

CITY OF MARYSVILLE, CALIFORNIA

Audited Financial Statements and Supplemental Information

June 30, 2020

(This page intentionally left blank.)

CITY OF MARYSVILLE, CALIFORNIA

Audited Financial Statements and Supplemental Information

June 30, 2020

Table of Contents

INDEPENDENT AUDITOR’S REPORT	1
Management’s Discussion and Analysis.....	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Government-wide Statement of Net Position.....	16
Government-wide Statement of Activities	17
FUND FINANCIAL STATEMENTS:	
Governmental Funds:	
Balance Sheet – Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the	
Government-wide Statement of Net Position.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	
– Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues,	
Expenditures, and Changes in Fund Balances to the	
Government-wide Statement of Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances	
– Budget and Actual (Budgetary Basis) – General Fund	22
Proprietary Funds:	
Statement of Net Position – Proprietary Fund – Wastewater	23
Statement of Revenues, Expenses and Changes in Net Position –	
Proprietary Fund – Wastewater.....	24
Statement of Cash Flows – Proprietary Fund – Wastewater	25
Fiduciary Funds:	
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position – Redevelopment	
Successor Agency Private-Purpose Trust Fund	27
Notes to the Basic Financial Statements	28
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Proportionate Share of the Net Pension Liability and	
Schedule of Contributions to the Pension Plan – Miscellaneous Plan	
(Unaudited)	62
Schedule of the Proportionate Share of the Net Pension Liability and	
Schedule of Contributions to the Pension Plan – Safety Plan	
(Unaudited)	63
COMBINING STATEMENTS AND INDIVIDUAL FUND	
STATEMENTS AND SCHEDULES	
Non-Major Special Revenue Funds:	
Combining Balance Sheet – Nonmajor Special Revenue Funds	64
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances – Nonmajor Special Revenue Funds	66
Agency Funds:	
Combining Statement of Assets and Liabilities – Agency Funds.....	68

CITY OF MARYSVILLE, CALIFORNIA

Audited Financial Statements and Supplemental Information

June 30, 2020

Table of Contents

COMPLIANCE REPORTS

Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with *Government*

<i>Auditing Standards</i>	69
Schedule of Findings.....	71
Summary Schedule of Prior Audit Findings	73
Corrective Action Plan.....	74

INDEPENDENT AUDITOR'S REPORT

To the City Council
Marysville, California

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of Marysville, California

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, 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.

Richardson & Company, LLP

June 7, 2021

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

This section of the City of Marysville's Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Marysville exceeded liabilities by \$9.07 million (net position). This is an increase of \$1.03 million from the balance of \$8.04 million reported in the prior fiscal year. The City has an unrestricted deficit of \$11.52 million due to the effects of the GASB Statement No. 68 implementation, \$4.24 million is restricted for specific purposes such as loan programs, street projects, and other community development, and \$14.84 million is net investment in capital assets.
- The City's current year's change in net position was an increase of \$1.03 million.
- The General Fund has a fund surplus of \$3.75 million as of June 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of six parts:

- Independent Auditor's Report
- Management's Discussion and Analysis (this section)
- Basic Financial Statements that include:
 - Government-Wide Financial Statements
 - Fund Financial Statements
 - Notes to Basic Financial Statements
- Required Supplementary Information
- Combining Statements and Individual Fund Statements and Schedules
- Other Reports

The basic financial statements include two kinds of statements that present different views of the City:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position (page 16) presents information on all the City's assets and liabilities, with the difference between the two reported as "net position." Over time, increases or decreases in net position may serve as a useful indicator of the City's financial improvement or deterioration.

The Statement of Activities (page 17) presents information showing how the government's net position changed during the past year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (accrual basis of accounting).

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue – “governmental activities” from other functions that are intended to recover all or a significant portion of their costs through user’s fees and charges – “business-type activities.” The government activities of the City of Marysville include general government, public safety, streets, public works, and parks. The business-type activity of the City is the wastewater system.

FUND FINANCIAL STATEMENTS

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

- Governmental Funds
- Proprietary Funds
- Fiduciary Funds

Governmental Funds are used to account for essentially the same functions reported as “governmental activities” in the government-wide financial statements. However, unlike those statements, the focus in these statements is 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. This information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds 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 statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental 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 City of Marysville maintains several individual government funds organized according to their type (special revenue, capital projects, etc.). The 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 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major 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 or the City’s activities. Information is presented separately in the governmental funds balance sheet and in the governmental funds statements of revenues expenditures and changes in fund balances for the following major funds (found starting on page 18):

- General Fund

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Data from the remaining non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of “combining statements” starting on page 64.

Proprietary Funds are generally used to account for services for which the City charges customers. Proprietary Funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains one type of Proprietary Fund and one Enterprise Fund, as described below.

Enterprise Funds are used to report the same functions as presented as business-type activities in the government-wide financial statements. The City uses an Enterprise Fund to account for wastewater collection and treatment.

The debt service for the wastewater system is combined into the business-type activities column of the Statement of Net Position (page 16) and the remaining debt service issues are combined into the governmental activities column of that report.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City. Since the resources of these funds are not available to support the City’s own programs, they are not reflected in the government-wide financial statements. The City elected to serve as the successor agency for its former redevelopment agency which was dissolved by state law. The successor agency activity is accounted for in a private purpose fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the City’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City’s government-wide financial statements because the City cannot use these resources to finance its operations.

NOTES TO 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 financial statements can be found on pages 28-61 of this report.

COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

This section of the report includes additional detailed information about Non-Major Governmental, Proprietary and Fiduciary Funds and can be found beginning on page 64.

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year ended June 30, 2020 is the sixteenth year in which the City of Marysville has presented its financial statements under the reporting model required by the Governmental Accounts Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. A comparative analysis of government-wide data is included in this report.

ANALYSIS OF NET POSITION

With the consolidation of government-wide net position into one statement and other changes such as the exclusion of Fiduciary Funds, net position may now serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$9.07 million. The City reported positive balances in the investment in capital assets and restricted categories of net position, in both the governmental and business-type activities. The unrestricted net position were deficits in governmental and positive for business-type activities.

The Summary of Net Position is as follows:

TABLE 1
SUMMARY OF NET POSITION
AS OF JUNE 30

	Governmental Activities		Business-type Activities		TOTALS	
	2020	2019	2020	2019	2020	2019
ASSETS:						
Current and Other asset	\$ 9,593,847	\$ 7,565,905	\$ 452,420	\$ 990,800	\$ 10,046,267	\$ 8,556,705
Capital Assets, Net	17,051,979	15,373,193	31,291,529	30,770,354	48,343,508	46,143,547
TOTAL ASSETS	\$ 26,645,826	\$ 22,939,098	\$ 31,743,949	\$ 31,761,154	\$ 58,389,775	\$ 54,700,252
DEFERRED OUTFLOWS						
OF RESOURCES	\$ 17,634,621	\$ 3,220,518	\$ 1,104,788	\$ 186,999	\$ 18,739,409	\$ 3,407,517
LIABILITIES:						
Liabilities due						
after one year	38,488,442	21,897,846	24,747,039	24,555,450	63,235,481	46,453,296
Current Liabilities	2,819,853	1,629,328	950,170	933,820	3,770,023	2,563,148
TOTAL LIABILITIES	\$ 41,308,295	\$ 23,527,174	\$ 25,697,209	\$ 25,489,270	\$ 67,005,504	\$ 49,016,444
DEFERRED OUTFLOWS						
OF RESOURCES	\$ 968,064	\$ 956,205	\$ 87,832	\$ 95,960	\$ 1,055,896	\$ 1,052,165
NET POSITION:						
Investment in						
Capital assets	7,290,053	7,112,543	7,547,997	6,238,648	14,838,050	13,351,191
Restricted	4,244,603	3,839,151	0	11,865	4,244,603	3,851,016
Unrestricted	(9,530,568)	(9,275,457)	(484,301)	112,410	(10,014,869)	(9,163,047)
TOTAL NET POSITION	\$ 2,004,088	\$ 1,676,237	\$ 7,063,696	\$ 6,362,923	\$ 9,067,784	\$ 8,039,160

- Total Net Position increased by \$1.03 million from 2019 to 2020.

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

- \$14.84 million (163.63% of Total Net Position) investment in capital assets (e.g., land, buildings, other improvements, construction in progress and equipment), less any outstanding related debt used to acquire these assets. The City uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- \$4.24 million (46.81% of Total Net Position) in restricted net position are earmarked and represent resources that are subject to external restrictions on how they may be used. The increase in this figure from 2019 to 2020 can be found in the Restricted Net position in the Governmental Activities.
- The remaining unrestricted deficit is \$10.01 million.

CHANGES IN NET POSITION

The following table reflects the change in net position for Governmental and Business-Type Activities:

TABLE 2
CHANGE IN NET POSITION
AS OF JUNE 30

	Governmental Activities		Business-type Activities		TOTALS	
	2020	2019	2020	2019	2020	2019
PROGRAM REVENUES:						
Charges for Services	\$1,502,499	\$1,466,813	\$3,532,392	\$2,682,526	\$5,034,891	\$4,149,339
Operating Grants and Contributions	1,794,503	1,963,940	-	-	1,794,503	1,963,940
Capital Grants and Contributions	449,519	878,570	-	200,642	449,519	1,079,212
GENERAL REVENUES:						
Sales and Use Taxes	5,542,854	5,215,296	-	-	5,542,854	5,215,296
Property Taxes	1,317,036	1,209,376	-	-	1,317,036	1,209,376
Transient Occupancy Tax	130,913	197,335	-	-	130,913	197,335
Franchise Fees	559,873	516,560	-	-	559,873	516,560
Gas Taxes	328,677	255,413	-	-	328,677	255,413
Other Taxes	363,267	35,997	-	-	363,267	35,997
Motor Vehicle In-Lieu	974,448	916,816	-	-	974,448	916,816
Investment Income	46,132	28,336	6,532	36,765	52,664	65,101
Rental Income	162,732	159,056	-	-	162,732	159,056
Miscellaneous Revenues	104,689	77,173	63,416	61,140	168,105	138,313
Gain on Sale of Fixed Assets	-	9,797	-	-	-	9,797
Loss on Impairment - Capital Asset	-	-	-	(40,223)	-	(40,223)
Transfers	89,621	60,500	(89,621)	(60,500)	-	-
TOTAL REVENUES	\$13,366,763	\$12,990,978	\$3,512,719	\$2,880,350	\$16,879,482	\$15,871,328

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Governmental Activities		Business-type Activities		TOTALS	
	2020	2019	2020	2019	2020	2019
EXPENSES:						
Governmental Activities:						
General Government	\$ 3,831,458	\$ 1,807,688	\$ -	\$ -	\$ 3,831,458	\$ 1,807,688
Public Safety	6,083,680	6,428,721	-	-	6,083,680	6,428,721
Streets and Public Works	1,006,314	1,157,260	-	-	1,006,314	1,157,260
Parks and Recreation	500,323	406,959	-	-	500,323	406,959
Interest on Long-Term Debt	1,617,137	543,829	-	-	1,617,137	543,829
Business-Type Activities						
Wastewater	-	-	2,097,563	3,457,250	2,097,563	3,457,250
Interest on Long-Term Debt	-	-	714,383	660,414	714,383	660,414
TOTAL EXPENSES	13,038,912	10,344,457	2,811,946	4,117,664	15,850,858	14,462,121
CHANGE IN NET POSITION	327,851	2,646,521	700,773	(1,237,314)	1,028,624	1,409,207
NET POSITION, JULY 1:						
As Originally Reported	1,676,237	(1,013,797)	6,362,923	7,600,237	8,039,160	6,586,440
Prior Period Adjustment	-	43,513	-	-	-	43,513
As Restated	1,676,237	(970,284)	6,362,923	7,600,237	8,039,160	6,629,953
NET POSITION, JUNE 30	\$ 2,004,088	\$ 1,676,237	\$ 7,063,696	\$ 6,362,923	\$ 9,067,784	\$ 8,039,160

Governmental Activities and Business-type Activities increased (decreased) the City's net position by \$327,851 and \$700,773, respectively.

REVENUES

The Governmental Activities total revenues were \$13.37 million and Business-Type Activity revenues were \$3.51 million for the year ended June 30, 2020. This represented a total increase of \$1.01 million from 2019. This increase in revenues was attributed primarily to an increase in sales and use tax revenue of \$0.33 million and other taxes of \$0.33 million.

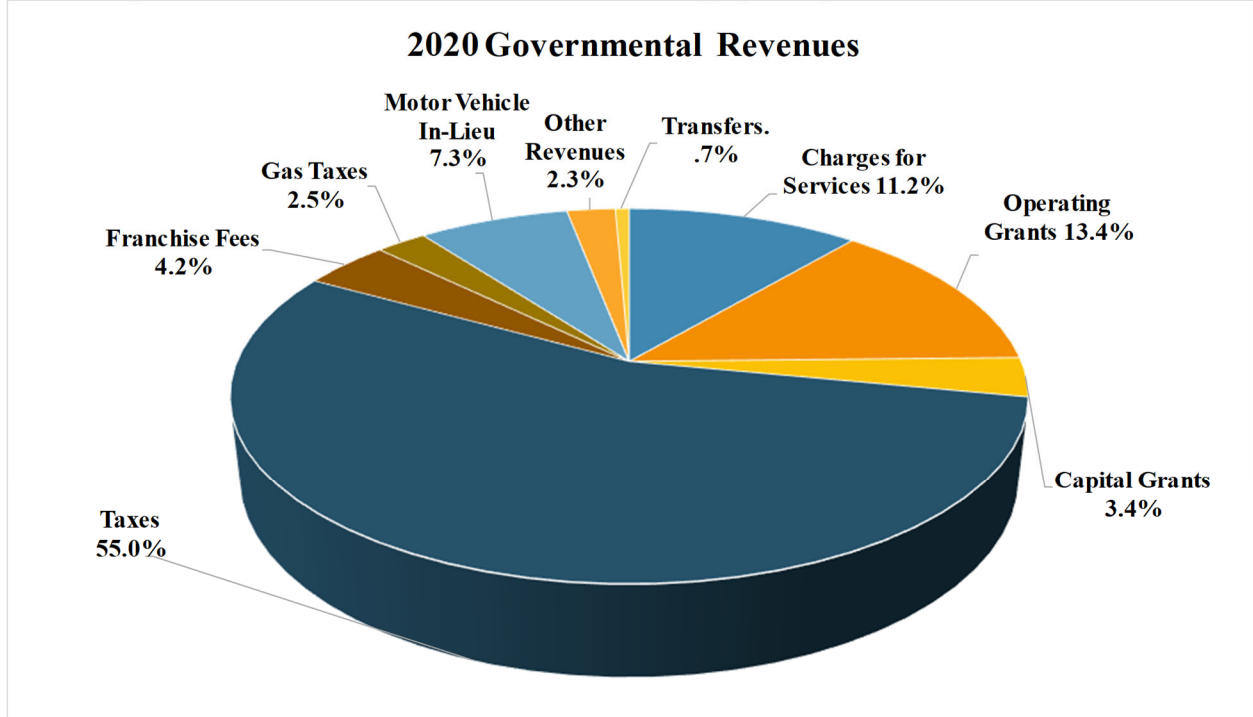
Program revenues include charges for services and grants and contributions. Program revenues provided \$3.75 million (28.03% of total revenues) for governmental activities and approximately \$3.53 million for business-type activities.

General revenues include, among other things, taxes, assessments and intergovernmental revenues. General revenues provided \$9.62 million (71.97% of total revenues). The majority of general revenues came from property, sales and use taxes.

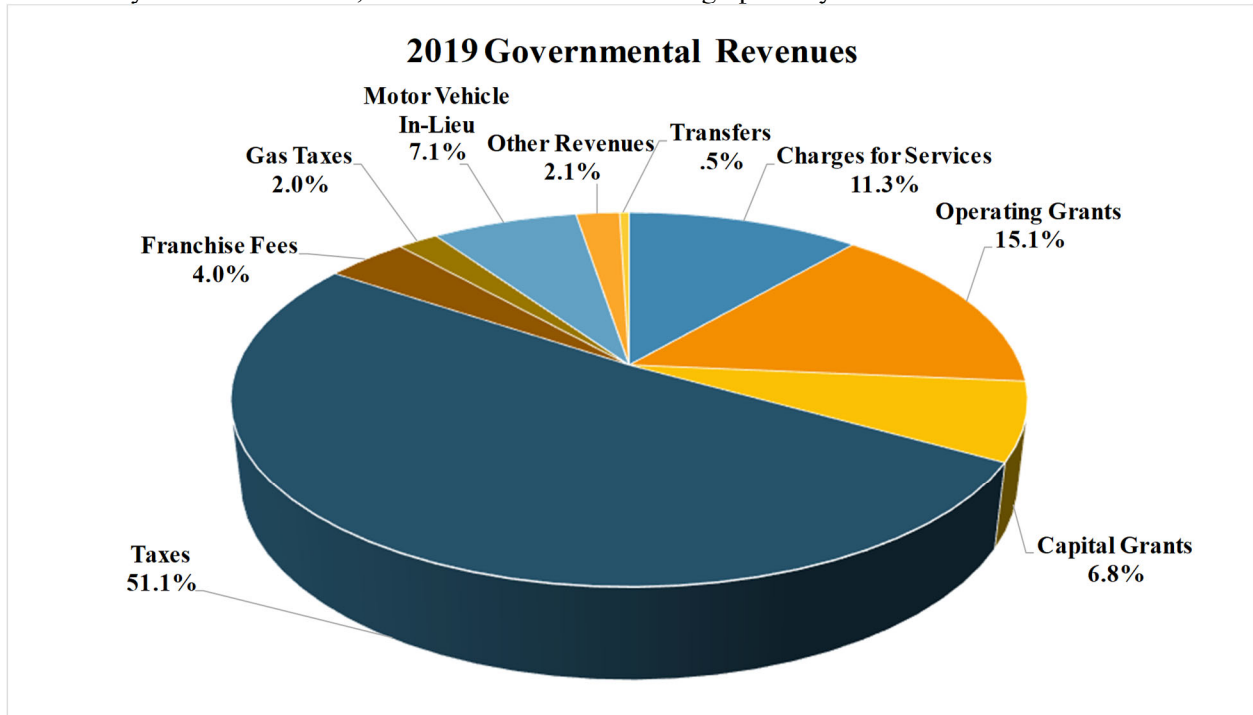
CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The fiscal year ended June 30, 2020 revenues are reflected graphically as follows:



The fiscal year ended June 30, 2019 revenues are reflected graphically as follows:



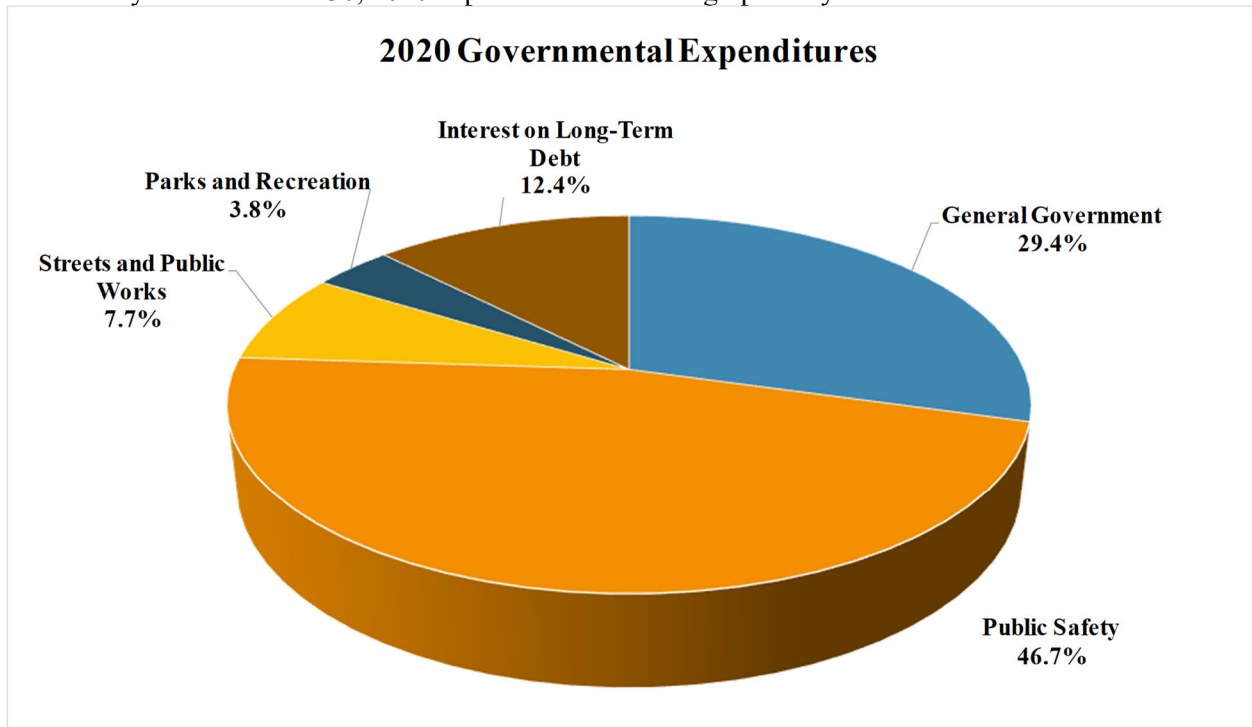
CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

EXPENSES

Expenses for the City totaled \$15.85 million. Governmental activities incurred \$13.04 million in expenses and business-type activities incurred \$2.81 million in expenses during the year. Governmental activities expenses were 28.73% funded by program revenues, fees, grants and contributions. The remainder of the funding came from general revenues. On the other hand, business-type activities expenses were 100% funded by program revenues, with the exception of interest and investment earnings.

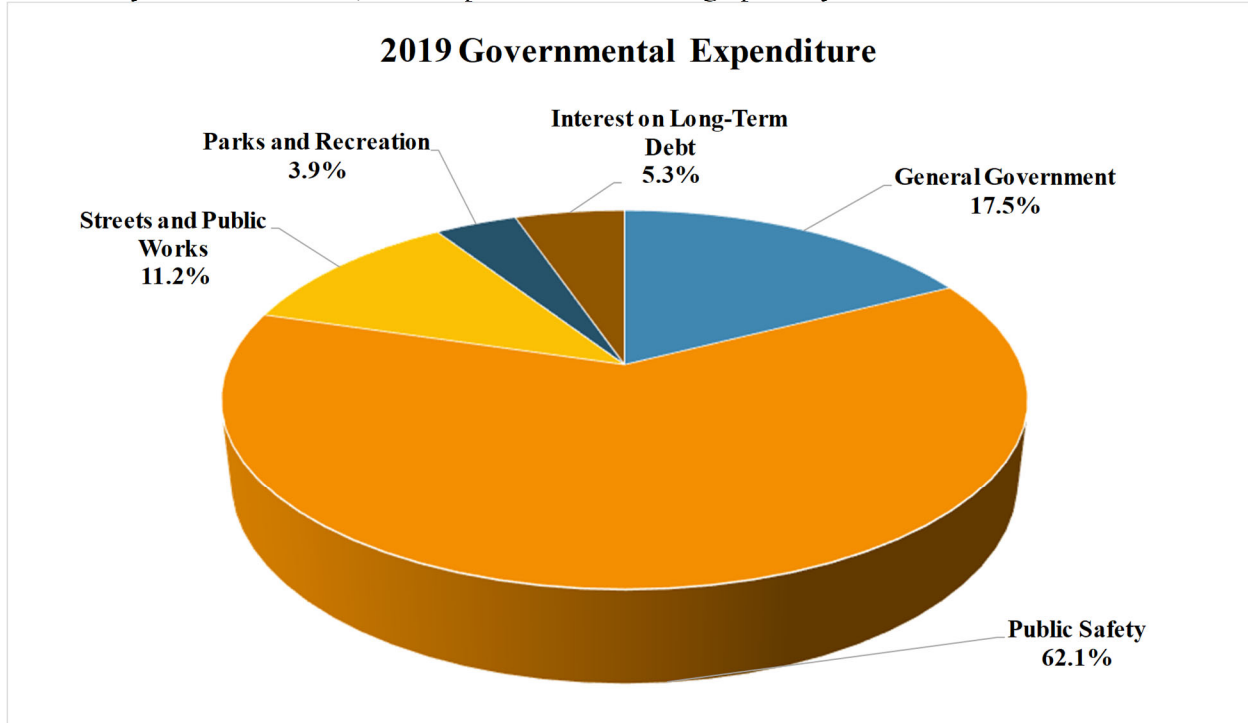
The fiscal year ended June 30, 2020 expenses are reflected graphically as follows:



CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The fiscal year ended June 30, 2019 expenses are reflected graphically as follows:



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The City of Marysville uses fund accounting to segregate accounts for specific activities or objectives, including demonstrating finance-related legal compliance.

GOVERNMENTAL FUNDS

The focus of the City's government funds is to provide information on near-term inflows, outflows and balances of resources that are available to provide services and capital project construction. In particular, unreserved fund balance may serve as a useful measure of a government's net spendable resources.

At the end of FY 2019-20 the City's governmental funds reported combined fund balance of \$8.07 million. The City has an unassigned fund balance of \$3.60 million. The remainder of the governmental ending fund balance of \$4.47 million is non-spendable, committed, or restricted to indicate that it is not available for new spending because it has been designated to pay for prior year commitments and other specific requirements.

PROPRIETARY FUNDS

The City's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail.

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year General Fund revenue was \$1.50 million higher than the amended budget estimate, which was primarily due to the continued increase in Measure C sales tax revenue and grants received. Another primary increase was the amount of cannabis business tax from the two dispensaries for medical and adult use.

The General Fund expense budget was \$740,671 lower than the amended budget estimate, which was primarily due to the payment structure of the new 2019 Pension Obligation Bond (POB) for the City's unfunded liability due to CalPERS and the refinancing of the 2011 Certificate of Participation (COP) bond.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets, net of depreciation, as of June 30, 2020, totaled \$48.34 million and consists of the coverage:

TABLE 3
CAPITAL ASSETS, NET OF DEPRECIATION
AS OF JUNE 30

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Capital assets, not being depreciated:						
Intangible Asset - Right to Capacity \$	-	\$ -	\$ 12,300,000	\$ 12,300,000	\$ 12,300,000	\$ 12,300,000
Construction in Progress	242,001	-	16,220,155	15,550,199	16,462,156	15,550,199
Land	6,057,051	6,057,051	-	-	6,057,051	6,057,051
Depreciable capital assets, net:						
Sewer Plant	-	-	2,295,149	2,487,057	2,295,149	2,487,057
Infrastructure	4,411,014	4,326,598	-	-	4,411,014	4,326,598
Buildings	2,522,551	2,565,196	21,709	24,339	2,544,260	2,589,535
Machinery and Equipment	959,013	824,181	138,075	129,271	1,097,088	953,452
Vehicles	2,860,349	1,600,167	65,474	-	2,925,823	1,600,167
Equipment Under Capital Lease	-	-	250,967	279,488	250,967	279,488
TOTAL	\$ 17,051,979	\$ 15,373,193	\$ 31,291,529	\$ 30,770,354	\$ 48,343,508	\$ 46,143,547

This investment in capital assets includes land, buildings, improvements other than buildings, and equipment. The City's investment in capital assets had a net increase from FY 2018-19 of \$2.20 million. The increase principally resulted from the current fiscal year's construction in progress in the Sewer Enterprise Fund of \$.91 million and \$1.26 million in city-wide vehicles. Infrastructure acquired prior to FY 2003-04 has not been recorded. The City is not required to record those infrastructure costs expended in those previous fiscal years.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from the acquisition date over their useful lives. Governmental fund financial statements record capital asset purchases as expenditures.

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

DEBT ADMINISTRATION

At the end of FY 2019-20, the City of Marysville had long-term liabilities of \$39.38 million and \$25.52 million for governmental activities and business-type activities, respectively. Additional information about the City's long-term obligations can be found in Note F in the Notes to Basic Financial Statements.

TABLE 4
OUTSTANDING DEBT
AS OF JUNE 30

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Pension Obligation Bond	\$ 14,163,816	\$ -	\$ -	\$ -	\$ 14,163,816	\$ -
BBT Lease 2019	6,780,000	-	-	-	6,780,000	-
Certificates of Participation 2011	-	6,480,000	-	-	-	6,480,000
Ford Lease September 2017	328,146	481,255	-	-	328,146	481,255
Ford Lease May 2018	17,721	25,728	-	-	17,721	25,728
Ford Lease 2019	29,011	37,364	-	-	29,011	37,364
GM Lease 2019	21,662	31,634	-	-	21,662	31,634
Cert of Participation, 2017 Series A	1,027,762	1,027,762	-	-	1,027,762	1,027,762
Cert of Participation, 2017 Series B	176,717	176,907	-	-	176,717	176,907
PNC Equipment Lease 2020	950,000	-	-	-	950,000	-
Enterprise Lease May 2018	275,117	-	-	-	275,117	-
Ford Lease 2020	106,594	-	-	-	106,594	-
GM Silverado Lease 2020	28,451	-	-	-	28,451	-
GM Colorado Lease 2020	20,745	-	-	-	20,745	-
Compentated Absences	291,141	279,731	3,224	2,457	294,365	282,188
Net Pension Liability	14,474,652	13,702,158	831,119	761,345	15,305,771	14,463,503
OPEB Liability	23,275	29,938	-	-	23,275	29,938
Lease Revenue Bonds, 2001 Series A	-	-	-	115,894	-	115,894
Sewer Revenue Bonds, 2012 Series B	-	-	11,555,000	11,800,000	11,555,000	11,800,000
Linda County Water District Loan	-	-	9,377,605	9,756,665	9,377,605	9,756,665
Linda County Water District Loan	-	-	1,920,000	2,000,000	1,920,000	2,000,000
Pension Obligation Bonds	-	-	836,184	-	836,184	-
BBT Lease 2019	-	-	68,400	-	68,400	-
Enterprise Lease May 2018	-	-	64,823	-	64,823	-
Obligation under Capital Lease	-	-	-	-	-	-
Add: Unamortized Bond Premium	669,453	-	865,627	859,147	1,535,080	859,147
TOTAL	\$ 39,384,263	\$ 22,272,477	\$ 25,521,982	\$ 25,295,508	\$ 64,906,245	\$ 47,567,985

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The property assessed valuations decreased slightly from 5.12% in FY 2017-18 to 5.03% in FY 2018-19 with an increase to 5.83% in FY 2019-20. This overall increase over the three-year period indicates property values continue to stabilize with the pattern of an increasing economy in the City. The City's general fund reserves have increased and the fund balance as of June 30, 2020 is \$3,754,998. This is a positive outlook as the ending fund balance as of June 30, 2020 was estimated to be \$2,799,353 for budgeting purposes going into FY 2020-21.

The voters passed Measure C in June 2016 which called for a 1% transactions and use tax that took effect October 1, 2016. The sales tax was estimated to between \$1.60 million and \$1.70 million each full fiscal year for a period of ten years. Actual Measure C revenue received in FY 2019-20 was \$3,235,171. This new revenue source has helped to restore City service levels to pre-recession levels, rebuild deteriorated public works infrastructure, fund public safety, offset debt service payments, increase financial reserve funds to above the 20% Council approved minimum and help rebuild levels of services in all areas of City services provided to the residents.

The voters passed Measure F in November 2016, which called for a cannabis business tax on medical marijuana dispensaries. Measure F had the potential to generate approximately \$250,000 a year to the General Fund which will help pay for City services. With the addition of adult use sales, the City generated \$363,267 in FY 2019-20.

The City has or will be awarded approximately \$2.57 million in grant funds in FY 2019-20 and FY 2020-21 to be used for street improvements, public safety personnel and equipment, housing rehabilitation, park improvements, planning and the design of 5th Street from E Street to J Street, which will complement the new 5th Street bridge replacement project. The City will continue to aggressively pursue grant funding for much-needed projects and to offset personnel costs.

Both Moody's Investor Service and S&P Raters have recently upgraded the City's credit rating and have listed a positive outlook for the City based on the City's financial rebuilding strategy that has resulted in an increase in the fund balance reserves. The increase in the City's credit rating also signals that the financial markets have confidence in the City's policies and an improved financial future.

The City has faced several financial challenges over the past decade in the areas of personnel cuts, service level reductions, increases in the areas of unfunded pension liability, workers' compensation and liability insurance costs. The City is very optimistic and believes that City finances will continue to strengthen in the future, both short and long term, and will continue to fund all its financial obligations such as debt service, pension and personnel costs as it has in past years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Marysville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Marysville Finance Department at 526 C Street, Marysville, CA 95901, phone (530) 749-3903.

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020



(This page intentionally left blank.)

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank.)

CITY OF MARYSVILLE, CALIFORNIA
GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 4,123,585		\$ 4,123,585
Accounts receivable	304,726	\$ 398,223	702,949
Interest receivable	11,238	1,025	12,263
Loans receivable	2,405,570		2,405,570
Due from other governments	1,803,500	13,457	1,816,957
Internal balances	125,744	(125,744)	-
Restricted cash	819,484		819,484
Total current assets	<u>9,593,847</u>	<u>286,961</u>	<u>9,880,808</u>
Noncurrent assets:			
Advances to Redevelopment Successor Agency		165,459	165,459
Capital assets, net of accumulated depreciation			
Non-depreciable	6,299,052	28,520,155	34,819,207
Depreciable	<u>10,752,927</u>	<u>2,771,374</u>	<u>13,524,301</u>
Total capital assets, net of accumulated depreciation	<u>17,051,979</u>	<u>31,291,529</u>	<u>48,508,967</u>
Total assets	<u>26,645,826</u>	<u>31,743,949</u>	<u>58,389,775</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	<u>17,634,621</u>	<u>1,104,788</u>	<u>18,739,409</u>
LIABILITIES			
Current liabilities:			
Accounts payable	337,439	68,598	406,037
Salaries and benefits payable	383,120	7,527	390,647
Deposits and other payables	706,371		706,371
Deposits and other payables	404,786	99,102	503,888
Deferred revenue	92,316		92,316
Long-term debt, due within one year	<u>895,821</u>	<u>774,943</u>	<u>1,670,764</u>
Total current liabilities	<u>2,819,853</u>	<u>950,170</u>	<u>3,770,023</u>
Long-term liabilities:			
Long-term debt, due after one year	23,699,374	23,912,696	47,612,070
Long-term compensated absences	291,141	3,224	294,365
Net pension liability	14,474,652	831,119	15,305,771
Other post employment benefits payable	<u>23,275</u>	<u>23,275</u>	<u>23,275</u>
Total long-term liabilities	<u>38,488,442</u>	<u>24,747,039</u>	<u>63,235,481</u>
Total liabilities	<u>41,308,295</u>	<u>25,697,209</u>	<u>67,005,504</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	<u>968,064</u>	<u>87,832</u>	<u>1,055,896</u>
Total deferred inflows of resources	<u>968,064</u>	<u>87,832</u>	<u>1,055,896</u>
NET POSITION			
Net investment in capital assets	7,290,053	7,547,997	14,838,050
Restricted net position	4,244,603	-	4,244,603
Unrestricted net position	<u>(9,530,568)</u>	<u>(484,301)</u>	<u>(10,014,869)</u>
Total net position	<u>\$ 2,004,088</u>	<u>\$ 7,063,696</u>	<u>\$ 9,067,784</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, CALIFORNIA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	Expenses	Program Revenues		Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating Grants and Contributions			
Governmental Activities:						
General government	\$ 3,831,458	\$ 911,179	\$ 62,161	\$ (2,858,118)		\$ (2,858,118)
Public safety	6,083,680	326,763	876,800	(4,497,187)		(4,497,187)
Streets and public works	1,006,314	205,300	855,542	121,117		121,117
Parks and recreation	500,323	59,257		(441,066)		(441,066)
Interest on long-term debt and issuance	1,617,137			(1,617,137)		(1,617,137)
Total governmental activities	<u>13,038,912</u>	<u>1,502,499</u>	<u>1,794,503</u>	<u>(9,292,391)</u>		<u>(9,292,391)</u>
Business-type activities:						
Wastewater	2,097,563	3,532,392			\$ 1,434,829	1,434,829
Interest on long-term debt	714,383				(714,383)	(714,383)
Total business-type activities	<u>2,811,946</u>	<u>3,532,392</u>			<u>720,446</u>	<u>720,446</u>
Total government	<u>\$ 15,850,858</u>	<u>\$ 5,034,891</u>	<u>\$ 1,794,503</u>	<u>\$ 449,519</u>	<u>(9,292,391)</u>	<u>720,446</u>
General revenues:						
Taxes:						
Sales and use taxes				5,542,854		5,542,854
Property taxes				1,317,036		1,317,036
Transient occupancy tax				130,913		130,913
Franchise fees				559,873		559,873
Gas taxes				328,677		328,677
Other taxes				363,267		363,267
Motor vehicle in-lieu				974,448		974,448
Investment income				46,132	6,532	52,664
Rental income				162,732		162,732
Miscellaneous revenues				104,689	63,416	168,105
Transfers:						
Transfers				89,621	(89,621)	-
Total general revenues				<u>9,620,242</u>	<u>(19,673)</u>	<u>9,600,569</u>
Changes in net position				327,851	700,773	1,028,624
Net position, beginning of year				<u>1,676,237</u>	<u>6,362,923</u>	<u>8,039,160</u>
Net position, end of year				<u>\$ 2,004,088</u>	<u>\$ 7,063,696</u>	<u>\$ 9,067,784</u>

The accompanying notes are an integral part of these financial statements

CITY OF MARYSVILLE, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Nonmajor Governmental Funds	Total
ASSETS			
Cash and investments	\$ 2,743,239	\$ 1,380,346	\$ 4,123,585
Accounts receivable, net	300,924	3,802	304,726
Interest receivable	7,399	3,839	11,238
Loans receivable	75,000	2,330,570	2,405,570
Due from other governments	1,600,475	203,025	1,803,500
Due from other funds	496,686		496,686
Restricted cash	819,484		819,484
TOTAL ASSETS	<u>\$ 6,043,207</u>	<u>\$ 3,921,582</u>	<u>\$ 9,964,789</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 263,801	\$ 73,638	\$ 337,439
Accrued payroll liabilities	370,855	12,265	383,120
Deposits and other payables	706,371		706,371
Due to other funds		370,942	370,942
Deferred revenue	52,698	39,618	92,316
Total liabilities	<u>1,393,725</u>	<u>496,463</u>	<u>1,890,188</u>
Fund balances:			
Nonspendable	75,000	2,330,570	2,405,570
Restricted	819,484	1,245,036	2,064,520
Unassigned	3,754,998	(150,487)	3,604,511
TOTAL FUND BALANCE	<u>4,649,482</u>	<u>3,425,119</u>	<u>8,074,601</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 6,043,207</u>	<u>\$ 3,921,582</u>	<u>\$ 9,964,789</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2020

Total Governmental Fund Balances	\$ 8,074,601
Amounts reported for governmental activities in the statement of net position are different because:	
Pension contributions subsequent to the valuation measurement date and other items will reduce the pension liability in the future and are reported as deferred outflows of resources on the statement of net position.	17,634,621
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	17,051,979
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	
Long-term debt	(24,595,195)
Compensated absences	(291,141)
OPEB payable	(23,275)
Net pension liability	(14,474,652)
Employee pension differences to be recognized in the future as pension expense are reported as deferred inflows of resources on the statement of net position.	(968,064)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds.	<u>(404,786)</u>
Net Position of Governmental Activities	<u><u>\$ 2,004,088</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	General Fund	Nonmajor Governmental Funds	Totals
REVENUES:			
Taxes and assessments	\$ 1,447,949		\$ 1,447,949
Sales and use taxes	5,542,854		5,542,854
Motor vehicle in lieu tax	974,448		974,448
Franchise tax	559,873		559,873
Licenses, permits and fees	636,275		636,275
Intergovernmental revenues	943,732	\$ 740,263	1,683,995
Reimbursements	462,000	174,599	636,599
Charges for services	747,041	218,698	965,739
Use of money and property	201,403	14,199	215,602
Program income		485,860	485,860
Other revenues	133,812		133,812
Insurance proceeds	2,147		2,147
Total revenues	<u>11,651,534</u>	<u>1,633,619</u>	<u>13,285,153</u>
EXPENDITURES:			
Current:			
General government	3,466,259	183,040	3,649,299
Public safety	5,370,486	58,086	5,428,572
Streets and public works	417,839	421,881	839,720
Parks and recreation	451,822		451,822
Debt Service:			
Principal retirement	6,712,487	36,733	6,749,220
Interest and fiscal charges	1,425,412	5,996	1,431,408
Capital outlay	684,519	1,739,810	2,424,329
Total expenditures	<u>18,528,824</u>	<u>2,445,546</u>	<u>20,974,370</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,877,290)</u>	<u>(811,927)</u>	<u>(7,689,217)</u>
OTHER FINANCING SOURCES (USES):			
Issuance of long-term debt	8,115,644	883,172	8,998,816
Transfers in	189,621	358,769	548,390
Transfers out	(358,769)	(100,000)	(458,769)
Total other financing sources (uses)	<u>7,946,496</u>	<u>1,141,941</u>	<u>9,088,437</u>
Excess of revenues and other sources over expenditures and other uses	1,069,206	330,014	1,399,220
Fund balance - beginning of year	<u>3,580,276</u>	<u>3,095,105</u>	<u>6,675,381</u>
Fund balance - end of year	<u>\$ 4,649,482</u>	<u>\$ 3,425,119</u>	<u>\$ 8,074,601</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 1,399,220
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	
Capital outlay	2,424,329
Depreciation expense	(745,543)
Some receivables are deferred in the governmental funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the statement of activities. Deferred receivables in the governmental funds are recognized once received in the subsequent period, but will not be accrued again in the statement of activities.	
Revenue recognized in a prior period	(8,011)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-wide Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These are the amounts by which proceeds exceeded repayments.	
Principal repayment	6,749,220
Amortization of premium	20,705
Issuance of bonds	(8,998,816)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not expenditures in the governmental funds.	
Change in other post employment benefits payable	6,663
Change in long-term interest payable	(206,434)
Change in pension liability	(302,072)
Change in compensated absences	(11,410)
Change in Net Position of Governmental Activities	<u><u>\$ 327,851</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive/ (Negative)
Revenues:				
Taxes and assessments	\$ 1,378,600	\$ 1,393,600	\$ 1,447,949	\$ 54,349
Sales and use taxes	4,540,000	4,600,000	5,542,854	942,854
Motor vehicle in lieu tax	960,000	969,458	974,448	4,990
Franchise tax	510,000	510,000	559,873	49,873
Licenses, fees and permits	527,588	567,137	636,275	69,138
Use of money and property	193,500	193,500	201,403	7,903
Intergovernmental revenues	627,451	538,501	943,732	405,231
Reimbursements	567,161	523,138	462,000	(61,138)
Charges for services	701,000	712,519	747,041	34,522
Other revenue	77,800	113,800	133,812	20,012
Proceeds from insurance recovery		30,995	2,147	(28,848)
Total revenues	10,083,100	10,152,648	11,651,534	1,498,886
Expenditures:				
Current:				
General government	3,261,875	3,788,541	3,466,259	322,282
Public safety	5,267,966	5,380,035	5,370,486	9,549
Streets and public works	650,266	506,797	417,839	88,958
Parks and recreation	448,171	468,171	451,822	16,349
Debt Service:				
Principal retirement	375,658	375,658	232,487	143,171
Interest and other charges	312,404	211,404	104,611	106,793
Capital outlay	253,000	738,088	684,519	53,569
Total expenditures	10,569,340	11,468,694	10,728,023	740,671
Excess (deficiency) of revenues over expenditures	(486,240)	(1,316,046)	923,511	2,239,557
Other financing sources (uses):				
Issuance of long term debt		775,823	736,524	(39,299)
Proceeds from sale of assets	500	500		(500)
Transfers in	177,500	177,500	189,621	12,121
Transfers out	(80,000)	(10,000)	(358,769)	(348,769)
Total other financing sources	98,000	943,823	567,376	(376,447)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(388,240)	(372,223)	1,490,887	1,863,110
Fund balances - beginning of year	3,580,276	3,580,276	3,580,276	
Fund balances - end of year	\$ 3,192,036	\$ 3,208,053	\$ 5,071,163	\$ 1,863,110

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, CALIFORNIA
STATEMENT OF NET POSITION
PROPRIETARY FUND - WASTEWATER FUND

June 30, 2020

ASSETS:

Current Assets:

Accounts receivable, net	\$ 398,223
Interest receivable	1,025
Due from other governments	13,457
Advances to Successor Agency	165,459
Total current assets	<u>578,164</u>

Noncurrent Assets:

Restricted cash	
Capital assets:	
Nondepreciable	28,520,155
Depreciable	2,771,374
Total capital assets, net of accumulated depreciation	<u>31,291,529</u>

Total assets	<u>31,869,693</u>
--------------	-------------------

DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows related to pensions	<u>1,104,788</u>
---------------------------------------	------------------

LIABILITIES:

Current Liabilities:

Accounts payable	68,598
Salaries and benefits payable	7,527
Interest payable	99,102
Due to other funds	125,744
Long-term debt, due within one year	774,943
Total current liabilities	<u>1,075,914</u>

Long-term Liabilities:

Long-term debt, due after one year, net	23,912,696
Long-term compensated absences	3,224
Net pension liability	831,119
Total long-term liabilities	<u>24,747,039</u>
Total liabilities	<u>25,822,953</u>

DEFERRED INFLOWS OF RESOURCES:

Deferred inflows related to pensions	<u>87,832</u>
--------------------------------------	---------------

NET POSITION:

Invested in capital assets, net of related debt	7,547,997
Unrestricted	<u>(484,301)</u>
Total net position	<u>\$ 7,063,696</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUND - WASTEWATER FUND

For the Year Ended June 30, 2020

Operating revenues:	
Service charges	\$ 3,532,392
Other revenues	55,916
Total operating revenues	<u>3,588,308</u>
Operating expenses:	
Salaries and expenses	307,584
Operations and maintenance	1,506,078
Depreciation and amortization expense	282,621
Total operating expenses	<u>2,096,283</u>
Income from operations	<u>1,492,025</u>
Non-operating revenues (expenses):	
Insurance reimbursements	7,500
Interest income	6,532
Interest expense	(714,383)
Miscellaneous expense	(1,280)
Total nonoperating expenses	<u>(701,631)</u>
Income before transfers	790,394
Other financing uses:	
Transfers out	(89,621)
Total other financing uses	<u>(89,621)</u>
Change in net position	700,773
Net position, beginning of year	<u>6,362,923</u>
Net position, end of year	<u><u>\$ 7,063,696</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WASTEWATER FUND
For the Year Ended June 30, 2020

Cash Flows from Operating Activities	
Cash received from customers	\$ 3,505,038
Cash paid to suppliers	(1,499,008)
Cash paid to employees and related benefits	(1,176,256)
Cash provided by operating activities	<u>829,774</u>
Cash Flows from Noncapital Financing Activities	
Repayments received on advances to other funds	199,974
Debt premium amortized	(1,222)
Debt principal paid	(14,215)
Proceeds from debt	876,929
Cost of issuing debt	(1,280)
Transfers out	(89,621)
Cash provided by noncapital financing activities	<u>970,565</u>
Cash Flows from Capital and Related Financing Activities	
Contributions from other funds for acquiring capital assets	125,744
Capital expenditures	(803,796)
Proceeds from capital debt	141,707
Capital debt principal paid	(814,222)
Capital debt premium amortized	(33,044)
Interest paid	(701,249)
Cash used for capital and related financing activities	<u>(2,084,860)</u>
Cash Flows from Investing Activities	
Interest received	<u>6,456</u>
Cash provided by investing activities	<u>6,456</u>
Decrease in cash and cash equivalents	(278,065)
Cash and cash equivalents, beginning of year	<u>278,065</u>
Cash and cash equivalents, end of year	<u>\$ -</u>
Reconciliation of operating income from operations to cash provided by operating activities:	
Operating income	\$ 1,492,025
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation and amortization	282,621
Insurance reimbursements	7,500
(Increase) decrease in assets:	
Accounts receivable	(90,770)
Due from other governments	(13,457)
Prepaid expenses	38,900
(Decrease) increase in liabilities:	
Accounts payable	(31,830)
Accrued payroll liabilities	161
Accrued compensated absences	767
Deferred Outflows	(917,789)
Pension liability	69,774
Deferred inflows	(8,128)
Cash provided by operating activities	<u>\$ 829,774</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, CALIFORNIA
STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

	Redevelopment Successor Agency Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash and investments	\$ 466,695	\$ 521,704
Receivables:		
Accounts receivable		2,992
Interest receivable	2,056	1,435
Due from other governments	42,090	22,830
Depreciable capital assets, net	<u>43,719</u>	
TOTAL ASSETS	<u>554,560</u>	<u>\$ 548,961</u>
LIABILITIES		
Accounts payable	981	\$ 15,640
Interest payable	702	
Advances from other City funds	165,459	
Due to other governments		533,321
Long-term debt:		
Due within one year	60,800	
Due after one year	<u>60,800</u>	
TOTAL LIABILITIES	<u>288,742</u>	<u>\$ 548,961</u>
NET POSITION		
Held in trust for other purposes	<u>265,818</u>	
TOTAL NET POSITION	<u>\$ 265,818</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
REDEVELOPMENT SUCCESSOR AGENCY PRIVATE-PURPOSE TRUST FUND

June 30, 2020

ADDITIONS	
Property taxes	\$ 127,533
Use of money and property	<u>7,845</u>
TOTAL ADDITIONS	<u>135,378</u>
DEDUCTIONS	
Operations and maintenance	26,249
Depreciation expense	1,622
Debt Service:	
Cost of issuance	2,276
Interest and fiscal charges	<u>2,039</u>
TOTAL DEDUCTIONS	<u>32,186</u>
CHANGE IN NET POSITION	103,192
Net position, beginning of year	<u>162,626</u>
Net position, end of year	<u><u>\$ 265,818</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MARYSVILLE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Marysville (the City) was incorporated on February 5, 1851, under the laws and regulations of the State of California (the State). The City lies at the confluence of the Yuba and Feather Rivers at the foot of the Sierra Mountains and is located about 40 miles north of Sacramento. Marysville and neighboring Yuba City, commonly known as the “Twin Cities,” form a regional community of approximately 125,000 people. The City’s economic base is agriculture (rice, peaches, tomatoes, etc.), government (Beale Air Force Base and District 3 Office of Caltrans), and retail trade services.

The City operates under a City Manager-Council form of government and provides the following services: public safety (Police and Fire), highways and streets, sewer, culture-recreation, public improvements, planning and zoning, and general administration. The voters of the City of Marysville, California, give authority and responsibility for operations to the City Council. The City Council has the authority to employ administrative and support personnel to carry out its directives. The primary method used to monitor the performance of the City’s management is the financial budget, which is adopted annually by the City Council.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. 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 related to its proprietary operations. The more significant of these accounting policies are described below.

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 property taxes, sales taxes, other inter-governmental 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.

These basic financial statements present the financial status of the City and its component units, which are included in the City’s reporting entity because of the significance of their operational or financial relationship with the City. 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’s reporting entity includes the following component units:

Marysville Financing Authority: The Financing Authority issues debt on behalf of the City. The debt is backed by the City’s General Fund. The Financing Authority is governed by the City Council, and is reported as a blended component unit.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Redevelopment Successor Agency Private-Purpose Trust Fund: The City of Marysville Community Development Agency (the Agency) was formed as a separate legal entity under the Community Redevelopment Law. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. On January 17, 2012, the City Council elected to become Successor Agency for the redevelopment agency in accordance with the bill as part of City Resolution No. 2012-02. Based upon the nature of the successor agency’s custodial role, it is reported as a fiduciary fund private-purpose trust fund.

Basis of Presentation—Government-wide Financial Statements: The government-wide financial statements (i.e. the statement of net position and statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Sales taxes are recognized when the underlying sales transaction takes place. Grants and similar items are recognized as revenues when all eligibility requirements are met.

Basis of Presentation—Fund Financial Statements: The accounts of the City are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 to 180 days of the end of the current fiscal period, depending on the revenue source. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. For the City, the General Fund includes such activities as public safety, public works, parks and recreation, and economic development services.

The City reports the following major enterprise fund:

Wastewater Enterprise Fund – The Wastewater Enterprise Fund is used to account for all revenues and expenses for operation maintenance and capital improvement funding of the Marysville Wastewater facilities.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The City has no debt service funds.

Capital Projects Fund – The Capital Project Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

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.

FIDUCIARY FUNDS

Private-Purpose Trust – Private Purpose Trust funds are used to account for trust arrangements where the principal and income benefit individuals, private organizations, or other governments. Examples include successor agencies for redevelopment agencies.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency Funds – Agency Funds account for assets held by the City in a purely custodial capacity. Agency Funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers or other funds for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents: 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, including the City's investment in California Local Agency Investment Fund (LAIF). Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost.

Receivables and Payables: Sales, use, and utility user taxes related to the current fiscal year are accrued as revenue and receivables and considered available if received within 90 days of year-end. Property taxes related to the current fiscal year are accrued as revenue and receivables and considered available if received within 60 days of year-end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net position. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and collectible if received within 180 days of year-end. Unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds.

Transactions between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Eliminations have not been made between or within the fund types.

The City has provided an allowance for doubtful accounts of \$81,094 at June 30, 2020 related to its wastewater operations estimated by the City to be uncollectible.

Property Taxes: The County of Yuba (the County) is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due, provided they are collected within 60 days after year end. Secured property taxes are levied on or before September 30 of each year. They become a lien on real property on March 1 preceding the fiscal year for which taxes are levied. These taxes are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The term “unsecured” refers to taxes on personal property other than land and buildings. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after fiscal year-end. The County apportions secured property tax revenue in accordance with the alternate methods of distribution, the “Teeter Plan,” as prescribed by Section 4717 of the California Revenue and Taxation code. Therefore, the City receives 100% of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

These taxes are accrued as intergovernmental receivables only if they are received from the County within 60 days after year-end for the governmental funds and are accrued when earned for government-wide presentation regardless of the timing of the related cash flows.

Capital Assets: Capital assets for governmental fund types of the City are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at their estimated fair market value on the date donated.

Public domain (infrastructure) capital assets consisting of certain improvements other than buildings, but including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have been capitalized prospectively beginning June 30, 2005.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not included in the current year’s additions to governmental or business-type capital assets. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	80 to 150 years
Machinery, equipment and vehicles	5 to 40 years

It is the policy of the City to capitalize all land, building, improvements, equipment, and eventually infrastructure assets, except assets costing less than \$5,000. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Costs of assets sold or retired and the resulting gain or loss is included in the operating statement of the related proprietary fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale. The proceeds reported in the governmental fund are eliminated and the gain or loss on sale is reported in the government-wide presentation.

Compensated Absences: It is the City’s policy to permit employees to accumulate earned but unused vacation. Vacation credits must be used during the next succeeding year. Vacation is accrued when incurred in the government-wide presentation and in the proprietary funds and reported as a liability. Amounts that are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations or retirements that are currently payable, are reported as expenditures and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources represent a reconciling item between the fund and government-wide presentation. No expenditure is reported in the governmental fund financial statements for these amounts.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unused vacation is paid to employees upon termination after one year of service. The maximum accrual for all employees for vacation is one times the employees' annual vacation leave credits. There is no limit as to the accrual of sick leave. Sick leave is not payable upon termination, but may be converted to service credits under the City's defined benefit pension plan.

Long-term Obligations: Long-term debt of governmental funds are reported at face value in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, proceeds from borrowing are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Deferred Outflows and Inflows of Resources: In addition to liabilities, the statement of financial position reports a separate section for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expenditure/expense) or an inflow of resources (revenue) until the earnings process is complete. The governmental funds report unavailable revenues for grants and other revenues when the amounts meet the asset recognition criteria and were accrued as receivables, but the amounts were not received in the availability period. Deferred outflows and inflows of resources include amounts deferred related to the City's pension plan under GASB 68 as described in Note H.

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 Commission's California Public Employee's 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.

Fund Equity: In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned balances.

Nonspendable Funds – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which comprise prepaid items and long-term receivables.

Restricted Funds – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed Funds – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. These amounts cannot be used for any other purpose unless the City Council modifies or removes the fund balance commitment.

Assigned Funds – Fund balance should be reported as assigned when the amounts are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed.

Unassigned Funds – Unassigned fund balance is the residual classification of the City's funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes.

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the City not restricted for any project or other purpose.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted, committed, assigned and unassigned resources as they are needed. The City's committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Use of Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Information: The City Council annually adopts the budget resolution for all operating funds of the City. Budgetary control is legally maintained at the fund level. Department heads submit budget requests to the City Administrator. The Administrator 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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budgets during the year. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year. Amounts shown in the financial statements represent the original budgeted amounts and all supplemental appropriations. The supplemental appropriations were immaterial. The budgetary data is prepared on the modified accrual basis consistent with the related “actual” amounts, except as indicated below. The City does not use encumbrance accounting.

Reconciliation of the Modified Accrual Basis to Budgetary Basis of Accounting: The reconciliation of General Fund excess of revenues over expenditures to the budgetary basis of accounting is as follows:

Modified accrual basis excess revenues over expenditures	\$ 1,069,206
Debt issuance costs not budgeted	1,047,582
Interest payments on pension bonds and lease obligation not budgeted	273,219
Proceeds related to lease financing not budgeted	6,480,000
Debt refunding not budgeted	<u>(7,379,120)</u>
Budgetary basis excess of revenue over expenditures	<u>\$ 1,490,887</u>

Excess Expenditures Over Appropriations: The following funds had excess expenditures over appropriations.

Fund	Appropriations	Total Expenditures and Transfers Out	Excess Expenditures
Nonmajor Special Revenue Funds:			
Community Development Block Grant (CDBG)	\$ -	\$ 97,416	\$ 97,416
Home Program Income	-	16,624	16,624

The CDBG and Home Program Funds are not budgeted.

New Pronouncements: In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The requirements of this Statement are effective for the year ended June 30, 2021.

In June 2017, the GASB issued Statement No. 87, *Leases*. 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. 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. A lease is defined as a contract that conveys control

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for the year ended June 30, 2022.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense rather than being recorded as part of the cost of capital assets in a business-type activity or enterprise fund and interest cost incurred by a fund using the current financial resources measurement focus before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for the year ended June 30, 2022.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligation*. The Statement indicates an issuer of a conduit debt obligation should not report a liability for the conduit debt obligation, but requires an issuer to report a liability associated with an additional commitment or a voluntary commitment to support the debt. Additional commitments by an issuer to support the debt include extending a moral obligation pledge, appropriation pledge or financial guarantee or pledging the issuer's own property, revenue or assets as security for the debt. The requirements of this Statement are effective for the year ended June 30, 2023.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). This Statement 1) defines the term SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs to a SBITA; and 4) requires note disclosure regarding a SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement is effective for the year ended June 30, 2023.

The City is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. Cash represents cash on hand, demand deposits in the bank and amounts invested in the State of California Local Agency Investment Fund (LAIF). Cash and investments at June 30, 2020 are classified in the accompanying financial statements as follows:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 4,123,585		\$ 988,399	\$ 5,111,984
Restricted cash	819,484			819,484
	<u>\$ 4,943,069</u>		<u>\$ 988,399</u>	<u>\$ 5,931,468</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE B – CASH AND INVESTMENTS (Continued)

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

Cash on hand	\$ 900
Deposits in financial institutions	2,358,119
California Local Agency Investment Fund	1,839,942
Yuba County investment pool	908,133
Held by bond trustee:	
Money market mutual fund	819,484
Total cash and investments	<u>\$ 5,926,578</u>

Investment policy: 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.

	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
Local agency bonds	5 years	None	10%
Mortgage-back securities	5 years	20%	None
Bankers acceptances	180 days	40%	\$ 2,000,000
High grade commercial paper	270 days	25%	\$ 1,000,000
FDIC insured or fully collateralized time certificates of deposit	180 days	None	None
Negotiable certificates of deposit	5 years	30%	None
LAIF	N/A	\$ 30,000,000	\$ 20,000,000
CLASS	None	None	None
Medium term corporate notes	5 years	30%	\$ 1,000,000
Repurchase Agreements	365 days	20%	None
Money market fund	None	20%	10%

The City complied with the provisions of California Government Code pertaining to the types of investments held, institutions in which deposits were made and security requirements. The City will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE B – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements: Investment of debt proceeds held by the bond trustee 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 Pension Obligation Bond debt agreement contains certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

	Maximum Maturity	Maximum Percentage Of Portfolio*	Maximum Investment In One Issuer
Federal securities	5 years	None	None
U.S. government agency obligations	5 years	None	None
Municipal obligations	None	None	10%
Bankers acceptances	365 days	40%	30%
Commercial paper	270 days	40%	10%
Certificates of deposit	365 days	None	None
Money market funds	5 years	30%	5%
Local Agency Investment Fund	365 days	20%	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 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.

Information about the sensitivity of the fair values of the City's investments (including investments held by the bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

	Remaining Maturity (in months)			
	Total	12 Months or Less	13-24 Months	More Than 60 Months
LAIF	\$ 1,839,942	\$ 1,839,942	\$ -	\$ -
Cash in Yuba County pool	908,133	908,133		
Held by bond trustee:				
Money market mutual funds	819,484	819,484		
Total	<u>\$ 3,567,559</u>	<u>\$ 3,567,559</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The current rating of the money market mutual funds is AAA. LAIF does not have ratings assigned by a nationally recognized statistical organization.

Concentration of Credit Risk: The investment policy of the City contains no limitations on the amount that can be invested with any one issuer beyond that stipulated by the California Government Code. As of June 20, 2020, no investments represented more than 5% of the total investments (other than mutual funds and external investment pools) in any one issuer.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE B – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Governmental Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2020, the carrying amount of the City's deposits was \$2,358,119 and the balance in financial institutions was \$2,197,788. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$1,947,788 was covered by the pledging financial institution with assets held in a common pool for the City and other governmental agencies.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$101,788,256,254 managed by the State Treasurer. Of that amount, 3.37% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. 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. At June 30, 2020, these investments matured in an average of 177 days.

Investment in the County of Yuba Investment Pool: The City has cash in the County of Yuba Treasury. The County maintains an investment pool and allocates interest to the various funds based upon the average daily cash balances. Investments held in the County's investment pool are available on demand to the City and are stated at cost, which approximates fair value. Information regarding fair value measurements of the County pool made be found in the notes to the County of Yuba financial statements at www.co.yuba.ca.us/Departments/Aditor-Controller. As of June 30, 2020, the weighted average maturity of investments contained in the County of Yuba investment pool was approximately 240.

Fair Value Measurement: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE C – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2020 were as follows:

	Due from Other Funds
Due to Other Funds	General Fund
Nonmajor Funds:	
CDBG Principal and Interest	\$ 312,880
Home Program Income	18,483
COPS/SLESF Grant Fund	1,928
Capital Projects Fund	37,651
Enterprise Fund:	
Sewer Fund	125,744
	<u>\$ 496,686</u>

These balances resulted 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.

Transfers during the year ended June 30, 2020 were as follows:

	Transfers In		
Transfers out	General	Nonmajor Governmental	Total
Major Governmental Funds:			
General		\$ 358,769	\$ 358,769
Nonmajor Governmental Funds:			
COPS/SLESF	\$ 100,000		100,000
Enterprise Fund:			
Sewer	89,621		89,621
	<u>\$ 189,621</u>	<u>\$ 358,769</u>	<u>\$ 548,390</u>

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 expand them and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE C – INTERFUND TRANSACTIONS (Continued)

Interfund long-term advances at June 30, 2020 were as follows:

Fund	Advances to Other Funds	Advances From Other Funds
Enterprise Funds:		
Wastewater Fund	\$ 165,459	
Fiduciary Funds - Private-Purpose Trust:		
Redevelopment Successor Agency		\$ 165,459
	<u>\$ 165,459</u>	<u>\$ 165,459</u>

Advance from Wastewater Enterprise Fund: During the year ended June 30, 2000, the City's Wastewater Enterprise Fund advanced to the Agency \$500,000 to be used for improvements at the baseball field. On December 6, 2013, the State of California approved this amount as eligible for tax revenues deposited into the Redevelopment Property Tax Trust Fund created by the State to receive all taxes due to the dissolved Agency. Interest accrues at the LAIF interest rate and will be added to the advance balance annually when approved by the State. A payment of \$199,974 was made during the fiscal year ended June 30, 2020.

NOTE D – LOANS RECEIVABLE

The following is a summary of the various types of loans receivable outstanding as of June 30, 2020:

General Fund – The City made loans to small businesses under the Small Business Emergency Economic Relief Fund through the Yuba-Sutter Economic Development Corporation to mitigate the impact of COVID-19. These loans are zero interest, secured loans with repayment to begin within 90 days of the lifting of the Stay-At-Home order or receipt of an SBA financial award and will be repaid over three years.

CDBG Principal and Interest Special Revenue Fund – The City participates in a CDBG Revolving Loan program. The program is federally funded and provides assistance to private parties and for-profit businesses to carry out economic development. Loans have been provided to qualifying businesses located within the City. Interest rates vary depending on the terms of the loan and interest may be deferred until the related property is refinanced or sold. Accrued but unpaid interest is added to the loan balance. Interest rates range from zero to 10%.

HOME Program Income Fund – The City has made various loans to qualifying participants within the City as part of the Federal First Time Home Buyers Program (HOME), which are owner occupied housing rehabilitation programs. Interest rates vary depending on the terms of the loan and interest is deferred until the loan is refinanced or sold and may be waived under certain conditions if the loan is carried to full term. Also, the City utilizes proceeds received from pay-offs under the Housing Revolving Loan Fund to reloan to qualifying participants. The interest rate on the loans is 3% to 3.75%.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE D – LOANS RECEIVABLE (Continued)

Activity in loans receivable for the year ended June 30, 2020 is as follows:

	Balance at July 1, 2019	Additions	Payments Received	Adjustments	Balance at June 30, 2020
Major Governmental Funds:					
General Fund:					
Small Business Emergency					
Economic Relief		\$ 75,000			\$ 75,000
Nonmajor Governmental Funds:					
CDBG Principal and Interest					
Special Revenue Fund:					
Block grant loans	\$ 1,140,813	14,848	\$ (120,068)	\$ 345,869	1,381,462
HOME Program Income Fund:					
HOME loans	942,511	3,206	(4,883)	8,274	949,108
Total Loans Receivable	<u>\$ 2,083,324</u>	<u>\$ 93,054</u>	<u>\$ (124,951)</u>	<u>\$ 354,143</u>	<u>\$ 2,405,570</u>

NOTE E – CAPITAL ASSETS

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

	Balance at June 30, 2019	Additions	Retirements	Adjustments	Balance at June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 6,057,051				\$ 6,057,051
Construction in progress		\$ 242,001			242,001
Total capital assets, not being depreciated	6,057,051	242,001	-	-	6,299,052
Capital assets, being depreciated:					
Infrastructure	4,826,122	203,214			5,029,336
Buildings	5,029,119	66,534			5,095,653
Machinery and equipment	2,431,280	268,732			2,700,012
Vehicles	3,512,233	1,643,848			5,156,081
Total capital assets, being depreciated	15,798,754	2,182,328	-	-	17,981,082
Less accumulated depreciation for:					
Infrastructure	(499,524)	(118,798)			(618,322)
Buildings	(2,463,923)	(109,179)			(2,573,102)
Machinery and equipment	(1,607,099)	(133,900)			(1,740,999)
Vehicles	(1,912,066)	(383,666)			(2,295,732)
Total accumulated depreciation	(6,482,612)	(745,543)	-	-	(7,228,155)
Capital assets being depreciated, net	9,316,142	1,436,785	-	-	10,752,927
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 15,373,193</u>	<u>\$ 1,678,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,051,979</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE E – CAPITAL ASSETS (Continued)

Depreciation expense for governmental capital assets was charged to functions as follows:

General government	\$ 96,264
Public safety	434,184
Streets and public works	166,594
Parks and recreation	<u>48,501</u>
Total governmental activities depreciation expense	<u>\$ 745,543</u>

Business-type capital assets activities for the year ended June 30, 2020 was as follows:

	Balance at June 30, 2019	Additions	Retirements	Adjustments	Balance at June 30, 2020
Capital assets, not being depreciated:					
Intangible asset - Right to Capacity	\$ 12,300,000				\$ 12,300,000
Construction in progress	15,550,199	\$ 669,956			16,220,155
Total capital assets, not being depreciated	<u>27,850,199</u>	<u>669,956</u>			<u>28,520,155</u>
Capital assets, being depreciated:					
Sewer plant	7,086,834	35,505			7,122,339
Buildings	1,483,400				1,483,400
Machinery and equipment	1,304,428	25,028			1,329,456
Vehicles	310,101	73,307			383,408
Equipment under capital lease	570,426				570,426
Total capital assets, being depreciated	<u>10,755,189</u>	<u>133,840</u>			<u>10,889,029</u>
Less accumulated depreciation for:					
Sewer plant	(4,599,777)	(227,413)			(4,827,190)
Buildings	(1,459,061)	(2,630)			(1,461,691)
Machinery and equipment	(1,175,157)	(16,224)			(1,191,381)
Vehicles	(310,101)	(7,833)			(317,934)
Equipment under capital lease	(290,938)	(28,521)			(319,459)
Total accumulated depreciation	<u>(7,835,034)</u>	<u>(282,621)</u>			<u>(8,117,655)</u>
Capital assets being depreciated, net	<u>2,920,155</u>	<u>(148,781)</u>			<u>2,771,374</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 30,770,354</u>	<u>\$ 521,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,291,529</u>

Depreciation expense for business-type capital assets was charged to functions as follows:

Wastewater	<u>\$ 282,621</u>
------------	-------------------

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE F – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Payments	Balance June 30, 2020	Due Within One Year
Governmental Activities:					
Pension Obligation Bonds		\$ 14,163,816		\$ 14,163,816	\$ 240,785
BBT Lease 2019		6,780,000		6,780,000	308,000
Cert of Participation 2017 Series A	\$ 1,027,762			1,027,762	
PNC Equipment Lease 2020		950,000		950,000	57,762
Ford Lease September 2017	481,255		\$ (153,109)	328,146	160,305
Enterprise Lease May 2018		315,682	(40,565)	275,117	58,819
Cert of Participation 2017 Series B	176,907		(190)	176,717	2,201
Ford Lease 2020		137,539	(30,945)	106,594	24,273
Ford Lease 2019	37,364		(8,353)	29,011	8,980
GM Silverado Lease 2020		38,921	(10,470)	28,451	9,013
GM Lease 2019	31,634		(9,972)	21,662	10,534
GM Colorado Lease 2020		28,354	(7,609)	20,745	6,586
Ford Lease May 2018	25,728		(8,007)	17,721	8,563
Certificates of participation 2011	6,480,000		(6,480,000)		
	8,260,650	22,414,312	(6,749,220)	23,925,742	895,821
Add: unamortized bond premium		690,158	(20,705)	669,453	
	8,260,650	23,104,470	(6,769,925)	24,595,195	895,821
Compensated absences	279,731	11,410		291,141	
Net pension liability	13,702,158	772,494		14,474,652	
OPEB liability	29,938		(6,663)	23,275	
Governmental activities long-term liabilities	\$ 22,272,477	\$ 23,888,374	\$ (6,776,588)	\$ 39,384,263	\$ 895,821
Business-Type Activities:					
Sewer revenue bonds, 2012 Series A	\$ 11,800,000		\$ (245,000)	\$ 11,555,000	\$ 250,000
Linda County Water District Loan	9,756,665		(379,060)	9,377,605	382,849
Linda County Water District Loan	2,000,000		(80,000)	1,920,000	80,000
Pension Obligation Bonds		\$ 836,184		836,184	14,215
BBT Lease 2019		68,400		68,400	34,200
Enterprise Lease May 2018		73,307	(8,484)	64,823	13,679
Lease revenue bonds, 2001 Series A	115,894		(115,894)		
	23,672,559	977,891	(828,438)	23,822,012	774,943
Add: unamortized bond premium	859,147	40,745	(34,265)	865,627	
Total long-term debt	24,531,706	1,018,636	(862,703)	24,687,639	774,943
Compensated absences	2,457	767		3,224	
Net pension liability	761,345	69,774		831,119	
Business-type activities long-term liabilities	\$ 25,295,508	\$ 1,089,177	\$ (862,703)	\$ 25,521,982	\$ 774,943

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE F – LONG-TERM LIABILITIES (Continued)

Long-term debt of the City's governmental activities consists of the following as of June 30, 2020, all of which is direct debt:

2019 Pension Obligation Bond

On July 1, 2019, the City issued Taxable Pension Obligation Bonds in the amount of \$15,000,000 to finance a portion of the City's unfunded accrued actuarial liability to the California Public Employees' Retirement System (CalPERS) for the benefit of the City's employees and pay for a portion of the City's remaining required normal FY19/20 monthly payments to CalPERS. Debt service will be funded from the revenue of the General Fund and the Sewer Fund. The bonds were split between governmental activities and business-type activities based on the proportion of pension contributions expense. Interest rates vary from 2.6% to 5.0%. Interest on the Bonds is payable semiannually on each January 1 and July 1, commencing January 1, 2020. The principal installments and interest are payable annually beginning on July 1, 2020 and the final payment will be made on July 1, 2044. The Indenture of Trust states that an event of default exists if the City fails to make the due and punctual payment of the principal or interest or if the City fails to observe any of the agreements or conditions of the Indenture for a period of 30 days. If default occurs, the principal and accrued interest could be due and payable

\$ 14,163,816

Obligation under site and facility lease:

The City entered into a lease agreement with the Marysville Public Financing Authority to refund prior 2011 Taxable Certificates of Participation. The interest component of the lease will be calculated based on the Taxable Rate. Principal payments ranging from \$308,000 to \$506,000 are due annually beginning October 1, 2020 through October 1, 2036 and interest payments ranging from \$7,792 to \$110,320 are due semi-annually on April 1 and October 1 beginning on April 1, 2020 through October 1, 2036. To provide for repayment of the lease, the City intends to lease, on a long-term basis, the business park and a development project. Should the City default on lease payments or any covenants of the lease agreement, the trustee could re-let the property and terminate the lease agreement.

6,780,000

\$1,027,762 Clean Renewable Energy Bonds (CREB), Series A:

On September 1, 2017, the Marysville Financing Authority issued bonds and entered into a lease agreement with the City to finance its clean renewable energy projects consisting of solar photovoltaic energy systems at the City Hall and Police Department, City Fire Department, and City Corporation Yard. Principal payments ranging from \$2,985 to \$134,966 are due annually on September 1 through September 1, 2038 and interest payments, at a rate of 5.62%, ranging from \$420 to \$28,880 are due semiannually on March 1 and September 1 through September 1, 2038. To provide for repayment of the bonds, the City has leased three parcels of land bordered by or near F and 15th Streets to the Marysville Financing Authority under a leaseback agreement. Should the City default on lease payments or any covenants of the lease agreement, payments could be enforced, the lease could be terminated or legal action could be taken.

1,027,762

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE F – LONG-TERM LIABILITIES (Continued)

Obligation under capital lease:

The City entered into a purchase option lease agreement with PNC Equipment Finance, LLC dated December 4, 2019 for the acquisition of one 2020 Pierce Enforcer 1500 Pumper and one Ford Type 6 F550 fire engine. Due in annual installments of \$89,112 beginning December 4, 2021 and ending December 4, 2034, including interest at 3.3%. The cost of the asset was \$950,000 and no accumulated depreciation was recorded as of June 30, 2020. Should the City default on lease payments or any covenants of the lease agreement, the Lessor can demand full payment of the outstanding lease payments or retake possession of equipment or require the City to return property, with the City being responsible for a loss on resale or re-lease of equipment.

\$ 950,000

Obligation under capital lease:

The City entered into a purchase option lease agreement with Ford Motor Credit Company, LLC dated September 20, 2017 for the acquisition of nineteen 2017 Ford Police Interceptor Utility vehicles. Due in annual installments of \$175,728 beginning September 20, 2017 and ending September 20, 2021, including interest at 4.70%. The cost of the assets were \$803,219 and accumulated depreciation was \$441,770 at June 30, 2020. See default terms above.

328,146

Obligation under capital lease:

The City entered into a master equity lease agreement with Enterprise FM Trust, dated October 4, 2018 for the lease of vehicles from time to time as deemed necessary by the City. On February 6, 2019 through December 16, 2019 the City leased ten vehicles. The cost of the assets were \$315,682 and accumulated depreciation was \$39,133 as of June 30, 2020. See default terms above.

275,117

\$176,907 Clean Renewable Energy Bonds (CREB), Series B:

On September 1, 2017, the Marysville Financing Authority issued bonds and entered into a lease agreement with the City to finance its clean renewable energy projects consisting of solar photovoltaic energy systems at the City Hall and Police Department, City Fire Department, and City Corporation Yard. Principal payments ranging from \$190 to \$31,292 are due annually on September 1 through September 1, 2031 and interest payments at a rate of 5.42% ranging from \$483 to \$4,794 are due semiannually on March 1 and September 1 through September 1, 2031. To provide for repayment of the bonds, the City has leased three parcels of land bordered by or near F and 15th Streets to the Marysville Financing Authority under a leaseback agreement. See terms of default above.

176,717

Obligation under capital lease:

The City entered into a purchase option lease agreement with Altec Capital Services, LLC dated April 1, 2020 for the acquisition of one 2019 Ford F550 Altec Bucket vehicle. Due in annual installments of \$30,945 beginning April 1, 2021 and ending April 1, 2024, including interest at 7.5%. The cost of the asset was \$137,539 and accumulated depreciation was \$8,023 as of June 30, 2020. See default terms above.

106,594

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE F – LONG-TERM LIABILITIES (Continued)

Obligation under capital lease:

The City entered into a purchase option lease agreement with Ford Motor Credit Company, LLC dated May 23, 2019 for the acquisition of one 2019 Ford Explorer police vehicle. Due in annual installments of \$11,155 beginning May 23, 2019 and ending May 23, 2023, including interest at 7.5%. The cost of the asset was \$48,518 and accumulated depreciation was \$10,503 at June 30, 2020. See default terms above.

\$ 29,011

Obligation under capital lease:

The City entered into a purchase option lease agreement with GM Financial dated September 10, 2020 for the acquisition of one 2020 Chevrolet Silverado 1500 vehicle. Due in annual installments of \$10,472 beginning September 8, 2021 and ending September 8, 2023, including interest at 7.5%. The cost of the asset was \$38,923 and accumulated depreciation was \$1,946 as of June 30, 2020. See default terms above.

28,451

Obligation under capital lease:

The City entered into a purchase option lease agreement with General Motor dated June 11, 2019 for the acquisition of one 2019 Chevy Tahoe police vehicle. Due in annual installments of \$11,756 beginning June 11, 2019 and ending June 11, 2022, including interest at 7.55%. The cost of the asset was \$43,390 and accumulated depreciation was \$9,205 at June 30, 2020. See terms of default above.

21,662

Obligation under capital lease:

The City entered into a purchase option lease agreement with GM Financial dated April 8, 2020 for the acquisition of one 2020 Chevrolet Colorado vehicle. Due in annual installments of \$7,608 beginning April 8, 2021 and ending April 8, 2023, including interest at 7.5%. The cost of the asset was \$28,354 and accumulated depreciation was \$1,418 as of June 30, 2020. See default terms above.

20,745

Obligation under capital lease:

The City and Ford Motor Credit Company, LLC amended the above lease terms to include an additional vehicle. Amendment dated June 25, 2018 for the acquisition of one 2018 Ford Police Interceptor Utility vehicle. Due in annual installments of \$9,795 beginning June 25, 2018 and ending June 25, 2022, including interest at 6.95%. The cost of the asset was \$43,009 and accumulated depreciation was \$23,545 at June 30, 2020. See terms of default above.

17,721

\$ 23,925,742

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE F – LONG-TERM LIABILITIES (Continued)

Long-term debt of the City's business-type activities consists of the following as of June 30, 2020, all of which is direct debt:

\$13,135,000 Sewer Revenue Bonds, 2012 Series A:

Issued on November 9, 2012 to finance the acquisition and construction of certain improvements and facilities for the Sewer System. The serial bonds with principal payments of \$215,000 to \$315,000 are due beginning November 1, 2013 through November 1, 2027 with term bonds maturing on November 1 of 2023, 2032, 2038 and 2045. The serial bonds have stated interest rates of 0.55% to 3% and the term bonds have interest rates of 4.00% and 5.00%. Repayment is secured by a pledge and lien of the net revenues of the sewer system. Should the City default on payments or any covenants of the agreement, the interest rate will increase to 10% per annum or the bonds could immediately become due and payable.

\$ 11,555,000

Linda County Water District Agreement:

Dated September 19, 2012 for the City share of the added capacity resulting from the improvements to the wastewater facilities and pipeline owned and maintained by the water district. The total project costs were estimated to be \$34,168,332 for increased capacity of 5.0 million gallons per day (MGD) of which the City was allocated 1.8 MGD and \$12,300,600 of the project costs. Annual payments of \$476,625 are due beginning January 1, 2013 through January 1, 2042, including interest at 1%. Should the City default on payments or any covenants of the agreement, the District may immediately terminate service to the City until full payment of the outstanding principal and accrued interest is received.

9,377,605

Linda County Water District Agreement:

In the agreement dated November 9, 2018 the City borrowed \$2,000,000 from Linda County Water District for the construction of the wastewater delivery pipeline. Annual payments of at least \$80,000 are due beginning February 1, 2019 through February 1, 2043, including interest at LAIF plus 1%. The default provisions are the same as the previous loan.

1,920,000

2019 Pension Obligation Bond

On July 1, 2019 the City issued Taxable Pension Obligation Bonds in the amount of \$15,000,000. The debt was split between the governmental activities and the business-type activities. See page 45 for terms and details.

836,184

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE F – LONG-TERM LIABILITIES (Continued)

Obligation under site and facility lease:

The City entered into a lease agreement with the Marysville Public Financing Authority to refund prior Lease Revenue Bonds, Series 2001. The interest component of the lease will be calculated based on the Taxable Rate. Principal payments ranging from \$34,200 to \$60,800 are due annually beginning October 1, 2020 through October 1, 2021 and interest payments ranging from \$263 to \$1,924 are due semi-annually on April 1 and October 1 beginning on April 1, 2020 through October 1, 2021. To provide for repayment of the lease, the City has leased the city hall to the Authority under a leaseback agreement. The refinancing involved both business-type activities and fiduciary activities. The liability has been allocated based on the debt service requirements of the respective bond issue refinanced: \$68,400 business-type activities and \$121,600 fiduciary activities. Should the City default on lease payments or any covenants of the lease agreement, the trustee could re-let the property and terminate the lease agreement.

\$ 68,400

Obligation under capital lease:

The City entered into a master equity lease agreement with Enterprise FM Trust, dated October 4, 2018 for the lease of vehicles from time to time as deemed necessary by the City. On October 31, 2019 the City leased two 2019 Ford F250 vehicles. The cost of the asset was \$73,307 and accumulated depreciation was \$7,833 as of June 30, 2020. Should the City default on lease payments or any covenants of the lease agreement, the Lessor can demand full payment of the outstanding lease payments or retake possession of equipment or require the City to return property, with the City being responsible for a loss on resale or re-lease of equipment.

64,823

\$ 23,822,012

Principal and interest payments on debt are due as follows:

Year Ending June 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 895,821	\$ 942,641	\$ 774,943	\$ 733,298
2022	1,239,006	896,360	802,816	718,370
2023	898,441	845,294	772,851	700,898
2024	976,892	810,056	791,930	681,719
2025	1,012,570	778,074	800,975	663,757
2026-2030	6,092,884	3,241,939	4,246,579	3,041,528
2031-2035	8,076,159	1,734,718	4,859,095	2,388,183
2036-2040	4,422,365	349,439	5,421,774	1,583,151
2041-2045	311,604	17,889	4,586,049	664,399
2046-2051			765,000	19,125
Totals	<u>\$ 23,925,742</u>	<u>\$ 9,616,410</u>	<u>\$ 23,822,012</u>	<u>\$ 11,194,428</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE F – LONG-TERM LIABILITIES (Continued)

The Wastewater Fund has pledged a portion of its net revenue to repay \$13,135,000 for the Sewer Revenue Bonds to finance certain sewer system improvements. Total principal and interest remaining on the bonds through 2023 is \$20,380,857. For fiscal year 2020, the principal and interest paid by the Wastewater fund for these loans was \$781,288. The City has not been in compliance with its debt coverage related to the Sewer Revenue Bonds for the past four years. The City completed a rate study in June 2019 and increased rates in October 2019 to meet the coverage ratio in future periods.

NOTE G – NET POSITION/FUND BALANCE

The following are the purposes for which net positions are restricted:

	Governmental Activities
Public safety	\$ 201,957
Public works	
Capital projects	4,876
Other	672,007
Debt service	819,484
Community development	2,546,279
	<u>\$ 4,244,603</u>

The following are the components of the Governmental Funds fund balances:

	General	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:			
Nonspendable:			
Loans receivable	\$ 75,000	\$ 2,330,570	\$ 2,405,570
Total Nonspendable	<u>75,000</u>	<u>2,330,570</u>	<u>2,405,570</u>
Restricted for:			
Public safety		201,957	201,957
Public works			
Capital projects		4,876	4,876
Other		672,007	672,007
Debt service	819,484		819,484
Community development		366,196	366,196
Total Restricted	<u>819,484</u>	<u>1,245,036</u>	<u>2,064,520</u>
Unassigned/Unrestricted	<u>3,754,998</u>	<u>(150,487)</u>	<u>3,604,511</u>
Total Unassigned	<u>3,754,998</u>	<u>(150,487)</u>	<u>3,604,511</u>
Total fund balances	<u>\$ 4,649,482</u>	<u>\$ 3,425,119</u>	<u>\$ 8,074,601</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE H – PENSION PLANS

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the City's cost-sharing multiple-employer defined benefit pension plan (the Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). PERF C consists of a miscellaneous risk pool and a safety risk pool and the following rate plans:

- City Miscellaneous Plan Classic Tier 1
- City Miscellaneous Plan Classic Tier 2
- City Miscellaneous PEPRA Tier 3
- Safety Police Plan Classic Tier 1
- Safety Police Plan PEPRA Tier 3
- Safety Fire Plan Classic Tier 1
- Safety Fire Plan Classic Tier 2

Although one pension plan exists, CalPERS provides the information separately for the Miscellaneous and Safety Risk Pools and the information is presented separately where available. Benefit provisions under the Plan is 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 at www.calpers.ca.gov.

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 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2 Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

	City Miscellaneous Classic Tier 1	City Miscellaneous Classic Tier 2	City Miscellaneous PEPRA Tier 3
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Final average compensation period	One Year	Three Year	Three Year
Retirement age	50 - 63	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	7.00%	6.25%
Required employer contribution rates	10.221%	9.680%	6.985%

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE H – PENSION PLANS (Continued)

	Safety Police Classic	Safety Police PEPRA	Safety Fire Classic	Safety Fire PEPRA
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula (at full retirement)	3.0% @ 50	2.7% @ 57	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Final average compensation period	Three Year	Three Year	Three Year	Three Year
Retirement age	50	50 - 57	50 - 55	50-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	9.00%	12.00%	9.00%	12.00%
Required employer contribution rates	20.707%	13.034%	16.636%	13.034%

The Miscellaneous Plan & Safety is closed to new participants that were not CalPERS participants prior to January 1, 2013 under the Public Employees' Pension Reform Act of 2013 (PEPRA). Any new participants that were not previously CalPERS participants would be required to join the PEPRA Miscellaneous Plan.

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 the Plan 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.

For the year ended June 30, 2020, the employer contributions made to the Plan were as follows for the year ended June 30, 2020:

	Normal Cost	UAL Amortization	Total
City Miscellaneous Risk Pool	\$ 104,337	\$ 5,050,943	\$ 5,155,280
Safety Risk Pool	303,125	10,895,256	11,198,381
	<u>\$ 407,462</u>	<u>\$ 15,946,199</u>	<u>\$ 16,353,661</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE H – PENSION PLANS (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

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

	Proportionate Share of Net Pension Liability/Asset
City Miscellaneous Risk Pool	\$ 4,719,585
Safety Risk Pool	<u>10,586,186</u>
Total Net Pension Liability	<u>\$ 15,305,771</u>

The City's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2019 was as follows:

	Miscellaneous Plan	Safety Plan
Proportion - June 30, 2019	0.11472%	0.17282%
Proportion - June 30, 2020	0.11786%	0.16958%
Change - Increase (Decrease)	0.00314%	-0.00324%

For the year ended June 30, 2020, the City recognized a pension expense of \$1,776,990 for the Miscellaneous Plan and \$1,648,041 for its Safety Plan. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the Plan combined from the following sources:

<u>City Miscellaneous Risk Pool</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,155,280	
Change in assumptions	225,052	\$ 79,779
Net differences between projected and actual earnings on plan investments		82,513
Difference between employer's and proportionate share of contributions		311,073
Difference between expected and actual experience	327,795	25,397
Change in employer's proportion	<u>639,378</u>	
Total	<u>\$ 6,347,505</u>	<u>\$ 498,762</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE H – PENSION PLANS (Continued)

<u>Safety Risk Pool</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 11,198,381	
Change in assumptions	433,909	\$ 84,677
Net differences between projected and actual earnings on plan investments		145,631
Difference between employer's and proportionate share of contributions	68,431	7,054
Difference between expected and actual experience	691,183	
Change in Employer's Proportion		319,772
Total	<u>\$ 12,391,904</u>	<u>\$ 557,134</u>
Total - all risk pools	<u>\$ 18,739,409</u>	<u>\$ 1,055,896</u>

The \$16,353,661 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>City Miscellaneous Risk Pool</u>	<u>Safety Risk Pool</u>	<u>Total</u>
2021	\$ 770,268	\$ 607,629	\$ 1,377,897
2022	(108,587)	(105,640)	(214,227)
2023	15,109	106,065	121,174
2024	16,673	28,335	45,008
Thereafter	-	-	-
	<u>\$ 693,463</u>	<u>\$ 636,389</u>	<u>\$ 1,329,852</u>

Actuarial Assumptions: The total pension liabilities in the actuarial valuations for the Plan were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.875%
Projected Salary Increase	Varies by entry age and service
Mortality	Derived using CalPERS Membership Data for all Funds

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE H – PENSION PLANS (Continued)

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

Discount Rate: The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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 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 equivalent 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 for the Plan. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92)%
Total	100.0%		

(a) An expected inflation of 2.0% used for this period.

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE H – PENSION PLANS (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 the Plans, calculated using the discount rate for the Plans, 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:

	City Miscellaneous Risk Pool	Safety Risk Pool	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 7,120,371	\$ 14,913,567	\$ 22,033,938
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 4,719,585	\$ 10,586,186	\$ 15,305,771
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 2,737,905	\$ 7,038,409	\$ 9,776,314

Pension Plan Fiduciary Net Position: Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description: One City employee and his spouse are the only persons currently eligible for post-retirement health benefits. The City has computed the post-employment benefits using the alternative measurement method. The liability has not been funded nor has a trustee been appointed. The benefit provisions are established in the form of a binding contract with the employee. The plan currently does not issue stand-alone financial statements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Total OPEB Liability: The City's total OPEB liability of \$23,275 was measured using the Alternative Measurement Method as of June 30, 2020. Changes in the total OPEB liability are as follows:

Annual required contribution	\$ 1,839
Interest on net OPEB obligation	83
Benefit payments	<u>(8,585)</u>
Decrease in net OPEB obligation	(6,663)
Total OPEB liability, July 1	<u>29,938</u>
Total OPEB liability, June 30	<u><u>\$ 23,275</u></u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Actuarial Assumptions and Other Inputs: The total OPEB liability was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.50 percent
Healthcare trend rate	3 percent per year
Retirees' share of benefit-related costs	None
Remaining life expectancy	10 years

Additional disclosures and required supplementary information required by GASB No. 75 were omitted due to immateriality of the OPEB liability.

NOTE J – LEASE COMMITMENTS

The City had operating leases for copiers. The minimum lease payments are as follows:

Year Ending June 30:	Copier leases by Department			Total
	Police	Admin	Fire	
2021	\$ 4,836	\$ 5,136	\$ 1,332	\$ 11,304
2022	4,433	4,708	1,332	10,473
2023	-	-	555	555
Totals	<u>\$ 9,269</u>	<u>\$ 9,844</u>	<u>\$ 3,219</u>	<u>\$ 22,332</u>

NOTE K – INSURANCE

The City is a member of the Northern California Cities Self Insurance Fund (NCCSIF) along with twenty other northern California cities. The NCCSIF is a joint powers authority (JPA) organized in accordance with Article I, Chapter 5, Division 7, Title I of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers' compensation benefits for their employees and to provide excess liability insurance. The NCCSIF provides claims processing administrative services, risk management services and actuarial studies. A member from each city governs the NCCSIF. The City of Marysville council members do not have significant oversight responsibility, since they evenly share all factors of responsibility with the other cities. The City does not retain the risk of loss. However, ultimate liability for payment of claims and insurance premiums resides with member cities. The NCCSIF is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If the JPA becomes insolvent, the City is responsible only to the extent of any deficiency in its equity balance.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE K – INSURANCE (Continued)

Coverage	NCCSIF	Excess	Banking Layer/ Deductible
Liability	\$ 500,000	\$ 39,500,000	\$ 50,000
Employers liability	500,000	4,500,000	100,000
Property	1,000,000,000	-	5,000
Boiler and machinery	100,000,000	-	2,500
Mobile equipment	5,526,029	-	2,000
Workers Compensation liability	500,000	-	100,000
Cyber Excess	3,000,000	4,000,000	50,000
Crime	3,000,000	-	5,000
Deadly Weapon Response Program	500,000	-	10,000

The NCCSIF establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not reported. Because actual claims costs depend on various factors, the claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision of inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Settlements have not exceeded the insurance coverage for the past three fiscal years. There have not been any significant reductions in insurance coverage over the prior year. The audited financial statements of the JPA are available at the NCCSIF's office.

The City's insurance coverage and the respective coverage providers are as follows:

Amount	Coverage Provider	Payment Source
<i>LIABILITY CLAIMS:</i>		
\$0 - 25,000	Self-insured	Banking layer
25,001 - 500,000	Northern California Cities Self-Insurance Fund	Shared risk pool
500,001 - \$40,000,000	California Joint Powers Risk Management Authority	Shared risk pool
<i>WORKERS' COMPENSATION:</i>		
\$0 - 100,000	Self-insured	Banking layer
100,001 - 500,000	Northern California Cities Self-Insurance Fund	Shared risk pool
500,001	Staturory PRISM	Shared risk pool

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE L – COMMITMENTS AND CONTINGENCIES

The City participates in various federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. The audits by the grantors for the year ended June 30, 2020, have not yet been conducted. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is party to various claims, legal actions and complaints that arise in the normal operation of business. Management and the City's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the City.

NOTE M – SUCCESSOR AGENCY TRUST FOR FORMER MARYSVILLE

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, as amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

Under the provisions of AB 1484, the City may elect to become the Housing Successor and retain the housing assets. The City elected to become the Housing Successor and on February 1, 2012, certain housing assets were transferred to the City's Low Mod Income Housing Asset Special Revenue Fund. The activities of the Housing Successor are reported in the Low Mod Income Housing Assets Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The City also elected to become the Successor Agency and on February 1, 2012, the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight board to oversee the activities of the Successor Agency and one was established in April 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of the City Council, one former Redevelopment Agency employee appointed by the Mayor and the remaining members are appointed by external agencies with an interest in Successor Agency assets. Pursuant to Senate Bill 107, on July 1, 2018, a single consolidated County Oversight Board was established for the four city Oversight Boards.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency, including paying debt service payments of existing Redevelopment Agency debt agreements. Currently, the last of the obligations of the former Redevelopment Agency will terminate in 2022.

The following disclosures of the Successor Agency as of June 30, 2020 are required by debt continuing disclosure requirements.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE M – SUCCESSOR AGENCY TRUST FOR FORMER MARYSVILLE (Continued)

Successor agency capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance at June 30, 2019	Additions	Retirements	Transfers	Balance at June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 29,120				\$ 29,120
Capital assets, being depreciated:					
Buildings	48,663				48,663
Less: accumulated depreciation					
Buildings	(32,442)	\$ (1,622)			(34,064)
FIDUCIARY					
CAPITAL ASSETS, NET	\$ 45,341	\$ (1,622)	\$ -	\$ -	\$ 43,719

Long-term Liabilities

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

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year
Lease revenue bonds, 2001					
Series A	\$ 204,106		\$ (204,106)		
BBT Lease 2019		\$ 121,600		\$ 121,600	\$ 60,800
	<u>\$ 204,106</u>	<u>\$ 121,600</u>	<u>\$ (204,106)</u>	<u>\$ 121,600</u>	<u>\$ 60,800</u>

Lease Revenue Bonds, 2001 Series A: As previously described, these bonds were issued to refinance the Marysville Community Agency 1992 Tax Allocation Refunding Bonds, along with the City's 1992 Certificates of Participation. Details on this debt issuance can be found in Note F.

The pledged revenues for these bonds represent tax revenues deposited into the Redevelopment Property Tax Trust Fund administered by the County of Yuba Auditor-Controller's Office, less property tax administration fees and tax sharing payments made to other local agencies as required under Community Redevelopment Law (net pledged tax increment revenues). A portion of the net pledged tax increment revenues reported above are not intended to represent the amount received by the Agency and reported in the Successor Agency Private-Purpose Trust Fund. Although the Agency does not receive all of the net pledged tax increment revenues, additional revenues would be available to the Agency in the future, if necessary, to make debt service payments.

CITY OF MARYSVILLE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE M – SUCCESSOR AGENCY TRUST FOR FORMER MARYSVILLE (Continued)

Future debt service for Successor Agency at June 30, 2020 is as follows:

Year Ending June 30,	BBT Lease 2019	
	Principal	Interest
2021	\$ 60,800	\$ 2,809
2022	60,800	936
	121,600	3,745
Due within one year	(60,800)	
Total	\$ 60,800	\$ 3,745

State Approval of Enforceable Obligations: The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semiannually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE N – SUBSEQUENT EVENTS

In September 2020, the City entered into a contract agreement with Westcon Construction Corp for work to be performed on the 17th Street Outfall Structure Improvement Project. The contract was completed as of December 2020 and total cost amounted to \$434,842.

In January 2021, the City approved the sale of the Plumas Lake Golf Course to SGM, Inc for \$801,500.

In February 2021, the City entered into a contract agreement with All American Construction, Inc. for construction of bike & pedestrian improvements in an amount not to exceed \$500,422.

In November 2020, the City entered into a lease purchase agreement to acquire a Type 3 Wildland Fire Engine for the Marysville fire department. The lease agreement will total \$576,485 over a 10 year period of time.

(This page intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARYSVILLE, CALIFORNIA

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2020

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - MISCELLANEOUS PLAN (UNAUDITED)
Last 10 Years**

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.11786%	0.11472%	0.11082%	0.10814%	0.10273%	0.08314%
Proportionate share of the net pension liability	\$ 4,719,585	\$ 4,323,365	\$ 4,368,711	\$ 3,756,736	\$ 2,818,412	\$ 2,724,272
Covered payroll - measurement period	\$ 1,330,077	\$ 1,217,647	\$ 1,209,884	\$ 1,172,974	\$ 1,228,822	\$ 1,243,549
Proportionate share of the net pension liability as a percentage of covered payroll	354.84%	355.06%	361.09%	320.27%	229.36%	219.07%
Plan fiduciary net position as a percentage of the total pension liability	73.56%	74.82%	74.10%	76.05%	81.56%	82.70%

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: The discount rate was changed from 7.50% in 2015 to 7.65% in 2016 and to 7.15% in 2018.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN (UNAUDITED)
Last 10 Years**

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 406,932	\$ 327,447	\$ 269,762	\$ 247,565	\$ 209,655	\$ 130,826
Contributions in relation to the actuarially determined contributions	(5,155,280)	(327,447)	(269,762)	(247,565)	(209,655)	(130,826)
Contribution deficiency (excess)	<u>\$ (4,748,348)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll - fiscal year	\$ 1,398,175	\$ 1,330,077	\$ 1,217,647	\$ 1,209,884	\$ 1,172,974	\$ 1,228,822
Contributions as a percentage of covered payroll	368.71%	24.62%	22.15%	20.46%	17.87%	10.65%
Valuation date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal					
Amortized method	Level percentage of payroll, closed					
Remaining amortization period	Varies, not more than 30 years					
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Inflation	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by Entry Age and Service					
Payroll growth	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.25% ⁽¹⁾	7.375% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾
Mortality	(3)	(3)	(3)	(2)	(2)	(2)

Notes to Schedule:

⁽¹⁾ Net of administrative expenses, includes inflation.

⁽²⁾ Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007.

⁽³⁾ Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.

Omitted years: The year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, the information prior to this date were not presented.

CITY OF MARYSVILLE, CALIFORNIA

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2020

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - SAFETY PLAN (UNAUDITED)
Last 10 Years**

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.16958%	0.17282%	0.16880%	0.17725%	0.18427%	0.14064%
Proportionate share of the net pension liability	\$ 10,586,186	\$ 10,140,138	\$ 10,086,254	\$ 9,180,407	\$ 7,592,673	\$ 6,728,712
Covered payroll - measurement period	\$ 1,641,904	\$ 1,485,180	\$ 1,395,874	\$ 1,366,046	\$ 1,011,871	\$ 996,792
Proportionate share of the net pension liability as a percentage of covered payroll	644.75%	682.75%	722.58%	672.04%	750.36%	675.04%
Plan fiduciary net position as a percentage of the total pension liability	66.47%	66.78%	65.97%	68.30%	73.23%	76.23%

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: The discount rate was changed from 7.50% in 2015 to 7.65% in 2016 and to 7.15% in 2018.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - SAFETY PLAN (UNAUDITED)
Last 10 Years**

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 1,191,731	\$ 1,013,415	\$ 852,710	\$ 657,260	\$ 663,213	\$ 322,800
Contributions in relation to the actuarially determined contributions	(10,006,650)	(1,013,415)	(852,710)	(657,260)	(663,213)	(322,800)
Contribution deficiency (excess)	\$ (8,814,919)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - fiscal year	\$ 1,994,870	\$ 1,641,904	\$ 1,485,180	\$ 1,395,874	\$ 1,366,046	\$ 1,011,871
Contributions as a percentage of covered payroll	501.62%	61.72%	57.41%	47.09%	48.55%	31.90%
Valuation date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal					
Amortized method	Level percentage of payroll, closed					
Remaining amortization period	Varies, not more than 30 years					
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Inflation	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by Entry Age and Service					
Payroll growth	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.25% ⁽¹⁾	7.375% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾
Mortality	(3)	(3)	(3)	(2)	(2)	(2)

Notes to Schedule:

⁽¹⁾ Net of administrative expenses, includes inflation.

⁽²⁾ Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007.

⁽³⁾ Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.

Omitted years: The year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, the information prior to this date were not presented.

(This page intentionally left blank.)

COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2020

	Special Revenue			
	Gas Tax Fund	Narcotics Enforcement Fund	Asset Seizure Fund	Sidewalk Fund
ASSETS				
Cash and investments	\$ 584,027	\$ 1,226	\$ 1,090	\$ 13,860
Receivables:				
Accounts receivable				1,528
Interest receivable	1,348	4	3	42
Loans receivable				
Due from other governments	93,507			
TOTAL ASSETS	<u>\$ 678,882</u>	<u>\$ 1,230</u>	<u>\$ 1,093</u>	<u>\$ 15,430</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 10,710			
Accrued payroll liabilities	12,265			
Due to other funds				
Deferred revenue				
TOTAL LIABILITIES	<u>22,975</u>			
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
TOTAL DEFERRED INFLOWS OF RESOURCES				
Fund balances:				
Nonspendable				
Restricted	655,907	\$ 1,230	\$ 1,093	\$ 15,430
Unassigned				
TOTAL FUND BALANCES	<u>655,907</u>	<u>1,230</u>	<u>1,093</u>	<u>15,430</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 678,882</u>	<u>\$ 1,230</u>	<u>\$ 1,093</u>	<u>\$ 15,430</u>

Special Revenue						
Transportation and Transit Fund	Revolving Loan Funds			Law Enforcement Grant	Capital Projects Fund	Totals
	CDBG Principal and Interest Fund	HOME Program Income Fund	2015 CDBG Fund	COPS/SLESF Grant Fund		
\$ 668	\$ 160,893	\$ 44,789	\$ 337,481	\$ 144,160	\$ 92,152	\$ 1,380,346
		2,274				3,802
2	1,500	135		805		3,839
	1,381,462	949,108				2,330,570
				56,727	52,791	203,025
<u>\$ 670</u>	<u>\$ 1,543,855</u>	<u>\$ 996,306</u>	<u>\$ 337,481</u>	<u>\$ 201,692</u>	<u>\$ 144,943</u>	<u>\$ 3,921,582</u>
				\$ 130	\$ 62,798	\$ 73,638
	\$ 312,880	\$ 18,483		1,928	37,651	12,265
					39,618	370,942
	312,880	18,483		2,058	140,067	39,618
						496,463
	1,381,462	949,108				2,330,570
\$ 670	(150,487)	28,715	\$ 337,481	199,634	4,876	1,245,036
670	1,230,975	977,823	337,481	199,634	4,876	(150,487)
						3,425,119
<u>\$ 670</u>	<u>\$ 1,543,855</u>	<u>\$ 996,306</u>	<u>\$ 337,481</u>	<u>\$ 201,692</u>	<u>\$ 144,943</u>	<u>\$ 3,921,582</u>

Continued

CITY OF MARYSVILLE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	Special Revenue			
	Gas Tax Fund	Narcotics Enforcement Fund	Asset Seizure Fund	Sidewalk Fund
REVENUES				
Intergovernmental revenue	\$ 350,568			
Reimbursements				
Charges for services	218,698			
Use of money and property	4,899	\$ 14	\$ 12	\$ 156
Program income				
TOTAL REVENUES	574,165	14	12	156
EXPENDITURES				
Current:				
General government				
Public safety				
Streets and public works	421,881			
Debt Service:				
Principal retirement	16,289			
Interest and other charges	4,212			
Capital outlay	137,625			
TOTAL EXPENDITURES	580,007	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	(5,842)	14	12	156
OTHER FINANCING SOURCES (USES)				
Issuance of debt	137,625			
Transfers in	86,555			
Transfers out				
TOTAL OTHER FINANCING SOURCES AND USES	224,180	-	-	-
NET CHANGE IN FUND BALANCES	218,338	14	12	156
FUND BALANCES (DEFICIT)				
Beginning of year	437,569	1,216	1,081	15,274
End of year	\$ 655,907	\$ 1,230	\$ 1,093	\$ 15,430

Special Revenue						
Transportation and Transit Fund	Revolving Loan Funds			Law Enforcement Grant	Capital Projects Fund	Totals
	CDBG Principal and Interest Fund	HOME Program Income Fund	2015 CDBG Fund	COPS/SLESF Grant Fund		
		\$ 3,189		\$ 156,384	\$ 230,122 174,599	\$ 740,263 174,599 218,698
\$ 7	\$ 4,713 458,136	360 27,724		3,030	1,008	14,199 485,860
7	462,849	31,273	-	159,414	405,729	1,633,619
	97,416	16,624		58,086	69,000	183,040 58,086 421,881
				20,444 1,784		36,733 5,996
				117,322	1,484,863	1,739,810
-	97,416	16,624	-	197,636	1,553,863	2,445,546
7	365,433	14,649	-	(38,222)	(1,148,134)	336,207
				38,923	706,624 272,214	883,172 358,769 (100,000)
				(100,000)		
-	-	-	-	(61,077)	978,838	1,141,941
7	365,433	14,649	-	(99,299)	(169,296)	330,014
663	865,542	963,174	\$ 337,481	298,933	174,172	3,095,105
\$ 670	\$ 1,230,975	\$ 977,823	\$ 337,481	\$ 199,634	\$ 4,876	\$ 3,425,119

Continued

CITY OF MARYSVILLE, CALIFORNIA

Combining Statement of Assets and Liabilities
Agency Funds

June 30, 2020

	Levee Commission Fund	Mary Aaron Museum Fund	Totals
ASSETS			
Cash and investments	\$ 507,312	\$ 14,392	\$ 521,704
Receivables:			
Accounts receivable	2,992		2,992
Interest receivable	1,392	43	1,435
Due from other governments	22,830		22,830
TOTAL ASSETS	<u>\$ 534,526</u>	<u>\$ 14,435</u>	<u>\$ 548,961</u>
LIABILITIES			
Accounts payable	\$ 14,596	\$ 1,044	\$ 15,640
Due to other agencies	519,930	13,391	533,321
TOTAL LIABILITIES	<u>\$ 534,526</u>	<u>\$ 14,435</u>	<u>\$ 548,961</u>

OTHER REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

City Council
City of Marysville, California
Marysville, California

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marysville, California (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings as Findings 2020-001 and 2020-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

To the City Council
City of Marysville, California

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Marysville's Response to Findings

City of Marysville's response to the findings identified in our audit is described in the accompanying schedule of findings. City of Marysville's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

June 7, 2021

CITY OF MARYSVILLE, CALIFORNIA

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2020

CURRENT YEAR FINDINGS

Finding 2020-001 – Internal Controls over Financial Reporting and Year-End Closing Procedures – Material Weakness

Condition: The design and implementation of internal controls is crucial to the effective operation of city government and for accurate financial reporting. Turnover in personnel, the shortage of qualified support staff and resources dedicated to the close-out of the general ledger and preparing for the audit has resulted in 74 adjustments being identified during the audit process and has delayed completion of the audit. The large number of adjustments identified during the course of the audit indicates that the City does not have internal controls in place to prevent or detect misstatements on a timely basis.

Criteria: Internal controls over financial reporting should be in place to ensure the City has the ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. Due to turnover in accounting staff assigned to closing the books and the lack of a complete closing checklist, the Finance Department staff did not identify and record all year-end closing entries prior to the start of the audit.

Cause: The City has had turnover in the accounting staff and does not have sufficient qualified resources to properly reconcile general ledger accounts and close the City's books.

Effect: A number of audit adjustments needed to be posted to properly report balances in the City's financial statements. The volume of entries also increases the risk of error in preparing the financial statements.

Recommendation: We recommend that the City develop internal control procedures to create a responsible structure for accurate financial reporting. Procedures should be in place to prepare the required reconciliations at year-end and throughout the year and post entries needed to close the books prior to the start of the audit. We believe that the year-end closing process could proceed more quickly and smoothly by developing a comprehensive closing procedures checklist. The City needs to ensure that all balance sheet accounts are reviewed and reconciled to supporting schedules prior to the beginning of the audit. The City needs to ensure it has sufficient qualified staff so that the books can be closed timely and accurately.

City's Response: See Corrective Action Plan.

Finding 2020-002 – Capital Asset Accounting – Material Weakness

Condition: A number of items were noted in our audit of the City's capital assets.

- The three properties acquired from the Redevelopment Agency need to be recorded at their fair value at the acquisition date. These properties are currently reflected with a zero value.
- The City has recorded land with a value of \$4.5 million in the general ledger that is not listed on the capital asset list, so it is not clear what parcels of land the City owns that makes up this amount.
- City Hall is reported as acquired in 1939 for a cost of \$1.3 million, which appears high. Any remodel work should be shown on a separate line item and depreciated starting with the date the remodel was completed over the estimated life of the improvements.

CITY OF MARYSVILLE, CALIFORNIA
SCHEDULE OF FINDINGS (CONTINUED)

For the Year Ended June 30, 2020

Criteria: An accurate list of capital assets needs to be maintained to support amounts reported in the financial statements.

Cause: A capital asset inventory has not been completed until recently and compared to the listing of capital assets.

Effect: The capital assets, net of accumulated depreciation, reflected in the City's general ledger is likely misstated.

Recommendation: Procedures need to be established to ensure the capital asset list is up-to-date. Periodic inspections of assets need to be performed to ensure that recorded assets exist. Reconciliations of the subsidiary ledger to the general ledger need to be performed on a periodic basis.

City's Response: See Corrective Action Plan.

CITY OF MARYSVILLE, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2020

STATUS OF PRIOR YEAR FINDINGS

Finding 2019-001 – Internal Controls over Financial Reporting and Year-End Closing Procedures – Material Weakness

See Finding 2020-001 for current status.

Finding 2019-002 – Capital Asset Accounting – Material Weakness

See Finding 2020-002 for current status.

Finding 2019-003 – Payroll Processing Segregation of Duties – Material Weakness

Condition: The Senior Accountant has the ability to set up new employees in the payroll system, process payroll and also make adjustments to payroll accounts in the general ledger, which is a lack of segregation of duties.

Status: The City was able to segregate the duties of the payroll function for all but two months during the year when the Senior Accountant position was not filled.



CITY OF MARYSVILLE

FINANCE DEPARTMENT
526 C STREET
MARYSVILLE, CALIFORNIA
95901

TELEPHONE
(530) 749-3903
FACSIMILE
(530) 749-3992

City of Marysville Corrective Action Plan June 30, 2020

Finding 2020-001 – Internal Controls over Financial Reporting and Year-End Closing Procedures – Material Weakness

The City of Marysville concurs with this finding. We will be using these recommendations/comments to develop an internal control procedure structure and to create a year-end closing process to insure quick and smooth progress to the audit and throughout the year. This work will be done by the Finance Department with services as needed from outside consultants or parttime help to guarantee that that enough qualified staff are in place to produce, develop, and implement the necessary changes. The bulk of this development will be during the 4th quarter of FY 2020-21 and anticipated to be mostly completed by the end of the 1st quarter of FY 2021-22. We have hired a parttime employee with this expertise to help us create and implement a month end close process followed by a yearend close process in order to be better prepared for the 2020-21 audit. This includes creating comprehensive checklists in order to make sure that all journal entries, interfund transfers, asset, depreciation, etc. are being done in a timely manner.

Finding 2020-002 – Capital Asset Accounting – Material Weakness

Again, the City of Marysville concurs with this finding. The three conditions listed will take some time to research through records to find the timeline and backup as City records are not in electronic form at this time. All our assets have been added to the City's financial system and have been compared to the asset listing provided to the auditors and the numbers in the audit. A part of the month end and year end process will include adding assets to the financial system for tracking and making sure that assets are being depreciated according to our Capital Asset Policy.