 143,560,061
LIABILITIES AND DEFERRED INFLOWS			
Accounts payable and accrued liabilities	$ 1,794,887	$ 736,740	$ 2,531,627
Interest payable	-	124,811	124,811
Deposits payable	232,156	7,699	239,855
Current portion of long-term debt	355,876	1,272,241	1,628,117
Compensated absences - current portion	272,799	69,067	341,866
Long-term liabilities:			
Compensated absences	564,489	95,709	660,198
Due after one year	2,030,428	9,734,134	11,764,562
Net OPEB obligation	6,565,713	604,965	7,170,678
Net Pension obligation	14,806,679	4,158,534	18,965,213
Total liabilities	26,623,027	16,803,900	43,426,927
Deferred inflows: Pension plan	1,106,465	335,126	1,441,591
Total liabilities and deferred inflows	27,729,492	17,139,026	44,868,518
NET POSITION			
Net investment in capital assets	48,484,973	32,338,891	80,823,864
Restricted	3,460,568	636,969	4,097,537
Unrestricted	5,678,248	8,091,894	13,770,142
Total net position	57,623,789	41,067,754	98,691,543
Total liabilities, deferred inflows and net position	$ 85,353,281	$ 58,206,780	$ 143,560,061

The accompanying notes are an integral part of these basic financial statements.

City of Grass Valley, California
Statement of Activities
For the year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 5,187,419	$ -	$ -	$ -
Public safety	8,637,647	451,228	40,693	-
Public ways and facilities	4,148,675	373,633	-	1,118,507
Community development	950,418	-	169,639	-
Recreation and culture	379,961	39,197	-	-
Interest and fiscal charges	442,266	-	-	-
Total governmental activities	19,746,386	864,058	210,332	1,118,507
Business-type activities:				
Water	2,088,411	2,297,415	-	100,693
Sewer	6,972,464	5,438,596	2,606,870	1,609,373
Total business-type activities	9,060,875	7,736,011	2,606,870	1,710,066
Total primary government	$ 28,807,261	$ 8,600,069	$ 2,817,202	$ 2,828,573

General revenues:
- Taxes:
  - Property taxes, levied for general purposes
  - Sales taxes
  - Other taxes
- Intergovernmental
- Use of money and property
- Other general revenues
  - Total general revenues
- Transfers
  - Total general revenues and transfers

Change in net position

Net position:
- Beginning of year
- End of year

The accompanying notes are an integral part of these basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
$ (5,187,419)	$ -	$ (5,187,419)
(8,145,726)	-	(8,145,726)
(2,656,535)	-	(2,656,535)
(780,779)	-	(780,779)
(340,764)	-	(340,764)
(442,266)	-	(442,266)
(17,553,489)	-	(17,553,489)
-	309,697	309,697
-	2,682,375	2,682,375
-	2,992,072	2,992,072
(17,553,489)	2,992,072	(14,561,417)
3,027,695	-	3,027,695
10,419,068	-	10,419,068
2,616,454	-	2,616,454
1,385,608	-	1,385,608
674,969	304,749	979,718
346,827	179,072	525,899
18,470,621	483,821	18,954,442
178,271	(178,271)	-
18,648,892	305,550	18,954,442
1,095,403	3,297,622	4,393,025
56,528,386	37,770,132	94,298,518
$ 57,623,789	$ 41,067,754	$ 98,691,543

This page intentionally left blank.

FUND FINANCIAL STATEMENTS
MAJOR FUNDS

Fund	Description
Governmental Funds:	
General	Primary operating fund of the City; accounts for all activities except those legally or administratively required to be accounted for in other funds.
HOME Grant Special Revenue	Accounts for activities related to housing and the related Home Program funding.
Capital Projects Fund	Accounts for funds collected and expended for the construction or purchase of public facilities and projects.
Special Projects Capital Projects Fund	Accounts for funds collected and expended for the construction of special projects.

City of Grass Valley, California
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds		
	General Fund	HOME Grant Special Revenue	Capital Projects
ASSETS			
Cash and investments	$ 10,732,396	$ -	$ -
Receivables:			
Taxes	2,228,340	-	-
Interest	163,498	-	-
Intergovernmental	15,000	-	5,366
Loans/Notes receivable	-	4,270,278	-
Other receivable	314,658	-	1,120
Due from other funds	2,043,917	-	-
Prepaid items	1,909	-	-
Total assets	$ 15,499,718	$ 4,270,278	$ 6,486
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 1,199,712	$ -	$ 512,405
Due to other funds	-	-	1,926,453
Deposits payable	232,156	-	-
Total liabilities	1,431,868	-	2,438,858
Fund balances:			
Nonspendable	1,909	4,270,278	-
Restricted	1,631,530	-	-
Assigned	-	-	-
Unassigned (deficit)	12,434,411	-	(2,432,372)
Total fund balances	14,067,850	4,270,278	(2,432,372)
Total liabilities and fund balances	$ 15,499,718	$ 4,270,278	$ 6,486

The accompanying notes are an integral part of these basic financial statements.

Special Projects	Nonmajor Governmental Funds	Totals
$ 2,025,737	$ 5,053,879	$ 17,812,012
-	3,327	2,231,667
-	-	163,498
-	161,029	181,395
-	5,472,434	9,742,712
-	-	315,778
-	-	2,043,917
-	-	1,909
$ 2,025,737	$ 10,690,669	$ 32,492,888
$ -	$ 82,770	$ 1,794,887
-	117,464	2,043,917
-	-	232,156
-	200,234	4,070,960
-	5,544,005	9,816,192
-	1,829,038	3,460,568
2,025,737	3,141,255	5,166,992
-	(23,863)	9,978,176
2,025,737	10,490,435	28,421,928
$ 2,025,737	$ 10,690,669	$ 32,492,888

City of Grass Valley, California
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Total fund balances - total governmental funds		$ 28,421,928
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		50,871,277
Pension obligations result in deferred outflows and inflows of resources associated with the actuarial value of contributions, assets, and liabilities.		
Deferred outflows - pension	3,699,281	
Deferred outflows - OPEB	237,393	
Deferred inflows - pension	(1,106,465)	2,830,209
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.		
Compensated absences	$ (837,288)	
Due within one year	(355,876)	
Due after one year	(2,030,428)	
Net OPEB obligation	(6,565,713)	
Net Pension obligation	(14,806,679)	(24,595,984)
Internal services funds are used by management to charge the costs of certain activities, such as vehicle replacement and technology, to individual funds. The assets and liabilities of the internal service funds are:		
Current assets		96,359
Net position of governmental activities		$ 57,623,789

The accompanying notes are an integral part of these basic financial statements.

City of Grass Valley, California

Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Position Governmental Activities

June 30, 2019

	Governmental Funds Balance Sheet	Reclassifications	Changes in GAAP	Internal Services Balances	Statement of Net Position
ASSETS					
Current assets:					
Cash and investments	$ 17,812,012	$ -	$ -	$ 74,719	$ 17,886,731
Restricted cash and investments	-	-	-	-	-
Receivables:					
Taxes	2,231,667	-	-	-	2,231,667
Interest	163,498	-	-	-	163,498
Intergovernmental	181,395	-	-	-	181,395
Loans/Notes receivable	9,742,712	-	-	-	9,742,712
Other receivable	315,778	-	-	21,640	337,418
Due from other funds	2,043,917	(2,043,917)	-	-	-
Prepaid items	1,909	-	-	-	1,909
Total current assets	32,492,888	(2,043,917)	-	96,359	30,545,330
Noncurrent assets:					
Capital assets, net	-	-	50,871,277	-	50,871,277
Total noncurrent assets	-	-	50,871,277	-	50,871,277
Deferred outflows - pension plan	-	-	3,699,281	-	3,699,281
Deferred outflows - OPEB	-	-	237,393	-	237,393
Total assets	$ 32,492,888	$ (2,043,917)	$ 54,807,951	$ 96,359	$ 85,353,281
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	$ 1,794,887	$ -	$ -	$ -	$ 1,794,887
Interest payable	-	-		-	-
Due to other funds	2,043,917	(2,043,917)	-	-	-
Deposits payable	232,156	-	-	-	232,156
Current portion of long-term debt	-	-	355,876	-	355,876
Unearned revenue	-	-	-	-	-
Compensated absences - current portion	-		272,799	-	272,799
Other liabilities	-	-	-	-	-
Total current liabilities	4,070,960	(2,043,917)	628,675	-	2,655,718
Noncurrent liabilities:					
Long-term liabilities:					
Compensated absences	-	-	564,489	-	564,489
Due after one year	-	-	2,030,428	-	2,030,428
Net OPEB obligation	-	-	6,565,713	-	6,565,713
Net Pension obligation	-	-	14,806,679	-	14,806,679
Total noncurrent liabilities	-	-	23,967,309	-	23,967,309
Total liabilities	4,070,960	(2,043,917)	24,595,984	-	26,623,027
Deferred inflows: Pension plan	-	-	1,106,465	-	1,106,465
FUND BALANCES/NET POSITION					
Fund balances:					
Nonspendable	9,816,192	(9,816,192)	-	-	-
Restricted	3,460,568	(3,460,568)	-	-	-
Committed	-	-	-	-	-
Assigned	5,166,992	(5,166,992)	-	-	-
Unassigned (deficit)	9,978,176	(9,978,176)	-	-	-
Net position:					-
Net investment in capital assets	-	-	48,484,973	-	48,484,973
Restricted	-	-	3,460,568	-	3,460,568
Unrestricted	-	28,421,928	(22,840,039)	96,359	5,678,248
Total fund balances/ net position	28,421,928	-	29,105,502	96,359	57,623,789
Total liabilities, deferred inflows and net position	$ 32,492,888	$ (2,043,917)	$ 54,807,951	$ 96,359	$ 85,353,281

The accompanying notes are an integral part of these basic financial statements.

City of Grass Valley, California

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

For the year ended June 30, 2019

	Major Funds		
	General Fund	HOME Grant Special Revenue	Capital Projects
REVENUES:			
Taxes and assessments	$ 15,584,077	$ -	$ -
Fines and forfeitures	74,901	-	-
Intergovernmental	1,385,608	-	414,383
Use of money and property	318,264	68,942	(10,390)
Charges for services	716,070	-	-
Other revenues	312,347	-	-
Total revenues	18,391,267	68,942	403,993
EXPENDITURES:			
Current:			
General government	3,399,958	-	-
Public safety	8,297,298	-	-
Public ways and facilities	941,326	-	-
Community development	705,360	-	-
Recreation and culture	378,392	-	-
Capital outlay	898,496	-	3,590,199
Debt service:			
Principal	440,794	-	-
Interest and fiscal charges	91,899	-	-
Total expenditures	15,153,523	-	3,590,199
REVENUES OVER (UNDER) EXPENDITURES	3,237,744	68,942	(3,186,206)
OTHER FINANCING SOURCES (USES):			
Proceeds from sales of assets	3,000	-	-
Transfers in	3,000	-	1,581,138
Transfers out	(452,272)	-	(192,188)
Total other financing sources (uses)	(446,272)	-	1,388,950
Net change in fund balances	2,791,472	68,942	(1,797,256)
FUND BALANCES (DEFICIT):			
Beginning of year	11,276,378	4,201,336	(635,116)
End of year	$ 14,067,850	$ 4,270,278	$ (2,432,372)

The accompanying notes are an integral part of these basic financial statements.

Special Projects	Other Governmental Funds	Totals
$ -	$ 479,140	$ 16,063,217
-	39,637	114,538
123,354	791,102	2,714,447
62,181	235,972	674,969
-	33,450	749,520
-	34,480	346,827
185,535	1,613,781	20,663,518
3,000	159,591	3,562,549
-	245,592	8,542,890
6,250	69,941	1,017,517
-	87,539	792,899
-	-	378,392
-	29,100	4,517,795
-	-	440,794
-	-	91,899
9,250	591,763	19,344,735
176,285	1,022,018	1,318,783
-	-	3,000
-	415,852	1,999,990
(202,057)	(975,202)	(1,821,719)
(202,057)	(559,350)	181,271
(25,772)	462,668	1,500,054
2,051,509	10,027,767	26,921,874
$ 2,025,737	$ 10,490,435	$ 28,421,928

City of Grass Valley, California
Reconciliation of Fund Basis Statements to Government-wide Statement of Activities
For the year ended June 30, 2019

Functions/Programs	Fund Based Totals	Compensated Absences/ Debt Service	Internal Service	Depreciation	Capital Asset (Additions)/ Retirements	OPEB Obligation	Pension Obligation	Government-wide Totals
Governmental activities:								
General government	$ 3,562,549	$ 25,045	$ -	$ 252,394	$ 3,000	$ 440,389	$ 904,042	$ 5,187,419
Public safety	8,542,890	-	-	94,757	-	-	-	8,637,647
Public ways and facilities	1,017,517	-	-	2,552,987	578,171	-	-	4,148,675
Community development	792,899	-	(2,939)	160,458	-	-	-	950,418
Recreation and culture	378,392	-	-	1,569	-	-	-	379,961
Capital outlay	4,517,795	-	-	-	(4,517,795)	-	-	-
Debt service/Interest	532,693	(90,427)	-	-	-	-	-	442,266
Total governmental activities	$ 19,344,735	$ (65,382)	$ (2,939)	$ 3,062,165	$ (3,936,624)	$ 440,389	$ 904,042	$ 19,746,386

The accompanying notes are an integral part of these basic financial statements.

City of Grass Valley, California

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2019

Net change in fund balances - total governmental funds		$ 1,500,054
Amounts reported for governmental activities in the Statement of Activities are different from those reported in the governmental funds because of the following:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are capitalized and allocated over their useful lives and reported as depreciation expense. The activities associated with capital assets are:		
Capital asset purchases capitalized	$ 3,936,624	
Proceeds from sales of assets	(3,000)	
Depreciation expense	(3,062,165)	871,459
Debt principal payments are reported as expenditures in the governmental funds. The governmental activities, however, report principal payments as a reduction of long-term debt on the Statement of Net Position:		
Debt principal payments		90,427
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in compensated absences		(25,045)
Certain employee benefit obligations are recorded on a pay-as-you-go basis in the governmental funds, but are accrued as liabilities in the Statement of Net Position:		
Net OPEB obligation	(440,389)	
Net Pension obligation	(904,042)	(1,344,431)
Internal services funds are used by management to charge the costs of certain activities, such as information technology, to individual funds. The change in net position of the Internal Service Funds is ($2,939).		
	2,939	2,939
Change in net position of governmental activities		$ 1,095,403

The accompanying notes are an integral part of these basic financial statements.

City of Grass Valley, California

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual - General Fund and Major Special Revenue Fund

For the year ended June 30, 2019

	General Fund			
	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes and assessments	$ 13,145,974	$ 13,145,974	$ 15,584,077	$ 2,438,103
Fines and forfeitures	-	-	74,901	74,901
Intergovernmental	1,593,380	1,593,380	1,385,608	(207,772)
Use of money and property	37,500	37,500	318,264	280,764
Charges for services	615,552	615,552	716,070	100,518
Other revenues	5,950	5,950	312,347	306,397
Total revenues	15,398,356	15,398,356	18,391,267	2,992,911
EXPENDITURES:				
Current:				
General government	3,793,187	3,793,187	3,399,958	393,229
Public safety	7,467,493	7,467,493	8,297,298	(829,805)
Public ways and facilities	934,908	934,908	941,326	(6,418)
Community development	696,646	696,646	705,360	(8,714)
Recreation and culture	375,246	375,246	378,392	(3,146)
Capital outlay	50,000	50,000	898,496	(848,496)
Debt service:				
Principal	339,893	339,893	440,794	(100,901)
Interest and fiscal charges	90,240	90,240	91,899	(1,659)
Total expenditures	13,747,613	13,747,613	15,153,523	(1,405,910)
REVENUES OVER (UNDER) EXPENDITURES	1,650,743	1,650,743	3,237,744	1,587,001
OTHER FINANCING SOURCES (USES):				
Proceeds from sales of assets	-	-	3,000	3,000
Transfers in	75,112	75,112	3,000	(72,112)
Transfers out	-	-	(452,272)	(452,272)
Total other financing sources (uses)	75,112	75,112	(446,272)	(521,384)
Net change in fund balances	1,725,855	1,725,855	2,791,472	1,065,617
FUND BALANCES:				
Beginning of year	11,276,378	11,276,378	11,276,378	-
End of year	$ 13,002,233	$ 13,002,233	$ 14,067,850	$ 1,065,617

The accompanying notes are an integral part of these basic financial statements.

HOME Grant Special Revenue Fund				Totals			
Budgeted Amounts			Variance w/Final Positive	Budgeted Amounts			Variance w/Final Positive
Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
$ -	$ -	$ -	$ -	$ 13,145,974	$ 13,145,974	$ 15,584,077	$ 2,438,103
		-	-	-	-	74,901	74,901
-	-	-	-	1,593,380	1,593,380	1,385,608	(207,772)
80,000	80,000	68,942	(11,058)	117,500	117,500	387,206	269,706
-	-	-	-	615,552	615,552	716,070	100,518
-	-	-	-	5,950	5,950	312,347	306,397
80,000	80,000	68,942	(11,058)	15,478,356	15,478,356	18,460,209	2,981,853
-	-	-	-	3,793,187	3,793,187	3,399,958	393,229
-	-	-	-	7,467,493	7,467,493	8,297,298	(829,805)
-	-	-	-	934,908	934,908	941,326	(6,418)
-	-	-	-	696,646	696,646	705,360	(8,714)
-	-	-	-	375,246	375,246	378,392	(3,146)
-	-	-	-	50,000	50,000	898,496	(848,496)
-	-	-	-	339,893	339,893	440,794	(100,901)
-	-	-	-	90,240	90,240	91,899	(1,659)
-	-	-	-	13,747,613	13,747,613	15,153,523	(1,405,910)
80,000	80,000	68,942	(11,058)	1,730,743	1,730,743	3,306,686	1,575,943
-	-	-	-	-	-	3,000	3,000
-	-	-	-	75,112	75,112	3,000	(72,112)
-	-	-	-	-	-	(452,272)	(452,272)
-	-	-	-	75,112	75,112	(446,272)	(521,384)
80,000	80,000	68,942	(11,058)	1,805,855	1,805,855	2,860,414	1,054,559
4,201,336	4,201,336	4,201,336	-	15,477,714	15,477,714	15,477,714	-
$ 4,281,336	$ 4,281,336	$ 4,270,278	$ (11,058)	$ 17,283,569	$ 17,283,569	$ 18,338,128	$ 1,054,559

This page intentionally left blank.

ENTERPRISE FUNDS

Fund	Description
Major Funds:	
Water Fund	Accounts for the operation and maintenance of the City's water treatment and distribution system.
Sewer Fund	Accounts for the operation and maintenance of the City's wastewater treatment plant and collection facilities.

City of Grass Valley, California
Statement of Net Position
Proprietary Funds
June 30, 2019

	Water Fund	Sewer Fund	Totals	Governmental Activities Vehicle Replacement Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS				
Current assets:				
Cash and investments	$ 4,626,990	$ 7,164,899	$ 11,791,889	$ 74,719
Restricted cash and investments	-	636,969	636,969	-
Receivables:				
Accounts	298,028	719,533	1,017,561	21,640
Intergovernmental	-	178,839	178,839	-
Total current assets	4,925,018	8,700,240	13,625,258	96,359
Noncurrent assets:				
Capital assets, net	8,441,464	34,903,802	43,345,266	-
Total noncurrent assets	8,441,464	34,903,802	43,345,266	-
Total assets	13,366,482	43,604,042	56,970,524	96,359
Deferred outflows - Pensions	361,282	853,101	1,214,383	-
Deferred outflows - OPEB	9,742	12,131	21,873	
Total assets and deferred outflows	$ 13,737,506	$ 44,469,274	$ 58,206,780	$ 96,359
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
Current liabilities:				
Accounts payable	130,316	300,717	$ 431,033	$ -
Accrued payroll	20,645	44,262	64,907	-
Interest payable	24,992	99,819	124,811	-
Prepaid connection fees	-	240,800	240,800	-
Deposits payable	7,699	-	7,699	-
Long-term liabilities - current portion	232,029	1,040,212	1,272,241	-
Compensated absences - current portion	13,878	55,189	69,067	-
Total current liabilities	429,559	1,780,999	2,210,558	-
Noncurrent liabilities:				
Compensated absences	26,642	69,067	95,709	-
Due after one year	2,294,008	7,440,126	9,734,134	-
Net OPEB obligation	193,265	411,700	604,965	-
Net Pension obligation	1,209,419	2,949,115	4,158,534	-
Total noncurrent liabilities	3,723,334	10,870,008	14,593,342	-
Total liabilities	4,152,893	12,651,007	16,803,900	-
Deferred inflows - Pension	108,110	227,016	335,126	
Total liabilities and deferred inflows	4,261,003	12,878,023	17,139,026	-
Net Position:				
Net investment in capital assets	5,915,427	26,423,464	32,338,891	-
Restricted	-	636,969	636,969	-
Unrestricted	3,561,076	4,530,818	8,091,894	96,359
Total net position	9,476,503	31,591,251	41,067,754	96,359
Total liabilities, deferred inflows and net position	$ 13,737,506	$ 44,469,274	$ 58,206,780	$ 96,359

The accompanying notes are an integral part of these basic financial statements.

City of Grass Valley, California

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the year ended June 30, 2019

	Water Fund	Sewer Fund	Totals	Governmental Activities Vehicle Replacement Internal Service Funds
OPERATING REVENUES:				
Charges for service	2,108,217	5,080,548	$ 7,188,765	$ -
Other operating revenue	189,198	358,048	547,246	-
Total operating revenues	2,297,415	5,438,596	7,736,011	-
OPERATING EXPENSES:				
Salaries and benefits	638,121	1,225,001	1,863,122	-
Contractual services	417,547	2,191,136	2,608,683	-
Materials and supplies	45,647	528,170	573,817	-
Repairs and maintenance	12,112	289,113	301,225	-
Purchased water	370,532	-	370,532	-
Utilities	9,921	256,703	266,624	-
Insurance	47,299	105,665	152,964	-
Allocated overhead	47,839	110,137	157,976	-
Depreciation and amortization	395,736	1,962,168	2,357,904	-
Total operating expenses	1,984,754	6,668,093	8,652,847	-
OPERATING INCOME(LOSS)	312,661	(1,229,497)	(916,836)	-
NONOPERATING REVENUES (EXPENSES):				
Gain (Loss) on sale of capital assets	-	8,800	8,800	23,640
Capital contributions	100,693	1,609,373	1,710,066	-
Grants	-	2,606,870	2,606,870	
Interest revenue	126,486	178,263	304,749	2,718
Interest expense	(103,657)	(304,371)	(408,028)	(29,297)
Miscellaneous revenues (expenses)	120,800	49,472	170,272	-
Total non-operating revenues, net	244,322	4,148,407	4,392,729	(2,939)
NET INCOME(LOSS) BEFORE TRANSFERS	556,983	2,918,910	3,475,893	(2,939)
Transfers in	92,188	100,000	192,188	-
Transfers out	(126,372)	(244,087)	(370,459)	-
Total transfers	(34,184)	(144,087)	(178,271)	-
CHANGE IN NET POSITION	522,799	2,774,823	3,297,622	(2,939)
NET POSITION:				
Beginning of year	8,953,704	28,816,428	37,770,132	99,298
End of year	$ 9,476,503	$ 31,591,251	$ 41,067,754	$ 96,359

The accompanying notes are an integral part of these basic financial statements.

City of Grass Valley, California
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2019

	Water Fund	Sewer Fund	Totals	Governmental Activities Vehicle Replacement Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers/users for services provided	$ 2,350,006	$ 5,276,564	$ 7,626,570	$ (21,640)
Cash payments to suppliers for goods and services	(960,544)	(3,805,012)	(4,765,556)	-
Cash payments to employees for services	(632,937)	(1,218,610)	(1,851,547)	-
Net cash provided by operating activities	756,525	252,942	1,009,467	(21,640)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Change in net OPEB obligation	18,056	30,233	48,289	-
Change in net pension obligation	103,140	(74,195)	28,945	-
Transfers paid	(126,372)	(244,087)	(370,459)	-
Net cash used by noncapital financing activities	87,012	(188,049)	(101,037)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from grants	-	2,606,870	2,606,870	-
Acquisition and construction of capital assets	(201,159)	(1,696,014)	(1,897,173)	-
Capital contributions	100,693	1,609,373	1,710,066	-
Other income received	120,800	49,472	170,272	-
Principal paid on long term debt	(221,873)	(1,007,354)	(1,229,227)	-
Interest paid on long term debt	(106,305)	(320,849)	(427,154)	(29,297)
Proceeds from sale of capital assets	-	-	-	23,640
Net cash (used) by capital and related financing activities	(307,844)	1,241,498	933,654	(5,657)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	126,486	178,263	304,749	2,718
Net cash provided by investing activities	126,486	178,263	304,749	2,718
Net increase (decrease) in cash and cash equivalents	662,179	1,484,654	2,146,833	(24,579)
CASH AND CASH EQUIVALENTS:				
Beginning of year	3,964,811	6,317,214	10,282,025	99,298
End of year	$ 4,626,990	$ 7,801,868	$ 12,428,858	$ 74,719
PRESENTATION IN STATEMENT OF NET POSITION:				
Cash and investments	$ 4,626,990	$ 7,164,899	$ 11,791,889	$ 74,719
Restricted cash and investments	-	636,969	636,969	-
Total Cash and Cash Equivalents	$ 4,626,990	$ 7,801,868	$ 12,428,858	$ 74,719
Reconciliation of income from operations to net cash provided by operating activities:				
Operating income	$ 312,661	$ (1,229,497)	$ (916,836)	$ -
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	395,736	1,962,168	2,357,904	-
OPEB adjustments	(5,285)	(2,427)	(7,712)	-
(Increase) decrease in current assets:				
Accounts receivable	52,193	14,483	66,676	(21,640)
Intergovernmental receivables	127	(176,515)	(176,388)	-
Increase (decrease) in liabilities and deferred inflows/outflows:				
Accounts payable	(4,362)	(321,661)	(326,023)	-
Accrued payroll	2,346	(7,417)	(5,071)	-
Compensated absences	2,838	13,808	16,646	-
Net cash provided by operating activities	$ 756,525	$ 252,942	$ 1,009,467	$ (21,640)

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2019.

The accompanying notes are an integral part of these basic financial statements.

FIDUCIARY ACTIVITIES

Fund	Description

Private Purpose Trust Funds are used for resources held for other individuals and entities in a manner similar to private enterprise.

Private Purpose Trust Funds	
Successor Agency - Grass Valley Redevelopment Agency	Accounts for funds collected and disbursed for the dissolution of the former Grass Valley Redevelopment Agency related to Administration and Retirement of enforceable obligations
Housing	Accounts for funds collected and disbursed for the dissolution of the former Grass Valley Redevelopment Agency's housing related debts.

Agency Funds	
Whispering Pines Morgan Ranch Redemption	Accounts for assessments made for debt service of the Whispering Pines Morgan Ranch Redemption AD bonds for which the City is not obligated.
Whispering Pines Morgan Ranch Reserve 2001	Accounts for assessments made for debt service of the Whispering Pines Morgan Ranch Reserve 2001 AD bonds for which the City is not obligated.
Whispering Pines Morgan Ranch Redemption 2001	Accounts for assessments made for debt service of the Whispering Pines Morgan Ranch Redemption 2001 AD bonds for which the City is not obligated.

City of Grass Valley, California
Statement of Fiduciary Net Position
Fiduciary Activities
June 30, 2019

	Successor Agency		
	Former Grass Valley Redevelopment Agency	Housing	Agency Funds
Current assets:			
Cash and investments	$ 1,197,867	$ -	$ 180,232
Cash and investments with trustee/fiscal agent	975,697	-	178,364
Notes/Loans receivable	17,610	989,297	-
Assessments receivable	-	-	759
Total current assets	2,191,174	989,297	359,355
Total assets	$ 2,191,174	$ 989,297	$ 359,355
LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable and accrued liabilities	$ 1,736	$ -	$ 615
Due to others	-	-	358,740
Current portion of long-term debt	327,339	-	-
Total current liabilities	329,075	-	359,355
Long-term liabilities:			
Due after one year	8,094,832	-	-
Total long-term liabilities	8,094,832	-	-
Total liabilities	8,423,907	-	$ 359,355
Net Position (Deficit):			
Restricted for:			
Debt service	975,697	-	
Net position held in trust for Redevelopment Dissolution	(7,208,430)	989,297	
Total net position (deficit)	(6,232,733)	989,297	
Total liabilities and net position	$ 2,191,174	$ 989,297	

The accompanying notes are an integral part of these basic financial statements.

City of Grass Valley, California

Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

For the year ended June 30, 2019

	Successor Agency		
	Former Grass Valley Redevelopment Agency	Housing	Totals
ADDITIONS:			
Property taxes	$ 1,081,387	$ -	$ 1,081,387
Investment income	37,343	25,447	62,790
Other	307,339	-	307,339
Total additions	1,426,069	25,447	1,451,516
DEDUCTIONS:			
Community development	798,657	-	798,657
Total deductions	798,657	-	798,657
Transfers in	10,000	-	10,000
Transfers out	-	(10,000)	(10,000)
Total transfers	10,000	(10,000)	-
CHANGE IN FIDUCIARY NET POSITION	637,412	15,447	652,859
NET POSITION (DEFICIT):			
Beginning of year	(6,870,145)	973,850	(5,896,295)
End of year	$ (6,232,733)	$ 989,297	$ (5,243,436)

The accompanying notes are an integral part of these basic financial statements.

This page intentionally left blank.

NOTES TO BASIC FINANCIAL STATEMENTS

Index to Notes to Basic Financial Statements

Page

Note 1 - Summary of Significant Accounting Policies 45
Financial Reporting Entity 45
Basis of Presentation 46
Measurement Focus 48
Basis of Accounting 49
Assets, Liabilities, and Equity 50
Revenues, Expenditures, and Expenses 54
Budgetary Accounting 55

Note 2 – Cash and Investments 57

Note 3 – Accounts Receivable 61

Note 4 – Loans and Notes Receivable 62

Note 5 – Capital Assets 63

Note 6 – Accounts Payable and Accrued Liabilities 65

Note 7 – Long-term Liabilities 65

Note 8 – Net Position/Fund Balances 70

Note 9 – Interfund Transactions 74

Note 10 – Risk Management 76

Note 11 – Public Employee Retirement System 76

Note 12 – Other Post-Employment Benefits 83

Note 13 – Successor Agency Trust for Assets of Former Redevelopment Agency 87

Note 14 – Commitments and Contingencies 91

Note 15 – New Accounting Pronouncements 91

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City applies all GASB pronouncements to its activities.

In addition, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Financial Reporting Entity

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include sales taxes, other intergovernmental revenue from state and federal sources, user fees, and federal and state financial assistance.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Financial Reporting Entity, Continued

As required by GAAP, these financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. This component unit is on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The financial statements of the individual component unit, if applicable as indicated below, may be obtained by writing to the City of Grass Valley, City of Grass Valley, Finance Department, 125 East Main Street, Grass Valley, CA, 95945.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions restricted to the operating or capital requirements of a specific function or segment. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

Fund Financial Statements

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

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation, Continued

The City reports the following major governmental funds:

- General Fund
- HOME Grant Special Revenue Fund
- Capital Projects Fund
- Special Projects Fund

The City reports the following major proprietary funds:

- Water Fund
- Sewer Fund

The City reports the following additional fund types:

- Special Revenue Funds
- Internal Service Funds
- Permanent Funds
- Private Purpose Trust Funds
- Agency Funds

Descriptions of these funds are included on the divider page preceding the Governmental Funds Balance Sheet.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund. From this fund are paid the City's general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

Special Revenue Funds

The Special Revenue Funds are used to account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation, Continued

Capital Project Funds

The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Internal Service Funds

Internal Service Funds are used to account for financial transactions related to the City's Garage Department. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

Fiduciary Funds

Private Purpose Trust Funds

Private Purpose Trust Funds account for resources held for other individuals or entities in a manner similar to private enterprise.

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net Position and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net Position, which serves as an indicator of financial position.

In the fund financial statements, the "current financial resources" measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Measurement Focus, Continued

The enterprise funds and private purpose trust funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. Enterprise fund and private purpose trust funds equity is classified as net position.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means the amount is collectible within the current period or soon enough thereafter to pay current liabilities. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end, with the exception of grant revenues.

Grant revenues are considered to be available if collected within 180 days of the end of the current fiscal period.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The enterprise funds and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity

Cash Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 9 for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, utility user taxes, intergovernmental subventions, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, utility user tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The loans receivable are recorded in the fund statements, but are deferred to indicate they do not represent current financial resources. The loans are recognized when advanced in the government-wide statements. The City's experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, Continued

Inventory

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at $5,000 for non-infrastructure capital assets and $25,000 for infrastructure capital assets.

Government-Wide Statements

Public domain (infrastructure) capital assets include roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized, since then these assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. No depreciation is recorded in the year of acquisition or in the year of disposition.

The range of estimated useful lives by type of asset is as follows:

Equipment	3 – 25 years
Structures and improvements	5 – 50 years
Infrastructure	20 – 75 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, Continued

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

Compensated Absences

Employees accrue vacation, sick, holiday, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off, with the exception of sick time, and are paid on termination. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements and is currently payable. The City had no employee resignations or retirements for which compensated absences should be accrued in governmental funds at year-end. The general fund is typically used to liquidate compensated absences.

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(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has only has one item that qualifies for reporting in this category. It is the deferred charge on pension plan contributions 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item reported as a deferred inflow of resources. The deferred inflow our resources is the net difference between projected and actual earnings on pension plan investments and is reported on the statement of net position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, Continued

Equity Classification

Government-Wide Statements

Equity is classified as net position and is displayed in three components:

a. *Net investment in capital assets* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. *Restricted net position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or bylaws or regulations of other governments or law through constitutional provisions or enabling legislation.

c. *Unrestricted net position* – all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. Proprietary fund equity is classified the same as in the government-wide statements. The classifications for governmental funds are defined as follows for the City:

Nonspendable Fund Balance –

- Assets that will never convert to cash (prepaid items, inventory).
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

Restricted Fund Balance –

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation (Gas Tax).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, Continued

Equity Classification, Continued

Committed Fund Balance –

- Self imposed limitations set in place prior to the end of the period (encumbrances, economic contingencies and uncertainties).
- Limitation at the highest level of decision-making (Council) that requires formal action at the same level to remove.
- Council resolution is required to be taken to establish, modify or rescind a fund balance commitment

Assigned Fund Balance –

- Amounts in excess of nonspendable, restricted and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.
- Assigned amounts for a specific purpose are as authorized by the City's Finance Director through its fund balance policy.

Unassigned Fund Balance –

- Residual net resources
- Total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

Revenues, Expenditures, and Expenses

Property Tax

Property taxes in the State of California are administered for all local agencies at the county level and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property Tax, Continued

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

Interfund Transfers

Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Pensions

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

Budgetary Accounting

The City Council establishes budgets for the General Fund and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year’s budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval. The City Manager is authorized to increase expenditures in relation to revenues in funds receiving assigned revenues without approval by the City Council.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. There were no material supplemental appropriations made for the fiscal year ended June 30, 2019. Budget information is presented for the General and budgeted Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred 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 Plan's 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. 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, 2019
Measurement Date June 30, 2019
Measurement Period July 1, 2017 to June 30, 2019

Reclassifications

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

2. CASH AND INVESTMENTS

At June 30, 2019, the City's pooled cash and investments, classified by maturity, consisted of the following stated at fair value:

Cash, cash equivalents and investments pooled				Maturities (in years) <1	1 to 3	3 to 5	Deposits	Fair Market Value
Pooled cash, at fair value								
Cash in bank				$ -	$ -	$ -	$ 1,765,367	$ 1,765,367
Petty cash				-	-	-	850	850
Total pooled items				-	-	-	1,766,217	1,766,217
Pooled investments, at fair value								
Interest obligations								
	Par	Rate						
$	4,545,000	1.5 - 2.39%	Federal Agency Securities	-	3,542,816	998,875	-	4,541,691
	3,750,500	1.05 - 3.5%	Certificate of Deposits	249,923	2,731,177	757,475	-	3,738,575
			Money market	15,064	-	-	-	15,064
State of California Local Agency Investment Fund				22,786,202	-	-	-	22,786,202
Total pooled investments - interest obligations				23,051,189	6,273,993	1,756,350	-	31,081,532
Total cash equivalents and investments pooled				$ 23,051,189	$ 6,273,993	$ 1,756,350	$ 1,766,217	$ 32,847,749

Amounts reported in:	
Governmental activities	$ 17,886,731
Business-type activities	11,791,889
Business-type activities - Restricted	636,969
Fiduciary activities	1,378,099
Fiduciary activities - Restricted	1,154,061
Total	$ 32,847,749

Investment Type	Fair Value	Weighted Average Maturity (Years)
Federal agency securities	4,541,691	2.13
Certificates of deposits	3,738,575	2.50
Money market funds	15,064	N/A
Local Agency Investment Fund	22,786,202	N/A
Total fair value	$ 31,081,532	
Weighted average of maturity		2.32

2. CASH AND INVESTMENTS, Continued

California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code of the City's investment policy. During the year ended June 30, 2019, the City's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Bankers' Acceptances	180 days	40%	None
Certificates of Deposits	180 days	20%	None
Negotiable Certificates of Deposit	180 days	30%	None
Commercial Paper	180 days	15%	None
State of California Local Agency Investment Fund (State Pool)	N/A	Unlimited	$50 Million per entity
Medium Term Notes	5 years	30%	None
Money Market Funds	N/A	Unlimited	None
Passbook Savings and Money Market Accounts (Insured)	None	Unlimited	None
U.S. Treasury Obligations	None	Unlimited	None
U.S. Government Agency Issues	None	Unlimited	None
Repurchase Agreements	30 days	10%	None
Mortgage pass-through and asset backed securities	5 years	20%	None

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

2. CASH AND INVESTMENTS, Continued

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (State Pool)	N/A	None	None
Certificates of Deposit with Banks and Savings and Loans	None	None	None
Municipal Obligations	None	None	None

Interest rate risk –Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit risk – As of June 30, 2019, the City's investments in money market funds were rated AAA by Standard & Poor's and Fitch Ratings, and Aaa by Moody's Investors Service. The State of California Local Agency Investment Fund is not rated.

Concentration of credit risk – The City's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government's total investments. The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City's Investment Policy, which is accepted annually by the City Council. There were no concentrations in any one issuer for the year.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested 1.77% of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

2. CASH AND INVESTMENTS, Continued

Custodial credit risk – deposits. For deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's Investment Policy addresses custodial credit risk, which follows the Government Code.

At June 30, 2019, the carrying amount of the City's deposits was $1,765,367 and the balances in financial institutions were $338,554. Of the balance in financial institutions, $250,000 was covered by federal depository insurance and $88,554 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. As of June 30, 2019, the City's investments were held by the City's custodial agent, but not in the City's name, and were insured up to specified limits by the Securities Investor Protection Corporation (SIPC) and supplemental private insurance up to a limit of $150 million.

Custodial credit risk – investments. For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside counterparty. For the investments maintained by the City, no security was uninsured or unregistered or held by a brokerage firm which is also the counterparty for the security.

Investment in LAIF

The City is a voluntary participant in California Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute, and is chaired by the State Treasurer who is responsible for day to day administration of LAIF. The total amount invested by all public agencies as of June 30, 2019 was $24,584,685,2780 of which the City had a balance of $22,786,202. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2019 has a portfolio with market valuation of $105,814,483,092. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2019:

	Governmental Activities	Business-type Activities	Fiduciary Activities	Total
Current:				
Taxes and assessments	$ 2,231,667	$ -	$ 759	$ 2,232,426
Interest	163,498	-	-	163,498
Accounts	-	1,017,561	-	1,017,561
Intergovernmental	181,395	178,839	-	360,234
Other receivable	337,418	-	-	337,418
Total current	2,913,978	1,196,400	759	4,111,137
Noncurrent:				
Loans receivable	9,742,712	-	1,006,907	10,749,619
Total noncurrent	9,742,712	-	1,006,907	10,749,619
Total receivables	$ 12,656,690	$ 1,196,400	$ 1,007,666	$ 14,860,756

These amounts resulted in the following concentrations in receivables:

Other Governments	17.45%
Individuals/Businesses	79.18%
Financial	1.10%
Other	2.27%

Amounts do not indicate a significant concentration (greater than 25%) with any single individual, business or agency.

4. LOANS AND NOTES RECEIVABLE

Through the City's various housing rehabilitation funds and first-time home buyer's funds, the City has loaned funds to qualifying individuals and businesses. Interest rates vary depending on the terms of the loan. Interest is accrued on the loans that bear interest. Some of these loans were transferred to the successor agency and are reported in the respective trust fund.

Loans and notes receivable for governmental activities for the year ended June 30, 2019, consisted of the following:

	Beginning July 1, 2018	Additions	Deletions	Ending June 30, 2019
Community Development Block Grant	$ 666,053	$ 1,230	$ (5,251)	$ 662,032
HOME loans	7,771,036	218,199	(75,000)	7,914,235
STBG	527,104	1,275	(6,165)	522,214
Business Revolving Loans	309,816	-	(30,022)	279,794
Rehabilitation loans	391,352	5,206	(32,121)	364,437
Total loans/notes receivable	$ 9,665,361	$ 225,910	$ (148,559)	$ 9,742,712

The following is a summary of the loans and notes receivable outstanding as of June 30, 2019:

Community Development Block Grant – The City participates in a CDBG Revolving loan program. The program is federally funded and provides housing rehabilitation loans to eligible applicants. The City makes loans to resident homeowners who qualify as low income, some of which are deferred and are not repaid until the title to property changes. The balance of these loans at June 30, 2019, was $662,032.

HOME Loans – The City participates in a HOME Loan program. The program is federally funded and provides loans for first-time homebuyers to eligible participants. The City makes loans available to resident homeowners who qualify as low income. These loans are deferred and the City maintains an equity sharing agreement with the participant.

Basic Business Revolving Loans – These loans are made from unrestricted program income for the purpose of assisting local business with economic development loans for specifically identified purposes.

Business Loan: Grass Valley Theatre – During 2008, the City loaned money to the owners of a historic theatre in downtown district for rehabilitation.

Mobile Home Park Low Income Housing Assistance – The City began a program of housing assistance to help low and moderate income individuals with purchases of a mobile home. Qualifying individuals receive down payment assistance with the loan deferred as long as it is an owner-occupied dwelling. Interest and/or principal may be waived if certain terms are met by the borrower.

4. LOANS AND NOTES RECEIVABLE, Continued

First-Time Home Buyers – The City maintains loans receivable for Low and Moderate Income Housing. The notes receivable principal balances are recorded in the fund-based statements as loans receivable. Interest on certain loans may be waived by the City if the loan remains outstanding for the full term; therefore, interest income is recorded when received.

Rehabilitation Loan – The City loaned $880,000 to the Nevada Bay Housing and Development Corporation for Low and Moderate Income Housing for Janes Creek Meadows. Land purchased by the City was deposited into the Community Land Trust for development purposes. The notes receivable principal balances are recorded in the fund-based statements as loans receivable. Upon development, the principal and interest on the loan may be waived by the City if the loan remains outstanding for the full term and the development is accepted by the City; therefore, interest income is recorded when received.

5. CAPITAL ASSETS

Governmental capital asset activity for the year ended June 30, 2019, was as follows:

Governmental activities	Balance July 1, 2018	Additions	Deletions	Adjustments / Transfers	Balance June 30, 2019
Nondepreciable assets:					
Land	$ 2,881,632	$ 60,886	$ -	$ -	$ 2,942,518
Construction in progress	3,196,858	1,592,739	-	-	4,789,597
Total nondepreciable assets	6,078,490	1,653,625	-	-	7,732,115
Depreciable assets:					
Buildings and Improvements	12,458,287	863,812		-	13,322,099
Equipment	9,196,376	576,502	(168,220)	-	9,604,658
Infrastructure	66,158,883	912,668	-	-	67,071,551
Leased assets-Enterprise	242,075	101,115	-	-	343,190
Total depreciable assets	88,055,621	2,454,097	(168,220)	-	90,341,498
Total	94,134,111	4,107,722	(168,220)	-	98,073,613
Accumulated depreciation:					
Buildings and Improvements	(7,632,717)	(521,512)	-	-	(8,154,229)
Equipment	(6,466,805)	(372,681)	-	-	(6,839,486)
Infrastructure	(30,016,442)	(2,107,450)	-	-	(32,123,892)
Leased assets-Enterprise	(24,207)	(60,522)	-	-	(84,729)
Total accumulated depreciation	(44,140,171)	(3,062,165)	-	-	(47,202,336)
Net depreciable assets	43,915,450	(608,068)	(168,220)	-	43,139,162
Total net capital assets	$ 49,993,940	$ 1,045,557	$ (168,220)	$ -	$ 50,871,277

5. CAPITAL ASSETS, Continued

Depreciation expense for Governmental Activities capital assets was charged to functions as follows:

General government	$ 252,394
Public safety	94,757
Public ways and facilities	2,552,987
Community development	160,458
Parks and recreation	1,569
	$ 3,062,165

Business-type capital asset activity for the year ended June 30, 2019, was as follows:

Business-type activities	Balance July 1, 2018	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2019
Nondepreciable assets:					
Land	$ 239,401		$ -	$ -	$ 239,401
Construction in progress	5,986,406	-	-	(4,490,871)	1,495,535
Total nondepreciable assets	6,225,807	-	-	(4,490,871)	1,734,936
Depreciable assets:					
Buildings and Improvements	52,421,692	-	-	5,959,594	58,381,286
Equipment	1,262,791	85,098	-	-	1,347,889
Infrastructure	19,701,502	-	-	430,324	20,131,826
Total depreciable assets	73,385,985	85,098	-	6,389,918	79,861,001
Total assets	79,611,792	85,098	-	1,899,047	81,595,937
Accumulated depreciation:					
Buildings and Improvements	(24,704,314)	(1,857,977)	-	-	(26,562,291)
Equipment	(906,426)	(91,828)	-	-	(998,254)
Infrastructure	(10,242,941)	(447,185)	-	-	(10,690,126)
Total accumulated depreciation	(35,853,681)	(2,396,990)	-	-	(38,250,671)
Net depreciable assets	37,532,304	(2,311,892)	-	6,389,918	41,610,330
Total net capital assets	$ 43,758,111	$ (2,311,892)	$ -	$ 1,899,047	$ 43,345,266

Depreciation expense for Business-type activities capital assets was charged to functions as follows:

Water	$ 395,736
Sewer	2,001,254
	$ 2,396,990

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2019:

	Governmental Activities	Business-type Activities	Fiduciary Activities	Total
Accounts payable	$ 1,411,435	$ 671,833	$ 2,351	$ 2,085,619
Accrued payroll and related liabilities	383,452	64,907	-	448,359
Interest payable	-	124,811	-	124,811
Deposits payable	232,156	7,699	-	239,855
Due to others	-	-	358,740	358,740
Total	$ 2,027,043	$ 869,250	$ 361,091	$ 3,257,384

These amounts resulted in the following concentrations in payables:

Vendors	86.2%
Employees	13.8%

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or employee.

7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Governmental activities:					
Capital leases	$ 1,465,731	$ 290,936	$ (55,363)	$ 1,701,304	$ 18,876
2013 Bank Loan- Pension Obligation	1,011,000	-	(326,000)	685,000	337,000
Compensated absences	812,243	-	25,045	837,288	272,799
Net OPEB obligation	6,041,620	524,093	-	6,565,713	-
Net Pension obligation	14,650,220	156,459	-	14,806,679	-
Total governmental activities liabilities	$ 23,980,814	$ 971,488	$ (356,318)	$ 24,595,984	$ 628,675
Business-type activities:					
2011 Wastewater refunding bonds	$ 3,825,000	$ -	$ (405,000)	$ 3,420,000	$ 425,000
Premium paid in refunding	312,687	-	(39,085)	273,602	39,086
Net 2011 Wastewater refunding bonds	4,137,687	-	(444,085)	3,693,602	464,086
California Water Resources Control Board revolving loan	2,577,416	-	(497,228)	2,080,188	506,192
California Department of Water Resources safe drinking water loan	1,305,359	-	(105,530)	1,199,829	109,038
Capital lease - Bank of America Leasing	1,411,311	-	(149,225)	1,262,086	156,284
Capital leases	2,764,742	32,896	(26,969)	2,770,669	36,641
Total business-type activity debt	12,196,515	32,896	(1,223,037)	11,006,374	1,272,241
Compensated absences	148,130	16,646	-	164,776	69,067
Net OPEB obligation	556,676	48,289	-	604,965	-
Net Pension obligation	4,339,549	-	(181,015)	4,158,534	-
Total business-type activities liabilities	$ 12,901,321	$ 97,831	$ (1,223,037)	$ 15,934,649	$ 1,341,308

7. LONG-TERM LIABILITIES, Continued

Governmental Activities:

Lease Obligations

In fiscal year 2015, the City entered into an agreement with Municipal Finance Corporation for 20 years in the amount of $4,288,000. The principal and interest are payable in quarterly installments beginning in March 2015. The last installment is due on September 2035. The City is making a portion of the payments from the General, Water, and Sewer Funds. The lease obligation has an interest rate of 3.9%. As of June 30, 2019, the outstanding balance of the lease obligation was $1,701,304.

2014 Bank Loan

On May 1, 2014, the City entered into an agreement to obtain financing from Umpqua Bank in the amount of $2,437,000 to fund the City's unfunded liability to CalPERS related to the City's miscellaneous, fire-safety and police-safety pension groups. The principal is payable annually starting from May 1, 2017 in an amount ranging from $247,000 to $348,000. The last principal payment is due on May 1, 2021. The bonds bear an interest rate of 3.45% per annum. Interest is payable semi-annually on November 1 and May 1. The first interest payment was made on November 1, 2014 and the final payment is due on May 1, 2021. As of June 30, 2019, the outstanding balance of the loan was $685,000.

Business-type Activities:

2011 Wastewater Refunding Bonds

On August 1, 2011, the City issued the 2011 Wastewater Refunding Bonds in the amount of $5,930,000. The Bonds bear interest rates of 2.0% to 5.0% per annum and matures on August 1, 2025. The principals are payable in annual installments of $310,000 to $555,000 on the anniversary of the bond issuance and interests are payable semi-annually on February 1 and August 1. These bonds were used to refund the Wastewater Certificates of Participation.

California Department of Water Resources

On March 12, 1991, the City obtained $3,255,000 California Department of Water Resources Safe Drinking Water Loan. The loan bears an interest rate of 3.37% per annum and matures on September 30, 2028. The principal and interests are amortized in equal semi-annual payments of $74,329. This loan was used to finance improvements to the City's water system.

State of California - State Water Resources Control Board

On November 19, 1999, the City obtained a revolving loan from The State of California – State Water Resources Control Board in the amount of $10,833,312. The loan bears no interest and the principal is payable in 20 equal annual installments of $543,697. The first installment was paid on July 31, 2003 and the last is due on July 31, 2022. The loan was used to finance sewer plant expansion.

7. LONG-TERM LIABILITIES, Continued

Capital Lease Obligations

On June 30, 2011, the City entered into an agreement with Banc of America Leasing to lease automated meter reading system for $2,283,276. 75.5% of the lease amount or $1,723,873 is borne by the Water Fund and the remaining $559,402.62 by the Sewer Fund. The lease obligations are payable semi-annually beginning August 22, 2011 until February 22, 2026. The water fund and sewer portion of the semi-annual principal payments are $80,594 and $26,153, respectively. As at June 30, 2019, the outstanding balance of the lease amounted to $1,326,208.

Compensated Absences

The City records employee absences, such as vacation, illness, and holidays, for which it is expected that employees will be paid as compensated absences. Compensated absences had a balance of $837,288 for governmental activities and $164,776 for business-type activities at June 30, 2019, of those amounts $341,866 is expected to be paid within a year.

Net OPEB Obligation

A net OPEB obligation is the cumulative differences between annual OPEB cost and an employer's contributions to a plan. At June 30, 2019, the City had a Net OPEB Obligation of $6,565,703 for governmental activities and $604,965 for business-type activities. See Note 12 for further discussion on OPEB.

7. LONG-TERM LIABILITIES, Continued

Future debt service for Governmental Activities at June 30, 2019, is as follows for all debt except compensated absences and the Net OPEB obligation:

	Governmental Activities					
Year Ending June 30,	Corporation Capital Lease Obligations		2013 Umpqua Bank		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	18,876	54,747	337,000	23,632	$ 355,876	$ 78,379
2021	28,116	53,896	348,000	12,006	376,116	65,902
2022	35,507	52,644	-	-	35,507	52,644
2023	42,147	51,195	-	-	42,147	51,195
2024	49,290	49,448	-	-	49,290	49,448
2025-2029	373,443	210,251	-	-	373,443	210,251
2030-2034	491,258	101,300	-	-	491,258	101,300
2035-2038	371,732	18,656	-	-	371,732	18,656
Total	$ 1,410,369	$ 592,137	$ 685,000	$ 35,638	$ 2,095,369	$ 627,775
Due within one year	$ 18,876	$ 54,747	$ 337,000	$ 23,632	$ 355,876	$ 78,379
Due after one year	1,391,493	537,390	348,000	12,006	1,739,493	549,396
	$ 1,410,369	$ 592,137	$ 685,000	$ 35,638	$ 2,095,369	$ 627,775

7. LONG-TERM LIABILITIES, Continued

Future debt service for Business-type Activities at June 30, 2019, is as follows for all debt except compensated absences and the Net OPEB obligation:

Year Ending June 30,	Business Type Activities: 2011 Wastewater refunding bonds		State of California - Safe Drinking Water Loan		State of California - State Water Resources Control Board	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 425,000	$ 146,613	$ 109,038	$ 39,620	$ 506,192	$ 37,506
2021	440,000	129,238	112,900	35,758	515,318	28,379
2022	465,000	106,613	116,663	31,995	524,609	19,088
2023	490,000	82,738	120,629	28,029	534,069	9,629
2024	510,000	57,738	124,683	23,975	-	-
2025-2029	1,090,000	46,081	615,916	53,045	-	-
2030-2034	-	-	-	-	-	-
Total	$ 3,420,000	$ 569,021	$ 1,199,829	$ 212,422	$ 2,080,188	$ 94,602
Due within one year	$ 425,000	$ 146,613	$ 109,038	$ 39,620	$ 506,192	$ 37,506
Due after one year	2,995,000	422,408	1,090,791	172,802	1,573,996	57,096
Total	3,420,000	$ 569,021	$ 1,199,829	$ 212,422	$ 2,080,188	$ 94,602
Premium on refunding	273,602					
Total	$ 3,693,602					

Year Ending June 30,	Business Type Activities: Capital lease Bank of America Leasing		Capital lease Municipal Finance Corporation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 156,284	$ 57,210	$ 36,641	$ 106,273	$ 1,272,241	$ 387,222
2021	163,678	49,816	54,578	104,621	1,286,474	347,812
2022	171,421	42,075	68,925	102,192	1,346,618	301,963
2023	179,530	33,964	81,815	99,378	1,406,043	253,738
2024	188,023	25,471	95,681	95,987	918,387	203,171
2025-2029	403,150	23,836	724,918	408,135	2,833,984	531,097
2030-2034	-	-	1,256,608	220,449	1,256,608	220,449
2035-2039	-	-	451,503	12,408	451,503	12,408
Total	$ 1,262,086	$ 232,372	$ 2,770,669	$ 1,149,443	$ 10,771,858	$ 2,257,860
Premium on refunding					234,516	
Total					$ 11,006,374	
Due within one year	$ 156,284	$ 57,210	$ 36,641	$ 106,273	$ 1,272,241	$ 387,222
Due after one year	1,105,802	175,162	2,734,028	1,043,170	9,734,133	1,870,638
Total	$ 1,262,086	$ 232,372	$ 2,770,669	$ 1,149,443	$ 11,006,374	$ 2,257,860

8. NET POSITION/FUND BALANCES

Net Position

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets	$ 48,484,973	$ 32,338,891	$ 80,823,864
Restricted	3,460,568	636,969	4,097,537
Unrestricted	5,678,248	8,091,894	13,770,142
Total	$ 57,623,789	$ 41,067,754	$ 98,691,543

- Restricted balances are for the same purposes as fund balance restrictions because external restriction requirements are the same. See descriptions on the top of Page 72.

8. NET POSITION/FUND BALANCES, Continued

Fund Balances

Nonspendable and Restricted fund balances consisted of the following at June 30, 2019:

Nonspendable:	
General fund	$ 1,909
HOME grant special revenue fund	4,270,278
Block grant special revenue funds	1,535,611
Housing special revenue funds	4,008,394
Total Nonspendable	$ 9,816,192
Restricted:	
Governmental funds:	
General Fund	1,631,530
Special revenue funds	
Gas tax	1,263,817
Maintenance District Funds	121,666
Block Grant Funds	60,876
Housing Funds	262,446
Elizabeth Daniels	91,583
Animal shelter	28,650
Total Restricted	3,460,568
Assigned	5,166,992
Unassigned:	
General Fund	12,434,411
Capital Projects	(2,432,372)
Unassigned (deficit)	(23,863)
Total Unassigned	9,978,176
Total Fund Balance	$ 28,421,928

The following describes the purpose of each nonspendable and restricted category used by the City:

Nonspendable

- **General Fund** – used to segregate that portion of fund balance to indicate that prepaid amounts do not represent available, spendable resources even though they are components of assets

- **HOME Grant** – represents nonspendable amounts classified as notes receivable.

- **Special Projects** – represents nonspendable amounts classified as prepaid items.

- **Block Grant** – represents nonspendable amounts classified as notes receivable.

8. NET POSITION/FUND BALANCES, Continued

Nonspendable, Continued

- **Housing** – represents amounts restricted for the City's HOME revolving loan program and CDBG housing activities as these programs are supported by specific grants requiring the restriction.

Restricted

- **General Fund** – represents amounts restricted for debt covenant and contract.
- **Gas Tax** – represents amounts restricted for street purposes by the California Streets and Highways Code.
- **Maintenance District** – represents amounts restricted for use on the Maintenance District.
- **Block Grant** – represents amounts restricted for special purposes per grant directive.
- **Housing –** represents amounts restricted for the City's HOME revolving loan program and CDBG housing activities as these programs are supported by specific grants requiring the restriction.
- **Elizabeth Daniels** – represents amounts restricted for a special purpose.
- **Animal Shelter** – represents amounts restricted for a special purpose.

Fund Balance Deficits

Deficit fund balances consisted of the following:

Major Funds:	
Capital Projects	$ (2,432,372)
Nonmajor Special Revenue Funds:	
EPA Brownfield	(22,224)
Block Grant Funds	(1,639)

The above deficit fund balances have occurred due to the spending of funds prior to the receipt of revenues (cost reimbursements). The Fund balances will be restored in the near future as revenues are received.

8. NET POSITION/FUND BALANCES, Continued

Excess of Expenditures and Transfers over Appropriations:

Expenditures and transfers exceeded appropriations for the year ended June 30, 2019, for the following funds:

Fund	Final Appropriations	Expenditures and Transfers	Excess
Major Funds			
General Fund	$ 13,747,613	$ 15,605,795	$ (1,858,182)
Nonmajor Funds			
Special Revenue Funds:			
Traffic Safety	162,000	204,747	(42,747)
Downtown Assessment	62,254	65,400	(3,146)
EPA Brownfield*	-	159,591	(159,591)
Morgan Ranch Improvement District	20,132	23,969	(3,837)
CDBG Revolving*	10,000	10,717	(717)

* Indicates Fund is not budgeted

9. INTERFUND TRANSACTIONS

Due to and from balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Due to and due from other funds consisted of the following as of June 30, 2019:

	Due from Other Funds	Due to Other Funds
Governmental Funds		
Major Funds:		
General Fund	$ 2,043,917	$ -
Capital Projects Fund		1,926,453
Total Major Funds	2,043,917	1,926,453
Non-major Funds:		
EPA Brownfield		117,464
Total Non-major Funds	-	117,464
Total Governmental Funds	2,043,917	2,043,917
Total	$ 2,043,917	$ 2,043,917

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

9. INTERFUND TRANSACTIONS, Continued

Transfers consisted of the following at June 30, 2019:

	Transfers In	Transfers Out
Governmental Funds		
Major Funds:		
General fund	$ 3,000	$ 452,272
Capital projects	1,581,138	192,188
Special projects	-	202,057
Total major funds	1,584,138	846,517
Non-major Funds:		
Special Revenue Funds		
Gas tax	-	299,184
Traffic safety	100,000	-
Impact fees	-	360,166
Block grant funds	45,254	12,299
Housing funds	270,598	303,553
Total non-major funds Special Revenue Funds	415,852	975,202
Total Governmental Funds	1,999,990	1,821,719
Proprietary Funds		
Major Enterprise Funds:		
Water	92,188	126,372
Sewer	100,000	244,087
Total Proprietary Funds	192,188	370,459
Total Transfers	$ 2,192,178	$ 2,192,178

Transfers are indicative of funding for capital projects, lease payments or debt service, reimbursement of various City operations and re-allocations of special revenues.

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities to participate in the Public Agency Risk Sharing Authority of California (PARSAC) for general liability, auto liability, and errors and omissions purposes. PARSAC is a public entity risk pool which serves as a common risk management and insurance program for 37 member cities. The City pays an annual premium to PARSAC for its insurance coverage. The agreements with PARSAC provide that they will be self sustaining through member premiums and will reinsure through commercial companies for excess coverage.

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

Program & Coverage Limits	Coverage Provider	Payment Source
General & Auto Liability Claims: $975,000 per occurrence excess of Member's $25,000 retention	PARSAC	City Funds
Workers' Compensation Claims: $475,000 excess of Member's $25,000 retention	PARSAC	City Funds
All-Risk Property Insurance Claims: $1,000,000,000 per occurrence, $5,000 deductible	Various Providers	City Funds

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plans

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

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

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

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous	**Safety - Police**
Hire date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit formula	2.5% @ 55	3% @ 50
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	3.00%
Required employee contribution rates	8%	9%
Required employer contribution rates	9.67%	18.524%

	PEPRA Miscellaneous	**Tier 2 Safety - Police**
Hire date	On or after January 1, 2013	Prior to January 1, 2013
Benefit formula	2% @ 62	3% @ 55
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	52 - 67	50
Monthly benefits, as a % of eligible compensation	1.0% to 2.5%	3.00%
Required employee contribution rates	6.250%	9%
Required employer contribution rates	6.237%	16.523%

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

Plan provisions, Continued

	Fire Safety	PEPRA - Fire Safety
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50 - 57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	9%	11.50%
Required employer contribution rates	16.523%	11.153%

	PEPRA - Police Safety
Hire date	On or after January 1, 2013
Benefit formula	2.7% @ 57
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 57
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%
Required employee contribution rates	11.50%
Required employer contribution rates	11.530%

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

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

For the year ended June 30, 2019, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety - Police
Contributions - employer	$ 814,931	$ 1,035,238

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 10,085,168
Safety - Police	8,880,045
Total Net Pension Liability	$ 18,965,213

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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 plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2018 and 2019 was as follows:

	Miscellaneous	Safety - Police
Proportion - June 30, 2018	0.25883%	0.14705%
Proportion - June 30, 2019	0.26760%	0.15134%
Change - Increase (Decrease)	0.00877%	0.00429%

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

For the year ended June 30, 2019, the City recognized pension expense of $2,783,155. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Changes of Assumptions	$ 2,021,026	$ 399,332
Differences between Expected and Actual Experience	577,752	132,401
Differences between Projected and Actual Investment Earnings	109,981	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	659,399
Change in Employer's Proportion	354,736	250,459
Pension Contributions Made Subsequent to Measurement Date	1,850,169	-
Total	$ 4,913,664	$ 1,441,591

$1,850,169 reported as deferred outflows of resources related to contributions subsequent to the measurement date and changes in proportions of contributions that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended 30-Jun	Miscellaneous	Safety	Total
2020	$ 702,965	$ 861,603	$ 1,564,568
2021	321,963	517,811	839,774
2022	(428,621)	(201,598)	(630,219)
2023	(90,710)	(61,508)	(152,218)
2024	-	-	-
Thereafter	-	-	-
	505,597	1,116,308	$ 1,621,905

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Assumptions	
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funs
Post-retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter.

The underlying mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS' website under Forms and Publications.

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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.

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1 - 10[1]	Real Return Year 11+[2]
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.55%	-90.00%

(1) An expected inflation of 2.5% used for this period.
(2) An expected inflation of 3.0% used for this period.

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

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 each Plan, calculated using the discount rate for each 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:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability as of June 30, 2018			
Miscellaneous	$ 14,888,455	$ 10,085,168	$ 6,120,132
Safety - Police	13,881,247	8,880,045	4,782,456
Total	$ 28,769,702	$ 18,965,213	$ 10,902,588

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

12. OTHER POST EMPLOYMENT BENEFITS

Plan Description

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

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

Funding Policy

The Minimum Employer Contribution, subject to adjustments per AB2544, is paid on behalf of eligible retirees by the City in accordance with PEMHCA requirements. Additionally, if an employee meets certain age and service conditions and until such time as the employee is eligible for Medicare or is hired and has healthcare coverage available from new employment, the City will contribution an amount (varying between $250 and $500, depending upon the individual's bargaining unit, date of hire and date of retirement) towards the cost of retiree medical coverage. The benefit amount is fixed for each employee at the date of his or her retirement. Different benefit amounts are payable to employees who retired prior to July 1, 2006.

12. OTHER POST EMPLOYMENT BENEFITS, Continued

Employees Covered by benefit terms

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive Employees Receiving Benefits	44
Inactive Employees Entitled to But Not Receiving Benefits	13
Participating Active Employees	82
Total Number of participants	**139**

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	2.79% as of June 30, 2019 2.92% as of June 30, 2018
Inflation	2.75%
Salary Increases	3.25% per annum
Mortality Rate	MacLeod Watts Scale 2017 applied generationally from 2008
Pre-Retirement Turnover [(1)]	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	7.50% in 2019 decreasing to 5.00% in 2024 and later

[(1)] The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.79 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

12. OTHER POST EMPLOYMENT BENEFITS, Continued

Changes in the OPEB Liability

The changes in the net OPEB liability for the Plan are as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/2018*	$ 6,598,296	$ -	$ 6,598,296
Changes for the year			
Service Cost	412,855	-	412,855
Interest Cost	202,213	-	202,213
Expected Investment Income	-	-	-
Employer Contributions	-	172,147	(172,147)
Changes of benefit terms	-	-	-
Benefit payments	(172,147)	(172,147)	-
Assumption chagnes	129,461	-	129,461
Plan experience	-		
Recognized deferred resources	-		
Employer contributions in fiscal year	-	-	-
Net Changes	572,382	-	572,382
Balance at 6/30/2019*	$ 7,170,678	$ -	$ 7,170,678

*May include a slight rounding error

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

The discount rate used for the fiscal year end 2019 is 2.79%. The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	1% Decrease	Current Rate	1% Increase
Change in Discount Rate	1.79%	2.79%	3.79%
Net OPEB Liability	$ 8,291,375	$ 7,170,678	$ 6,257,122

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost 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, 2019:

Change in Healthcare Cost Trend Rate	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	$ 6,102,842	$ 7,170,678	$ 8,536,135

12. OTHER POST EMPLOYMENT BENEFITS, Continued

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL) (6.0 Years at June 30, 2017)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of $653,113. As of fiscal year ended June 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 259,266	-
Total	$ 259,266	$ -

Future recognition of these deferred resources is shown below.

Fiscal Year Ended June 30,	Deferred Outflow/(Inflows) of Resources
2020	$ 38,045
2021	38,045
2022	38,045
2023	38,045
2024	38,045
Thereafter	69,042

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (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. On February 1, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency.

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.

13. 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.

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, 2019, loans receivable consisted of the following:

	Beginning July 1, 2018	Additions	Deletions	Ending June 30, 2019
Redevelopment Housing:				
Springhill Garden Apts	$ 709,000	$ 18,000	$ (5,000)	$ 722,000
Valley Commons	264,850	7,447	(5,000)	267,297
Redevelopment Projects (Non-Housing):				
Center for the Arts	27,610	-	(10,000)	17,610
Total loans receivable	$ 1,001,460	$ 25,447	$ (20,000)	$ 1,006,907

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% 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% and maturity in 30 years.

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

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% and maturity on September 1, 2016.

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 subsequently.

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Due within one year
2002 ABAG Lease Revenue Bonds	$ 680,000	$ -	$ (70,000)	$ 610,000	$ 75,000
2014 Tax Allocation Refunding Bonds	5,340,000	-	(190,000)	5,150,000	190,000
2010 Tax Allocation Bonds	2,860,000		(65,000)	2,795,000	70,000
Less: Discount	(140,490)	-	7,661	(132,829)	(7,661)
Total governmental activities	$ 8,739,510	$ -	$ (317,339)	$ 8,422,171	$ 327,339

Association of Bay Area Governments Lease Revenue Bonds, issued on January 1, 2002, in the amount of $1,470,000 and payable in annual installments of $35,000 to $100,000, with an interest rate of 3.00% to 5.00% and maturity on December 1, 2025. The bonds were used to advance refund the 1995 tax allocation bonds used to purchase Grass Valley Memorial Park and Police Facilities.

2014 Tax Allocation Refunding Bonds was 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 semiannually 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.

2010 Tax Allocation Bonds, issued on April 14, 2010, in the amount of $3,170,000 and payable in annual installments of $60,000 to $300,000, with an interest rate of 3.00% to 5.25% and maturity on December 1, 2034. The bonds were used to refund the 2000 Tax Allocation Bonds.

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

Future debt service for Fiduciary Activities at June 30, 2019, is as follows:

	2002 ABAG Lease Revenue Bonds		2014 Tax Allocation Refunding Bonds		
June 30,	Principal	Interest	Principal	Discount	Interest
2020	75,000	25,625	190,000	(3,416)	230,238
2021	80,000	24,750	200,000	(3,416)	224,388
2022	85,000	20,625	205,000	(3,416)	218,313
2023	85,000	16,375	210,000	(3,416)	211,956
2024	90,000	12,000	215,000	(3,416)	205,047
2025-2029	195,000	9,875	860,000	(17,080)	911,850
2030-2034	-	-	825,000	(17,080)	733,156
2035-2039	-	-	2,445,000	(13,654)	358,109
2040-2044	-	-	-	-	-
	$ 610,000	$ 109,250	$ 5,150,000	$ (64,894)	$ 3,093,057
Due within one year	$ 75,000	$ 25,625	$ 190,000	$ (3,416)	$ 230,238
Due after one year	535,000	83,625	4,960,000	(61,478)	2,862,819
	$ 610,000	$ 109,250	$ 5,150,000	$ (64,894)	$ 3,093,057

	2010 Tax Allocation Bonds			Totals		
June 30,	Principal	Discount	Interest	Principal	Discount	Interest
2020	70,000	(4,245)	138,844	$ 335,000	(7,661)	$ 394,707
2021	70,000	(4,246)	135,867	350,000	(7,662)	385,005
2022	75,000	(4,246)	132,650	365,000	(7,662)	371,588
2023	80,000	(4,246)	129,063	375,000	(7,662)	357,394
2024	80,000	(4,246)	125,263	385,000	(7,662)	342,310
2025-2029	820,000	(21,230)	536,306	1,875,000	(38,310)	1,458,031
2030-2034	1,300,000	(21,230)	255,250	2,125,000	(38,310)	988,406
2035-2039	300,000	(4,246)	7,875	2,745,000	(17,900)	365,984
2040-2044	-	-	-	-	-	-
	$ 2,795,000	$ (67,935)	$ 1,461,118	$ 8,555,000	$ (132,829)	$ 4,663,425
Due within one year	$ 70,000	$ (4,245)	$ 138,844	$ 335,000	$ (7,661)	$ 394,707
Due after one year	2,725,000	(63,690)	1,322,274	8,220,000	(125,168)	4,268,718
Total	$ 2,795,000	$ (67,935)	$ 1,461,118	8,555,000	(132,829)	$ 4,663,425
				(132,829)		
				$ 8,422,171		

14. COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in litigation incurred in the normal course of conducting City business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants and Allocations

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

Commitments

The City had no significant unexpended contractual commitments as of June 30, 2019.

15. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 83, "*Certain Asset Retirement Obligations*." The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This statement had no effect on these financial statements.

The GASB has issued Statement No. 84, "*Fiduciary Activities*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2020.

The GASB has issued Statement No. 87, "*Leases.*" The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

15. NEW ACCOUNTING PRONOUNCEMENTS, CONTINUED

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2021.

The GASB has issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements."* The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement had no effect on these financial statements.

The GASB has issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2021.

The GASB has issued Statement No. 90, "*Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2020.

The GASB has issued Statement No. 91, "*Conduit Debt Obligations*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

City of Grass Valley, California

Required Supplementary Information - Schedule of Changes in the Net OPEB Liability and Related Ratios
for the Measurement Periods Ended June 30,

	2019	2018
Total OPEB Liability		
Service Cost	$ 412,855	$ 381,204
Interest on the total OPEB liability	202,213	197,059
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Benefit payments	(172,147)	(170,170)
Changes in assumptions	129,461	190,502
Net change in total OPEB liability	572,382	598,595
Total OPEB liability - beginning	6,598,296	5,999,700
Total OPEB liability - ending (a)	$ 7,170,678	$ 6,598,295
Plan fiduciary net position		
Contributions - employer	$ 172,147	$ 170,170
Net investment income	-	-
Benefit payments	172,147	(170,170)
Net change in plan fiduciary net position	344,294	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending (b)	$ -	$ -
Net OPEB liability - ending (a) - (b)	$ 7,170,678	$ 6,598,295
Covered payroll	$ 7,095,244	$ 6,726,880
Net OPEB liability as a percentage of covered-employee payroll	101.06%	98.09%

Notes to Schedule
1) GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. More years will be presented in the future

City of Grass Valley, California

Required Supplementary Information - Net OPEB Liability Schedule of Contributions

June 30, 2019

Fiscal Year Ended June 30,	2019	2018
Actuarially Determined Contribution (ADC)	$ 172,147	$ 170,170
Contributions in relation to the ADC	172,147	170,170
Contribution deficiency (excess)	$ -	$ -
Covered payroll	7,095,244	6,726,880
Contributions as a percentage of covered payroll	2.43%	2.53%

Notes to Schedule

1)GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability.
More years will be presented in the future.

City of Grass Valley, California

Required Supplementary Information - Schedule of Contributions

Miscellaneous Plan

Last 10 Fiscal Years*

	2018	2017	2016
Actuarially determined contribution	$ 814,931	$ 632,072	$ 606,756
Contributions in relation to the actuarially determined contributions	(814,931)	(632,072)	(606,756)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 2,711,644	$ 2,773,466	$ 2,845,140
Contribution as a percentage of covered-employee payroll	30.05%	22.79%	21.33%

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Due to a change in CalPERS reporting information, only 2016 was available. Additional years will be presented as they become available.

City of Grass Valley, California

Required Supplementary Information - Schedule of Contributions

Safety Plan

Last 10 Fiscal Years*

	2018	2017	2016
Actuarially determined contribution	$ 1,035,238	$ 910,702	$ 821,329
Contributions in relation to the actuarially determined contributions	(1,035,238)	(910,702)	(821,329)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 3,240,879	$ 2,902,953	$ 2,575,241
Contribution as a percentage of covered-employee payroll	31.94%	31.37%	31.89%

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Due to a change in CalPERS reporting information, only 2016 was available. Additional years will be presented as they become available.

City of Grass Valley, California

Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability

Miscellaneous Plan

Last 10 Fiscal Years*

	2018	2017	2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.26760%	0.25883%	0.25637%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 10,085,168	$ 10,203,070	$ 8,905,897
Plan's Covered-Employee Payroll	$ 2,711,644	$ 2,773,466	$ 2,845,140
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	371.92%	367.88%	313.02%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	71.60%	70.80%	72.46%
Plan's Proportionate Share of Aggregate Employer Contribution	$ 968,405	$ 935,959	$ 872,750

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Due to a change in CalPERS reporting information, only 2016 was available. Additional years will be presented as they become available.

City of Grass Valley, California

Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability

Safety - Police

Last 10 Fiscal Years*

	2018	2017	2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.15134%	0.14705%	0.14610%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 8,880,045	$ 8,786,698	$ 7,567,090
Plan's Covered-Employee Payroll	$ 3,240,879	$ 2,902,953	$ 2,575,241
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	274.00%	302.68%	293.84%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.52%	73.59%	74.20%
Plan's Proportionate Share of Aggregate Employer Contribution	$ 1,155,840	$ 845,039	$ 752,078

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Due to a change in CalPERS reporting information, only 2016 was available. Additional years will be presented as they become available.

This page intentionally left blank.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

This page intentionally left blank.

NON-MAJOR GOVERNMENTAL FUNDS

Fund Type	Description
Special Revenue	These funds account specific revenues that are legally or otherwise restricted to expenditures for particular purposes.
Permanent	These funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used to support the City's programs.

City of Grass Valley, California
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Governmental Funds		
	Special Revenue Funds	Permanent Funds	Non-Major Funds Totals
ASSETS			
Cash and investments	$ 4,923,937	$ 129,942	$ 5,053,879
Receivables:			
Taxes	3,327	-	3,327
Intergovernmental	161,029	-	161,029
Loans/Notes receivable	5,472,434	-	5,472,434
Total assets	$ 10,560,727	$ 129,942	$ 10,690,669
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 82,770	$ -	$ 82,770
Due to other funds	117,464	-	117,464
Total liabilities	200,234	-	200,234
Fund Balances:			
Nonspendable	5,544,005	-	5,544,005
Restricted	1,708,805	120,233	1,829,038
Assigned	3,131,546	9,709	3,141,255
Unassigned (deficit)	(23,863)	-	(23,863)
Total fund balances	10,360,493	129,942	10,490,435
Total liabilities and fund balances	$ 10,560,727	$ 129,942	$ 10,690,669

City of Grass Valley, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the year ended June 30, 2019

	Governmental Funds		
	Special Revenue Funds	Permanent Funds	Non-Major Funds Totals
REVENUES:			
Taxes and assessments	$ 479,140	$ -	$ 479,140
Fines and forfeitures	39,637	-	39,637
Intergovernmental	791,102	-	791,102
Use of money and property	232,122	3,850	235,972
Charges for services	33,450	-	33,450
Other revenues	34,480	-	34,480
Total revenues	1,609,931	3,850	1,613,781
EXPENDITURES:			
Current:			
General government	159,591	-	159,591
Public safety	245,592	-	245,592
Public ways and facilities	69,941	-	69,941
Community development	87,539	-	87,539
Total expenditures	591,763	-	591,763
REVENUES OVER (UNDER) EXPENDITURES	1,018,168	3,850	1,022,018
OTHER FINANCING SOURCES (USES):			
Transfers in	415,852	-	415,852
Transfers out	(975,202)	-	(975,202)
Total other financing sources (uses)	(559,350)	-	(559,350)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	458,818	3,850	462,668
FUND BALANCES:			
Beginning of year	9,901,675	126,092	10,027,767
End of year	$ 10,360,493	$ 129,942	$ 10,490,435

This page intentionally left blank.

NON-MAJOR SPECIAL REVENUE FUNDS

Fund	Description
Gas Tax Funds	Accounts for funds received and expended for street maintenance purposes as defined in Sections 2105, 2106, 2107, and 2107.5 of the Streets and Highway Code.
Traffic Safety	Accounts for revenue received for the City's programs associated with the maintenance of equipment and supplies for traffic law enforcement and traffic accident prevention.
DUI Grant	Accounts for revenues received for the State DUI grant related to prevention programs.
SB325	Accounts for funds received and expended for transportation purposes as a result of Senate Bill 325.
Developer Fees	Accounts for funds received as a result of development impact on City infrastructure and systems.
Downtown Assessment	Accounts for funds received to be utilized in the beautification and maintenance of the Downtown Assessment area.
Fire Reserve	Accounts for funds received related to fire equipment maintenance and replacement.
Parks and Recreation	Accounts for fees collected for parks and recreation programs.
EPA Brownfield	Accounts for funds received and expended on an approved project.

(continued)

NON-MAJOR SPECIAL REVENUE FUNDS, Continued

Fund	Description
Maintenance District Funds:	Accounts for revenues and expenditures associated with the repairs and maintenance of landscaping, lighting and infrastructure within the District boundaries.
Whispering Pines Improvement District - Landscape and Lighting	
Litton - Landscape and Lighting	
Morgan Ranch Improvement District - Landscape and Lighting	
Morgan Ranch Assessment District 2003-1	
1	
Morgan Ranch West Landscape and Lighting No 1988-2 Annex	
Ventana Sierra	
Scotia Pines	
Block Grant Funds:	Accounts for revenues and expenditures associated with block grant programs.
CDBG	
CDBG Revolving	
Revolving Loan	
04-STBG 1960	
86-STBG 217	
91-STBG 467	
95-STBG 897	
97-STBG 1118	
99-STBG 1362	
H-RLF Woodstove	
CDBG Doris Dr	
CDBG Housing	
Housing Funds:	Accounts for revenues and expenditures associated with HOME grant programs.
HOME Grant	
09-HOME 6272	
99-HOME 0369	
Housing Rehabilitation	
00-HOME 0461	

(concluded)

This page intentionally left blank.

City of Grass Valley, California
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2019

	Gas Tax	Traffic Safety	DUI Grant
ASSETS			
Cash and investments	$ 1,221,136	$ 28,193	$ 6,731
Receivables:			
Taxes	-	-	-
Intergovernmental	42,681	1,954	-
Loans/Notes receivable	-	-	-
Total assets	$ 1,263,817	$ 30,147	$ 6,731
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ 12,364	$ -
Due to other funds	-	-	-
Due to other governments	-	-	-
Deferred revenue	-	-	-
Compensated absences	-	-	-
Total liabilities	-	12,364	-
Fund Balances:			
Nonspendable	-	-	-
Restricted	1,263,817	-	-
Committed	-	-	-
Assigned	-	17,783	6,731
Unassigned (deficit)	-	-	-
Total fund balances	1,263,817	17,783	6,731
Total liabilities and fund balances	$ 1,263,817	$ 30,147	$ 6,731

Impact Fees	Downtown Assessment	Fire Reserve	EPA Brownfield
$ 3,019,031	$ 27,563	$ 101,423	$ -
-	0	-	-
-	-	-	116,394
-	-	-	-
$ 3,019,031	$ 27,563	$ 101,423	$ 116,394
$ 13,703	$ 25,000	2,282	$ 21,154
-	-	-	117,464
-	-	-	-
-	-	-	-
-	-	-	-
13,703	25,000	2,282	138,618
-	-	-	
-	-	-	-
-	-	-	-
3,005,328	2,563	99,141	-
-	-	-	(22,224)
3,005,328	2,563	99,141	(22,224)
$ 3,019,031	$ 27,563	$ 101,423	$ 116,394

(continued)

City of Grass Valley, California
Combining Balance Sheet
Nonmajor Special Revenue Funds, continued
June 30, 2019

	Maintenance District Funds	Block Grant Funds	Housing Funds	Totals
ASSETS				
Cash and investments	$ 125,561	$ 130,808	$ 263,491	$ 4,923,937
Receivables:				
Taxes	3,327	-	-	3,327
Intergovernmental	-	-	-	161,029
Loans/Notes receivable	-	1,464,040	4,008,394	5,472,434
Total assets	$ 128,888	$ 1,594,848	$ 4,271,885	$ 10,560,727
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 7,222	$ -	$ 1,045	$ 82,770
Due to other funds	-	-	-	117,464
Due to other governments	-	-	-	-
Deferred revenue	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	7,222	-	1,045	200,234
Fund Balances:				
Nonspendable	-	1,535,611	4,008,394	5,544,005
Restricted	121,666	60,876	262,446	1,708,805
Committed	-	-	-	-
Assigned	-	-	-	3,131,546
Unassigned (deficit)	-	(1,639)	-	(23,863)
Total fund balances	121,666	1,594,848	4,270,840	10,360,493
Total liabilities and fund balances	$ 128,888	$ 1,594,848	$ 4,271,885	$ 10,560,727

(concluded)

This page intentionally left blank.

City of Grass Valley, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the year ended June 30, 2019

	Gas Tax	Traffic Safety	DUI Grant
REVENUES:			
Taxes and assessments	$ -	$ -	$ -
Licenses and permits	-	-	-
Fines and forfeitures	-	39,637	-
Intergovernmental	580,770	-	1
Use of money and property	31,719	1,275	-
Charges for services	-	-	-
Reimbursements	-	-	-
Other revenues	-	25,010	-
Total revenues	612,489	65,922	1
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	204,747	-
Public ways and facilities	-	-	-
Community development	-	-	-
Capital outlay	-	-	-
Total expenditures	-	204,747	-
REVENUES OVER (UNDER) EXPENDITURES	612,489	(138,825)	1
OTHER FINANCING SOURCES (USES):			
Transfers in	-	100,000	-
Transfers out	(299,184)	-	-
Total other financing sources and uses	(299,184)	100,000	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	313,305	(38,825)	1
FUND BALANCES (DEFICITS):			
Beginning of year	950,512	56,608	6,730
End of year	$ 1,263,817	$ 17,783	$ 6,731

Impact Fees	Downtown Assessment	Fire Reserve	EPA Brownfield
$ 350,207	$ 63,147	$ -	$ -
-	-	-	-
-	-	-	-
-	-	40,692	169,639
86,186	422	2,521	-
33,450	-	-	-
-	-	-	-
-	-	9,470	-
469,843	63,569	52,683	169,639
-	-	-	159,591
-	-	40,845	-
-	-	-	-
-	65,400	-	-
-	-	-	29,100
-	65,400	40,845	188,691
469,843	(1,831)	11,838	(19,052)
-	-	0	-
(360,166)	-	-	-
(360,166)	-	-	-
109,677	(1,831)	11,838	(19,052)
2,895,651	4,394	87,303	(3,172)
$ 3,005,328	$ 2,563	$ 99,141	$ (22,224)

(continued)

City of Grass Valley, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds, continued

For the year ended June 30, 2019

	Maintenance District Funds	Block Grant Funds	Housing Funds	Totals
REVENUES:				
Taxes and assessments	$ 65,786	$ -	$ -	$ 479,140
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	39,637
Intergovernmental	-	-	-	791,102
Use of money and property	3,692	17,588	88,719	232,122
Charges for services	-	-		33,450
Reimbursements	-	-	-	-
Other revenues	-	-	-	34,480
Total revenues	69,478	17,588	88,719	1,609,931
EXPENDITURES:				
Current:				
General government	-	-	-	159,591
Public safety	-	-	-	245,592
Public ways and facilities	69,941	-	-	69,941
Community development	-	11,458	10,681	87,539
Capital outlay				29,100
Total expenditures	69,941	11,458	10,681	591,763
REVENUES OVER (UNDER) EXPENDITURES	(463)	6,130	78,038	1,018,168
OTHER FINANCING SOURCES (USES):				
Transfers in	-	45,254	270,598	415,852
Transfers out	-	(12,299)	(303,553)	(975,202)
Total other financing sources and uses	-	32,955	(32,955)	(559,350)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(463)	39,085	45,083	458,818
FUND BALANCES (DEFICITS):				
Beginning of year	122,129	1,555,763	4,225,757	9,901,675
End of year	$ 121,666	$ 1,594,848	$ 4,270,840	$ 10,360,493

(concluded)

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Gas Tax Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Intergovernmental	$ 1,286,380	$ 1,286,380	$ 580,770	$ (705,610)
Use of money and property	5,000	5,000	31,719	26,719
Total revenues	1,291,380	1,291,380	612,489	(678,891)
EXPENDITURES:				
Current:				
Public ways and facilities	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	1,291,380	1,291,380	612,489	(678,891)
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,888,909)	(1,888,909)	(299,184)	1,589,725
Total other financing sources (uses)	(1,888,909)	(1,888,909)	(299,184)	1,589,725
Net change in fund balances	(597,529)	(597,529)	313,305	910,834
FUND BALANCES:				
Beginning of year	950,512	950,512	950,512	-
End of year	$ 352,983	$ 352,983	$ 1,263,817	$ 910,834

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Traffic Safety Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Fines and forfeitures	$ 50,000	$ 50,000	$ 39,637	$ (10,363)
Use of money and property	-	-	1,275	1,275
Total revenues	50,000	50,000	40,912	(9,088)
EXPENDITURES:				
Current:				
Public safety	162,000	162,000	204,747	(42,747)
Total expenditures	162,000	162,000	204,747	(42,747)
REVENUES OVER (UNDER) EXPENDITURES	(112,000)	(112,000)	(163,835)	(51,835)
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	100,000	-
Total other financing sources (uses)	100,000	100,000	100,000	-
Net change in fund balances	(12,000)	(12,000)	(63,835)	(51,835)
FUND BALANCES (DEFICIT):				
Beginning of year	56,608	56,608	56,608	-
End of year	$ 44,608	$ 44,608	$ (7,227)	$ (51,835)

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

DUI Grant Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ -	$ -	$ 1	$ 1
Total revenues	-	-	1	1
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	1	1
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	1	1
FUND BALANCES:				
Beginning of year	6,730	6,730	6,730	-
End of year	$ 6,730	$ 6,730	$ 6,731	$ 1

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Impact Fees Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes and assessments	$ -	$ -	$ 350,207	$ 350,207
Use of money and property	15,000	15,000	86,186	71,186
Total revenues	15,000	15,000	436,393	421,393
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Capital outlay	60,000	60,000	-	60,000
Total expenditures	60,000	60,000	-	60,000
REVENUES OVER (UNDER) EXPENDITURES	(45,000)	(45,000)	436,393	481,393
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(1,427,112)	(1,427,112)	(360,166)	1,066,946
Total other financing sources (uses)	(1,427,112)	(1,427,112)	(360,166)	1,066,946
Net change in fund balances	(1,472,112)	(1,472,112)	76,227	1,548,339
FUND BALANCES:				
Beginning of year	2,895,651	2,895,651	2,895,651	-
End of year	$ 1,423,539	$ 1,423,539	$ 2,971,878	$ 1,548,339

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Downtown Assessment Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes and assessments	$ 60,000	$ 60,000	$ 63,147	$ 3,147
Use of money and property	-	-	422	422
Total revenues	60,000	60,000	63,569	3,569
EXPENDITURES:				
Current:				
Community development	62,254	62,254	65,400	(3,146)
Total expenditures	62,254	62,254	65,400	(3,146)
REVENUES OVER (UNDER) EXPENDITURES	(2,254)	(2,254)	(1,831)	423
Net change in fund balances	(2,254)	(2,254)	(1,831)	423
FUND BALANCES:				
Beginning of year	4,394	4,394	4,394	-
End of year	$ 2,140	$ 2,140	$ 2,563	$ 423

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Fire Reserve Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Intergovernmental	$ -	$ -	$ 40,692	$ 40,692
Use of money and property	75	75	2,521	2,446
Total revenues	75	75	43,213	43,138
EXPENDITURES:				
Current:				
Public safety	-	-	40,845	(40,845)
Total expenditures	-	-	40,845	(40,845)
REVENUES OVER (UNDER) EXPENDITURES	75	75	2,368	2,293
OTHER FINANCING SOURCES (USES):				
Transfers in			0	
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	75	75	2,368	2,293
FUND BALANCES:				
Beginning of year	87,303	87,303	87,303	-
End of year	$ 87,378	$ 87,378	$ 89,671	$ 2,293

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

EPA Brownfield Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Intergovernmental	$ -	$ -	$ 169,639	$ 169,639
Use of money and property	-	-	-	-
Total revenues	-	-	169,639	169,639
EXPENDITURES:				
Current:				
General government	-	-	159,591	(159,591)
Total expenditures	-	-	159,591	(159,591)
REVENUES OVER (UNDER) EXPENDITURES	-	-	10,048	10,048
Net change in fund balances	-	-	10,048	10,048
FUND BALANCES (DEFICIT):				
Beginning of year	(3,172)	(3,172)	(3,172)	-
End of year	$ (3,172)	$ (3,172)	$ 6,876	$ 10,048

City of Grass Valley, California
Combining Balance Sheet
Maintenance District Special Revenue Funds
June 30, 2019

	Whispering Pines Landscape & Lighting	Litton Landscape & Lighting	Morgan Ranch Landscape & Lighting
ASSETS			
Cash and investments	$ 33,444	$ 20,897	$ 5,302
Receivables:			
Taxes	1,171	270	1,169
Total assets	$ 34,615	$ 21,167	$ 6,471
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 688	$ 142	$ 527
Due to other funds			
Deposits payable			
Deferred revenue	-	-	-
Compensated absences	-	-	-
Total liabilities	688	142	527
Fund Balances:			
Restricted	33,927	21,025	5,944
Total fund balances	33,927	21,025	5,944
Total liabilities and fund balances	$ 34,615	$ 21,167	$ 6,471

Morgan Ranch Assessment Dist 2003-1	Morgan Ranch West Assessment Dist 2010-1	Morgan Ranch West Landscape & Lighting 1988-2 Annex	Ventana Sierra	Scotia Pines	Totals
$ 22,969	$ 14,305	$ 7,954	$ 8,996	$ 11,694	$ 125,561
108	110	75	239	185	3,327
$ 23,077	$ 14,415	$ 8,029	$ 9,235	$ 11,879	$ 128,888
$ 40	$ 40	$ 4	$ 175	$ 5,606	$ 7,222
					-
					-
-	-	-	-	-	-
-	-	-	-	-	-
40	40	4	175	5,606	7,222
23,037	14,375	8,025	9,060	6,273	121,666
23,037	14,375	8,025	9,060	6,273	121,666
$ 23,077	$ 14,415	$ 8,029	$ 9,235	$ 11,879	$ 128,888

City of Grass Valley, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Maintenance District Special Revenue Funds

For the year ended June 30, 2019

	Whispering Pines Landscape & Lighting	Litton Landscape & Lighting	Morgan Ranch Landscape & Lighting
REVENUES:			
Taxes and assessments	23,155	5,331	$ 23,132
Licenses and permits			
Fines and forfeitures			
Intergovernmental			
Use of money and property	972	708	153
Charges for services	-	-	-
Reimbursements			
Other revenues	-	-	-
Total revenues	24,127	6,039	23,285
EXPENDITURES:			
Current:			
Public ways and facilities	22,097	8,753	23,969
Total expenditures	22,097	8,753	23,969
REVENUES OVER (UNDER) EXPENDITURES	2,030	(2,714)	(684)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	-	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	2,030	(2,714)	(684)
FUND BALANCES:			
Beginning of year	31,897	23,739	6,628
End of year	$ 33,927	$ 21,025	$ 5,944

Morgan Ranch Assessment Dist 2003-1	Morgan Ranch West Assessment Dist 2010-1	Morgan Ranch West Landscape & Lighting 1988-2 Annex	Ventana Sierra	Scotia Pines	Totals
$ 2,128	$ 2,175	$ 1,478	4,732	$ 3,655	$ 65,786
					-
					-
					-
649	390	213	261	346	3,692
-	-			-	-
					-
-	-			-	-
2,777	2,565	1,691	4,993	4,001	69,478
499	500	312	4,688	9,123	69,941
499	500	312	4,688	9,123	69,941
2,278	2,065	1,379	305	(5,122)	(463)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,278	2,065	1,379	305	(5,122)	(463)
20,759	12,310	6,646	8,755	11,395	122,129
$ 23,037	$ 14,375	$ 8,025	$ 9,060	$ 6,273	$ 121,666

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Whispering Pines Improvement District Landscape & Lighting Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes and assessments	$ 23,677	$ 23,677	$ 23,155	$ (522)
Use of money and property	65	65	972	907
Total revenues	23,742	23,742	24,127	385
EXPENDITURES:				
Current:				
Public ways and facilities	33,677	33,677	22,097	11,580
Total expenditures	33,677	33,677	22,097	11,580
REVENUES OVER (UNDER) EXPENDITURES	(9,935)	(9,935)	2,030	11,965
Net change in fund balances	(9,935)	(9,935)	2,030	11,965
FUND BALANCES (DEFICIT):				
Beginning of year	31,897	31,897	31,897	-
End of year	$ 21,962	$ 21,962	$ 33,927	$ 11,965

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Litton Landscape & Lighting Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes and assessments	$ 5,330	$ 5,330	$ 5,331	$ 1
Use of money and property	25	25	708	683
Total revenues	5,355	5,355	6,039	684
EXPENDITURES:				
Current:				
Public ways and facilities	23,630	23,630	8,753	14,877
Total expenditures	23,630	23,630	8,753	14,877
REVENUES OVER (UNDER) EXPENDITURES	(18,275)	(18,275)	(2,714)	15,561
Net change in fund balances	(18,275)	(18,275)	(2,714)	15,561
FUND BALANCES:				
Beginning of year	23,739	23,739	23,739	-
End of year	$ 5,464	$ 5,464	$ 21,025	$ 15,561

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Morgan Ranch Improvement District Landscape & Lighting Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes and assessments	$ 23,132	$ 23,132	$ 23,132	$ -
Use of money and property	25	25	153	128
Total revenues	23,157	23,157	23,285	128
EXPENDITURES:				
Current:				
Public ways and facilities	20,132	20,132	23,969	(3,837)
Total expenditures	20,132	20,132	23,969	(3,837)
REVENUES OVER (UNDER) EXPENDITURES	3,025	3,025	(684)	(3,709)
Net change in fund balances	3,025	3,025	(684)	(3,709)
FUND BALANCES:				
Beginning of year	6,628	6,628	6,628	-
End of year	$ 9,653	$ 9,653	$ 5,944	$ (3,709)

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Morgan Ranch Assessment District 2003-1 Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes and assessments	$ 2,128	$ 2,128	$ 2,128	$ -
Use of money and property	30	30	649	619
Total revenues	2,158	2,158	2,777	619
EXPENDITURES:				
Current:				
Public ways and facilities	20,028	20,028	499	19,529
Total expenditures	20,028	20,028	499	19,529
REVENUES OVER (UNDER) EXPENDITURES	(17,870)	(17,870)	2,278	20,148
Net change in fund balances	(17,870)	(17,870)	2,278	20,148
FUND BALANCES:				
Beginning of year	20,759	20,759	20,759	-
End of year	$ 2,889	$ 2,889	$ 23,037	$ 20,148

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Morgan Ranch West Reassessment District 2010-1 Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes and assessments	$ 2,175	$ 2,175	$ 2,175	$ -
Use of money and property	18	18	390	372
Total revenues	2,193	2,193	2,565	372
EXPENDITURES:				
Current:				
Public ways and facilities	615	615	500	115
Total expenditures	615	615	500	115
REVENUES OVER (UNDER) EXPENDITURES	1,578	1,578	2,065	487
Net change in fund balances	1,578	1,578	2,065	487
FUND BALANCES:				
Beginning of year	12,310	12,310	12,310	-
End of year	$ 13,888	$ 13,888	$ 14,375	$ 487

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Morgan Ranch West Landscape & Lighting No 1988-2 Annex Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes and assessments	$ 1,478	$ 1,478	$ 1,478	$ -
Use of money and property	10	10	213	203
Total revenues	1,488	1,488	1,691	203
EXPENDITURES:				
Current:				
Public ways and facilities	6,378	6,378	312	6,066
Total expenditures	6,378	6,378	312	6,066
REVENUES OVER (UNDER) EXPENDITURES	(4,890)	(4,890)	1,379	6,269
Net change in fund balances	(4,890)	(4,890)	1,379	6,269
FUND BALANCES:				
Beginning of year	6,646	6,646	6,646	-
End of year	$ 1,756	$ 1,756	$ 8,025	$ 6,269

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Ventana Sierra Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes and assessments	$ 4,732	$ 4,732	$ 4,732	$ -
Use of money and property	15	15	261	246
Total revenues	4,747	4,747	4,993	246
EXPENDITURES:				
Current:				
Public ways and facilities	9,035	9,035	4,688	4,347
Total expenditures	9,035	9,035	4,688	4,347
REVENUES OVER (UNDER) EXPENDITURES	(4,288)	(4,288)	305	4,593
Net change in fund balances	(4,288)	(4,288)	305	4,593
FUND BALANCES:				
Beginning of year	8,755	8,755	8,755	-
End of year	$ 4,467	$ 4,467	$ 9,060	$ 4,593

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Scotia Pines Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes and assessments	$ 3,655	$ 3,655	$ 3,655	$ -
Use of money and property	10	10	346	336
Total revenues	3,665	3,665	4,001	336
EXPENDITURES:				
Current:				
Public ways and facilities	12,155	12,155	9,123	3,032
Total expenditures	12,155	12,155	9,123	3,032
REVENUES OVER (UNDER) EXPENDITURES	(8,490)	(8,490)	(5,122)	3,368
Net change in fund balances	(8,490)	(8,490)	(5,122)	3,368
FUND BALANCES:				
Beginning of year	11,395	11,395	11,395	-
End of year	$ 2,905	$ 2,905	$ 6,273	$ 3,368

City of Grass Valley, California
Combining Balance Sheet
Block Grant Special Revenue Funds
June 30, 2019

	CDBG	CDBG Revolving	Revolving Loan	04-STBG 1960
ASSETS				
Cash and investments	$ (1,639)	$ 71,571	$ 60,876	$ -
Receivables:				
Intergovernmental	-	-	-	-
Loans/Notes receivable	-	539,010	279,794	271,146
Total assets	$ (1,639)	$ 610,581	$ 340,670	$ 271,146
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Fund Balances:				
Nonspendable	-	610,581	279,794	271,146
Unassigned (deficit)	(1,639)		-	-
Total fund balances	(1,639)	610,581	340,670	271,146
Total liabilities and fund balances	$ (1,639)	$ 610,581	$ 340,670	$ 271,146

86-STBG 217	91-STBG 467	95-STBG 897	97-STBG 1118	99-STBG 1362
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
37	49,925	28,007	69,292	110,000
$ 37	$ 49,925	$ 28,007	$ 69,292	$ 110,000
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
37	49,925	28,007	69,292	110,000
-	-	-	-	
37	49,925	28,007	69,292	110,000
$ 37	$ 49,925	$ 28,007	$ 69,292	$ 110,000

(continued)

City of Grass Valley, California
Combining Balance Sheet
Block Grant Special Revenue Funds
June 30, 2019

	CDBG Doris Dr	CDBG Housing	Totals
ASSETS			
Cash and investments	$ -	$ -	$ 130,808
Receivables:			
Intergovernmental	-	-	-
Loans/Notes receivable	43,769	73,060	1,464,040
Total assets	$ 43,769	$ 73,060	$ 1,594,848
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ -	$ -
Due to other funds	-	-	-
Total liabilities	-	-	-
Fund Balances:			
Nonspendable	43,769	73,060	1,535,611
Unassigned (deficit)	-	-	(1,639)
Total fund balances	43,769	73,060	1,594,848
Total liabilities and fund balances	$ 43,769	$ 73,060	$ 1,594,848

(concluded)

This page intentionally left blank.

City of Grass Valley, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Block Grant Special Revenue Funds

For the year ended June 30, 2019

	CDBG	CDBG Revolving	Revolving Loan	04-STBG 1960
REVENUES:				
Intergovernmental	$ -	$ -	$ -	$ -
Use of money and property	(15)	5,807	7,919	886
Total revenues	(15)	5,807	7,919	886
EXPENDITURES:				
Current:				
Community development	0	10,717	741	-
Total expenditures	-	10,717	741	-
REVENUES OVER (UNDER) EXPENDITURES	(15)	(4,910)	7,178	886
OTHER FINANCING SOURCES (USES):				
Transfers in	0	45,254	-	-
Transfers out	-	-	-	(1,200)
Total other financing sources and uses	-	45,254	-	(1,200)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(15)	40,344	7,178	(314)
FUND BALANCES:				
Beginning of year	(1,624)	570,237	333,492	271,460
End of year	$ (1,639)	$ 610,581	$ 340,670	$ 271,146

86-STBG 217	91-STBG 467	95-STBG 897	97-STBG 1118	99-STBG 1362
$ -	$ -	$ -	$ -	$ -
52	408	956	1,275	-
52	408	956	1,275	-
-	-	-	-	-
-	-	-	-	-
52	408	956	1,275	-
-	-	-	-	-
(2,392)	(1,600)	(3,588)	-	-
(2,392)	(1,600)	(3,588)	-	-
(2,340)	(1,192)	(2,632)	1,275	-
2,377	51,117	30,639	68,017	110,000
$ 37	$ 49,925	$ 28,007	$ 69,292	$ 110,000

City of Grass Valley, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Block Grant Special Revenue Funds

For the year ended June 30, 2019

	CDBG Doris Dr	CDBG Housing	Totals
REVENUES:			
Intergovernmental	$ -	$ -	$ -
Use of money and property	300	-	17,588
Total revenues	300	-	17,588
EXPENDITURES:			
Current:			
Community development	-	-	11,458
Total expenditures	-	-	11,458
REVENUES OVER (UNDER) EXPENDITURES	300	-	6,130
OTHER FINANCING SOURCES (USES):			
Transfers in			45,254
Transfers out	(3,519)	-	(12,299)
Total other financing sources and uses	(3,519)	-	32,955
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(3,219)	-	39,085
FUND BALANCES:			
Beginning of year	46,988	73,060	1,555,763
End of year	$ 43,769	$ 73,060	$ 1,594,848

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

CDBG Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Intergovernmental	$ -	$ -	$ -	$ -
Use of money and property	-	-	(15)	(15)
Total revenues	-	-	(15)	(15)
EXPENDITURES:				
Current:				
Community development	14,303	14,303	-	14,303
Total expenditures	14,303	14,303	-	14,303
REVENUES OVER (UNDER) EXPENDITURES	(14,303)	(14,303)	(15)	14,288
OTHER FINANCING SOURCES (USES):				
Transfers in	15,000	15,000	-	(15,000)
Transfers out	-	-	-	-
Total other financing sources (uses)	15,000	15,000	-	(15,000)
Net change in fund balances	697	697	(15)	(712)
FUND BALANCES:				
Beginning of year	(1,624)	(1,624)	(1,624)	-
End of year	$ (927)	$ (927)	$ (1,639)	$ (712)

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

CDBG Revolving Block Grant Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Use of money and property	$ 3,500	$ 3,500	$ 5,807	$ 2,307
Total revenues	3,500	3,500	5,807	2,307
EXPENDITURES:				
Current:				
Community development	10,000	10,000	10,717	(717)
Total expenditures	10,000	10,000	10,717	(717)
REVENUES OVER (UNDER) EXPENDITURES	(6,500)	(6,500)	(4,910)	1,590
OTHER FINANCING SOURCES (USES):				
Transfers in	24,460	24,460	45,254	20,794
Transfers out	(15,000)	(15,000)	-	15,000
Total other financing sources (uses)	9,460	9,460	45,254	35,794
Net change in fund balances	2,960	2,960	40,344	37,384
FUND BALANCES:				
Beginning of year	570,237	570,237	570,237	-
End of year	$ 573,197	$ 573,197	$ 610,581	$ 37,384

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Revolving Loan Block Grant Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Use of money and property	$ 7,000	$ 7,000	$ 7,919	$ 919
Total revenues	7,000	7,000	7,919	919
EXPENDITURES:				
Current:				
Community development	1,000	1,000	741	259
Total expenditures	1,000	1,000	741	259
REVENUES OVER (UNDER) EXPENDITURES	6,000	6,000	7,178	1,178
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(6,000)	(6,000)	-	6,000
Total other financing sources (uses)	(6,000)	(6,000)	-	6,000
Net change in fund balances	-	-	7,178	7,178
FUND BALANCES:				
Beginning of year	333,492	333,492	333,492	-
End of year	$ 333,492	$ 333,492	$ 340,670	$ 7,178

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

04-STBG 1960 Block Grant Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	$ 895	$ 895	$ 886	$ (9)
Total revenues	895	895	886	(9)
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	895	895	886	(9)
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,176)	(1,176)	(1,200)	(24)
Total other financing sources (uses)	(1,176)	(1,176)	(1,200)	(24)
Net change in fund balances	(281)	(281)	(314)	(33)
FUND BALANCES:				
Beginning of year	271,460	271,460	271,460	-
End of year	$ 271,179	$ 271,179	$ 271,146	$ (33)

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

86-STBG 217 Block Grant Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Use of money and property	$ 175	$ 175	$ 52	(123)
Total revenues	175	175	52	(123)
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	175	175	52	(123)
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,025)	(2,025)	(2,392)	(367)
Total other financing sources (uses)	(2,025)	(2,025)	(2,392)	(367)
Net change in fund balances	(1,850)	(1,850)	(2,340)	(490)
FUND BALANCES:				
Beginning of year	2,377	2,377	2,377	-
End of year	$ 527	$ 527	$ 37	$ (490)

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

91-STBG 467 Block Grant Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Use of money and property	$ 350	$ 350	$ 408	$ 58
Total revenues	350	350	408	58
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	350	350	408	58
OTHER FINANCING SOURCES (USES):				
Transfers out	(350)	(350)	(1,600)	(1,250)
Total other financing sources (uses)	(350)	(350)	(1,600)	(1,250)
Net change in fund balances	-	-	(1,192)	(1,192)
FUND BALANCES:				
Beginning of year	51,117	51,117	51,117	-
End of year	$ 51,117	$ 51,117	$ 49,925	$ (1,192)

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

95-STBG 897 Block Grant Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Use of money and property	$ 375	$ 375	$ 956	$ 581
Total revenues	375	375	956	581
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	375	375	956	581
OTHER FINANCING SOURCES (USES):				
Transfers out	(375)	(375)	(3,588)	(3,213)
Total other financing sources (uses)	(375)	(375)	(3,588)	(3,213)
Net change in fund balances	-	-	(2,632)	(2,632)
FUND BALANCES:				
Beginning of year	30,639	30,639	30,639	-
End of year	$ 30,639	$ 30,639	$ 28,007	$ (2,632)

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

97-STBG 1118 Block Grant Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Use of money and property	$ 1,282	$ 1,282	$ 1,275	$ (7)
Total revenues	1,282	1,282	1,275	(7)
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	1,282	1,282	1,275	(7)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	1,282	1,282	1,275	(7)
FUND BALANCES:				
Beginning of year	68,017	68,017	68,017	-
End of year	$ 69,299	$ 69,299	$ 69,292	$ (7)

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

99-STBG 1362 Block Grant Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers out	-		-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
FUND BALANCES:				
Beginning of year	110,000	110,000	110,000	-
End of year	$ 110,000	$ 110,000	$ 110,000	$ -

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

CDBG Doris Dr Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Use of money and property	$ 350	$ 350	$ 300	$ (50)
Total revenues	350	350	300	(50)
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	350	350	300	(50)
OTHER FINANCING SOURCES (USES):				
Transfers out	(3,534)	(3,534)	(3,519)	15
Total other financing sources (uses)	(3,534)	(3,534)	(3,519)	15
Net change in fund balances	(3,184)	(3,184)	(3,219)	(35)
FUND BALANCES:				
Beginning of year	46,988	46,988	46,988	-
End of year	$ 43,804	$ 43,804	$ 43,769	$ (35)

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

CDBG Housing Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Use of money and property	$ 525	$ 525	$ -	$ (525)
Total revenues	525	525	-	(525)
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	525	525	-	(525)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	525	525	-	(525)
FUND BALANCES:				
Beginning of year	73,060	73,060	73,060	-
End of year	$ 73,585	$ 73,585	$ 73,060	$ (525)

City of Grass Valley, California
Combining Balance Sheet
Housing Special Revenue Funds
June 30, 2019

	HOME Grant	09-HOME 6272	HOME 8564
ASSETS			
Cash and investments	$ 263,491	$ -	$ -
Receivables:			
Loans/Notes receivable	607,191	472,508	469,166
Total assets	$ 870,682	$ 472,508	$ 469,166
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 1,045	$ -	$ -
Due to other funds	- -	-	-
Total liabilities	1,045	-	-
Fund Balances:			
Nonspendable	607,191	472,508	469,166
Restricted	262,446	-	-
Unassigned (deficit)	-	-	-
Total fund balances	869,637	472,508	469,166
Total liabilities and fund balances	$ 870,682	$ 472,508	$ 469,166

99-HOME 0369	Housing Rehabilitation	00-HOME 0461	Totals
$ -	$ -	$ -	$ 263,491
411,815	364,437	1,683,277	4,008,394
$ 411,815	$ 364,437	$ 1,683,277	$ 4,271,885
$ -	$ -	$ -	$ 1,045
-	-	-	-
-	-	-	1,045
411,815	364,437	1,683,277	4,008,394
-	-	-	262,446
0	-	-	-
411,815	364,437	1,683,277	4,270,840
$ 411,815	$ 364,437	$ 1,683,277	$ 4,271,885

City of Grass Valley, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Housing Special Revenue Funds

For the year ended June 30, 2019

	HOME Grant	09-HOME 6272	HOME 8564
REVENUES:			
Intergovernmental	$ -	$ -	$ -
Use of money and property	4,851	11,659	12,584
Other revenues	0	-	-
Total revenues	4,851	11,659	12,584
EXPENDITURES:			
Current:			
Community development	10,681	-	-
Total expenditures	10,681	-	-
REVENUES OVER (UNDER) EXPENDITURES	(5,830)	11,659	12,584
OTHER FINANCING SOURCES (USES):			
Transfers in	270,598	-	-
Transfers out	-	(91,077)	(61,349)
Total other financing sources and uses	270,598	(91,077)	(61,349)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	264,768	(79,418)	(48,765)
FUND BALANCES:			
Beginning of year	604,869	551,926	517,931
End of year	$ 869,637	$ 472,508	$ 469,166

99-HOME 0369	Housing Rehabilitation	00-HOME 0461	Totals
$ -	$ -	$ -	$ -
6,061	6,040	47,524	88,719
-	-	-	-
6,061	6,040	47,524	88,719
-	-	-	10,681
-	-	-	10,681
6,061	6,040	47,524	78,038
-	-	-	270,598
(78,908)	(32,955)	(39,264)	(303,553)
(78,908)	(32,955)	(39,264)	(32,955)
(72,847)	(26,915)	8,260	45,083
484,662	391,352	1,675,017	4,225,757
$ 411,815	$ 364,437	$ 1,683,277	$ 4,270,840

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

HOME Grant - Housing Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Use of money and property	$ 150	$ 150	$ 4,851	$ 4,701
Other revenues			-	-
Total revenues	150	150	4,851	4,701
EXPENDITURES:				
Current:				
Community development	12,000	12,000	10,681	1,319
Total expenditures	12,000	12,000	10,681	1,319
REVENUES OVER (UNDER) EXPENDITURES	(11,850)	(11,850)	(5,830)	6,020
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(11,850)	(11,850)	(5,830)	6,020
FUND BALANCES:				
Beginning of year	604,869	604,869	604,869	-
End of year	$ 593,019	$ 593,019	$ 599,039	$ 6,020

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

09-HOME 6272 Grant - Housing Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Use of money and property	$ 13,000	$ 13,000	$ 11,659	$ (1,341)
Total revenues	13,000	13,000	11,659	(1,341)
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	13,000	13,000	11,659	(1,341)
Net change in fund balances	13,000	13,000	11,659	(1,341)
FUND BALANCES:				
Beginning of year	551,926	551,926	551,926	-
End of year	$ 564,926	$ 564,926	$ 563,585	$ (1,341)

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

HOME 8564 Grant - Housing Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Intergovernmental	$ -	$ -	$ -	$ -
Use of money and property	15,000	15,000	12,584	(2,416)
Other revenues	-	-	-	-
Total revenues	15,000	15,000	12,584	(2,416)
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	15,000	15,000	12,584	(2,416)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	15,000	15,000	12,584	(2,416)
FUND BALANCES:				
Beginning of year	517,931	517,931	517,931	-
End of year	$ 532,931	$ 532,931	$ 530,515	$ (2,416)

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

99-HOME 0369 Grant - Housing Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	$ 150	$ 150	$ 6,061	$ 5,911
Total revenues	150	150	6,061	5,911
EXPENDITURES:				
Current:				
Community development	-	-	0	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	150	150	6,061	5,911
Net change in fund balances	150	150	6,061	5,911
FUND BALANCES:				
Beginning of year	484,662	484,662	484,662	-
End of year	$ 484,812	$ 484,812	$ 490,723	$ 5,911

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Housing Rehabilitation - Housing Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Use of money and property	$ 5,200	$ 5,200	$ 6,040	$ 840
Total revenues	5,200	5,200	6,040	840
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	5,200	5,200	6,040	840
OTHER FINANCING SOURCES (USES):				
Transfers out	(11,000)	(11,000)	(32,955)	(21,955)
Total other financing sources (uses)	(11,000)	(11,000)	(32,955)	(21,955)
Net change in fund balances	(5,800)	(5,800)	(26,915)	(21,115)
FUND BALANCES:				
Beginning of year	391,352	391,352	391,352	-
End of year	$ 385,552	$ 385,552	$ 364,437	$ (21,115)

City of Grass Valley, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

00-HOME 0461 Grant - Housing Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts			Variance w/Final Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Use of money and property	$ 47,524	$ 47,524	$ 47,524	$ -
Total revenues	47,524	47,524	47,524	-
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	47,524	47,524	47,524	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(39,264)	(39,264)
Total other financing sources (uses)	-	-	(39,264)	(39,264)
Net change in fund balances	47,524	47,524	8,260	(39,264)
FUND BALANCES:				
Beginning of year	1,675,017	1,675,017	1,675,017	-
End of year	$ 1,722,541	$ 1,722,541	$ 1,683,277	$ (39,264)

This page intentionally left blank.

NON-MAJOR PERMANENT FUNDS

Fund	Description
Elizabeth Daniels	Accounts for funds received for the Elizabeth Daniels Park.
Animal Shelter	Accounts for funds received for the Animal Shelter.

City of Grass Valley, California
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2019

	Permanent Funds		
	Elizabeth Daniels	Animal Shelter	Non-Major Permanent Funds Totals
ASSETS			
Cash and investments	$ 99,203	$ 30,739	$ 129,942
Total assets	$ 99,203	$ 30,739	$ 129,942
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ -	$ -	$ -
Total liabilities	-	-	-
Fund Balances:			
Restricted	91,583	28,650	120,233
Assigned	7,620	2,089	9,709
Total fund balances	99,203	30,739	129,942
Total liabilities and fund balances	$ 99,203	$ 30,739	$ 129,942

City of Grass Valley, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Permanent Funds

For the year ended June 30, 2019

	Permanent Funds		
	Elizabeth Daniels	Animal Shelter	Non-Major Permanent Funds Totals
REVENUES:			
Use of money and property	$ 2,939	$ 911	$ 3,850
Total revenues	2,939	911	3,850
EXPENDITURES:			
Current:			
General government	-	-	-
Total expenditures	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	2,939	911	3,850
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	2,939	911	3,850
FUND BALANCES:			
Beginning of year	96,264	29,828	126,092
End of year	$ 99,203	$ 30,739	$ 129,942

This page intentionally left blank.

City of Grass Valley, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2019

Whispering Pines Morgan Ranch Redemption	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
ASSETS				
Cash and investments	$ 60	$ 63	$ (60)	$ 63
Total assets	$ 60	$ 63	$ (60)	$ 63
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Due to (from) others	60	63	(60)	63
Total liabilities	$ 60	$ 63	$ (60)	$ 63
Whispering Pines Morgan Ranch Reserve 2001				
ASSETS				
Cash and investments	$ 3	$ (92,874)	$ (3)	$ (92,874)
Cash and investments held by trustees	277,265	178,354	(277,265)	178,354
Total assets	$ 277,268	$ 85,480	$ (277,268)	$ 85,480
LIABILITIES				
Accounts payable	$ -	$ 615	$ -	$ 615
Due to (from) others	277,268	84,865	(277,268)	84,865
Total liabilities	$ 277,268	$ 85,480	$ (277,268)	$ 85,480
Whispering Pines Morgan Ranch Redemption 2001				
ASSETS				
Cash and investments	$ 158,508	$ 273,043	$ (158,508)	$ 273,043
Cash and investments held by trustees	33	10	(33)	10
Receivables:				
Assessments	7,399	759	(7,399)	759
Total assets	$ 165,940	$ 273,812	$ (165,940)	$ 273,812
LIABILITIES				
Deposits payable	$ -	$ -	$ -	$ -
Due to (from) others	165,940	273,812	(165,940)	273,812
Total liabilities	$ 165,940	$ 273,812	$ (165,940)	$ 273,812

City of Grass Valley, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds, Continued
For the year ended June 30, 2019

Totals	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
ASSETS				
Cash and investments	$ 158,571	$ 180,232	$ (158,571)	$ 180,232
Cash and investments held by trustees	277,298	178,364	(277,298)	178,364
Receivables:				
Assessments	7,399	759	(7,399)	759
Total assets	$ 443,268	$ 359,355	$ (443,268)	$ 359,355
LIABILITIES				
Due to (from) others	$ 443,268	$ 358,740	$ (443,268)	$ 358,740
Total liabilities	$ 443,268	$ 359,355	$ (443,268)	$ 359,355

APPENDIX F

FORM OF BOND COUNSEL OPINION

[Closing Date]

Successor Agency to the Redevelopment Agency
of the City of Grass Valley
125 East Main Street
Grass Valley, California 95945

OPINION: $_____ Successor Agency to the Redevelopment Agency of the City of Grass Valley 2020 Series A Tax Allocation Refunding Bonds; and

$_____ Successor Agency to the Redevelopment Agency of the City of Grass Valley 2020 Series B Taxable Tax Allocation Refunding Bonds

Members of the Successor Agency:

We have acted as bond counsel to the Successor Agency to the Redevelopment Agency of the City of Grass Valley (the "Agency") in connection with the issuance by the Agency of its $_____ aggregate principal amount of Successor Agency to the Redevelopment Agency of the City of Grass Valley 2020 Series A Tax Allocation Refunding Bonds (the "2020 Series A Bonds"), and its $_____ aggregate principal amount of Successor Agency to the Redevelopment Agency of the City of Grass Valley 2020 Series B Taxable Tax Allocation Refunding Bonds (the "2020 Series B Bonds," and together with the 2020 Series A Bonds, the "Bonds").

The Bonds are issued under the Community Redevelopment Law (being Part 1 of Division 24 of the California Health and Safety Code) (the "Law"), under Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (the "Dissolution Act"), under the provisions of Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Law"), and under an Indenture of Trust dated as of May 1, 2020, by and between the Agency and MUFG Union Bank, N.A., as trustee (the "Indenture"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on representations of the Agency contained in the Indenture and in certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Agency is validly existing as a public entity, with the power to execute and deliver the Indenture, perform the agreements on its part contained therein, and issue the Bonds.

2. The Indenture has been duly executed and delivered by the Agency and constitutes the valid and binding obligation of the Agency enforceable upon the Agency.

3. Pursuant to the Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds, subject to no prior lien granted under the Law and the Dissolution Act, except as provided therein.

4. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency payable solely from the sources provided therefor in the Indenture.

5. The interest on the 2020 Series A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the Agency comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2020 Series A Bonds. The Agency has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2020 Series A Bonds.

The interest on the 2020 Series B Bonds is <u>not</u> intended to be excluded from gross income for federal income tax purposes.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds, and the enforceability of the Bonds and the Indenture, are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning The Depository Trust Company ("DTC"), and DTC's book-entry system has been obtained from DTC and the Successor Agency takes no responsibility for the completeness or accuracy thereof. The Successor Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2020 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2020 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2020 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC") will act as securities depository for the 2020 Bonds. The 2020 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2020 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing Successor Agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on

the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2020 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2020 Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2020 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2020 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Successor Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Successor Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Successor Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the 2020 Bonds

to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Successor Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2020 Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the 2020 Bonds are required to be printed and delivered.

The Successor Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the 2020 Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Successor Agency believes to be reliable, but the Successor Agency takes no responsibility for the accuracy thereof.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $_____ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _____

Risk Premium: $_____
Member Surplus Contribution: $ _____
Total Insurance Payment: $_____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

SPECIMEN

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

SPECIMEN

CALIFORNIA

ENDORSEMENT TO

MUNICIPAL BOND INSURANCE POLICY

NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

_____

Authorized Officer

SPECIMEN