

**CITY OF MARYSVILLE, CALIFORNIA**

Audited Financial Statements and Supplemental Information

June 30, 2022

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CITY OF MARYSVILLE, CALIFORNIA

Audited Financial Statements and Supplemental Information

June 30, 2022

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550 Howe Avenue, Suite 210  
Sacramento, California 95825  
Telephone: (916) 564-8727  
FAX: (916) 564-8728

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
Marysville, California

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Change in Accounting Principle***

As described in Note C to the financial statements, the City adopted GASB Statement No. 87, *Leases*, during the year ended June 30, 2022. Due to the implementation of this Statement, the City recognized leases receivable and deferred inflows of resources in the financial statements as of July 1, 2021. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management 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; and for 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.

To the City Council  
City of Marysville, California

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison for the General Fund, Schedule of Proportionate share of the Net Pension Liability and Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

To the City Council  
City of Marysville, California

context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 March 10, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Richardson & Company, LLP*

March 10, 2023

**CITY OF MARYSVILLE, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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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, 2022. 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 \$34.09 million (net position). This is an increase of \$22.44 million from the balance of \$11.65 million reported in the prior fiscal year. The City has an unrestricted deficit of \$1.18 million, \$6.29 million is restricted for specific purposes such as loan programs, street projects, and other community development, and \$28.99 million is net investment in capital assets.
- The City's current year's change in net position was an increase of \$22.44 million due to a significant reduction in the pension liability due and investment earnings on plan assets.
- The General Fund has a fund surplus of \$8.92 million as of June 30, 2022.

**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 17) 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 18) 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, 2022**

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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 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; and
- 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 19):

- General Fund
- Capital Projects Fund

**CITY OF MARYSVILLE, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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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 65.

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 17) 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 65.

**CITY OF MARYSVILLE, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The fiscal year ended June 30, 2022 is the eighteenth 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 \$34.09 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	
	2022	2021	2022	2021	2022	2021
<b>ASSETS:</b>						
Current and Other asset	\$ 24,342,305	\$ 13,422,646	\$ 6,333,644	\$ 1,292,479	\$ 30,675,949	\$ 14,715,125
Capital Assets, Net	21,838,793	18,730,882	30,862,989	31,288,712	52,701,782	50,019,594
<b>TOTAL ASSETS</b>	<b>\$ 46,181,098</b>	<b>\$ 32,153,528</b>	<b>\$ 37,196,633</b>	<b>\$ 32,581,191</b>	<b>\$ 83,377,731</b>	<b>\$ 64,734,719</b>
<b>DEFERRED OUTFLOWS</b>						
<b>OF RESOURCES</b>	<b>\$ 6,511,415</b>	<b>\$ 625,275</b>	<b>\$ 850,274</b>	<b>\$ 33,511</b>	<b>\$ 7,361,689</b>	<b>\$ 658,786</b>
<b>LIABILITIES:</b>						
Liabilities due						
after one year	22,728,806	24,291,179	17,060,463	14,497,622	39,789,269	38,788,801
Current Liabilities	5,188,649	3,675,023	1,014,819	590,911	6,203,468	4,265,934
<b>TOTAL LIABILITIES</b>	<b>\$ 27,917,455</b>	<b>\$ 27,966,202</b>	<b>\$ 18,075,282</b>	<b>\$ 15,088,533</b>	<b>\$ 45,992,737</b>	<b>\$ 43,054,735</b>
<b>DEFERRED INFLOWS</b>						
<b>OF RESOURCES</b>	<b>\$ 10,117,552</b>	<b>\$ 10,064,045</b>	<b>\$ 534,129</b>	<b>\$ 625,146</b>	<b>\$ 10,651,681</b>	<b>\$ 10,689,191</b>
<b>NET POSITION:</b>						
Investment in						
Capital assets	12,744,839	9,038,890	16,246,592	17,261,615	28,991,431	26,300,505
Restricted	3,295,932	4,341,256	2,993,619	0	6,289,551	4,341,256
Unrestricted	(1,383,265)	(18,631,590)	197,285	(360,592)	(1,185,980)	(18,992,182)
<b>TOTAL NET POSITION</b>	<b>\$ 14,657,506</b>	<b>\$ (5,251,444)</b>	<b>\$ 19,437,496</b>	<b>\$ 16,901,023</b>	<b>\$ 34,095,002</b>	<b>\$ 11,649,579</b>

- Total Net Position increased by \$22.44 million from 2021 to 2022. This is a result of the refunded pension liability becoming as asset on overfunding as of June 30, 2022. Because of the unusually large investment earnings on CalPERS plan assets which resulted in a credit to pension expense.

**CITY OF MARYSVILLE, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

- \$28.99 million (85.03% 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.
- \$6.29 million (18.45% 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 2021 to 2022 can be found in the Restricted Net position in the Governmental Activities.
- The remaining unrestricted deficit is \$1.19 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	
	2022	2021	2022	2021	2022	2021
<b>PROGRAM REVENUES:</b>						
Charges for Services	\$1,751,517	\$1,338,372	\$4,115,297	\$3,815,045	\$5,866,814	\$5,153,417
Operating Grants and Contributions	2,709,334	2,805,743	-	-	2,709,334	2,805,743
Capital Grants and Contributions	2,860,764	1,057,424	394,491	-	3,255,255	1,057,424
<b>GENERAL REVENUES:</b>						
Sales and Use Taxes	6,868,032	6,743,579	-	-	6,868,032	6,743,579
Property Taxes	1,568,069	1,469,783	-	-	1,568,069	1,469,783
Transient Occupancy Tax	215,493	162,192	-	-	215,493	162,192
Franchise Fees	617,470	594,921	-	-	617,470	594,921
Gas Taxes	341,951	319,583	-	-	341,951	319,583
Other Taxes	816,562	978,737	-	-	816,562	978,737
Motor Vehicle In-Lieu	1,078,341	984,336	-	-	1,078,341	984,336
Investment Income	(60,125)	11,543	(14,412)	3,026	(74,537)	14,569
Rental Income	186,699	170,112	-	-	186,699	170,112
Miscellaneous Revenues	114,749	199,041	16,676	9,532	131,425	208,573
Gain(Loss) on Sale of Fixed Assets	(12,612)	754,739	-	(15,616)	(12,612)	739,123
LCWD Loan Debt Forgiven	-	-	-	9,377,605	-	9,377,605
Transfers	(878,288)	42,159	878,288	(42,159)	-	-
<b>TOTAL REVENUES</b>	<b>\$18,177,956</b>	<b>\$17,632,264</b>	<b>\$5,390,340</b>	<b>\$13,147,433</b>	<b>\$23,568,296</b>	<b>\$30,779,697</b>

**CITY OF MARYSVILLE, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**EXPENSES:**

Governmental Activities:							
General Government	\$ (1,556,423)	\$ 4,438,880	\$ -	\$ -	\$ (1,556,423)	\$ 4,438,880	
Public Safety	(3,318,720)	17,547,029	-	-	(3,318,720)	17,547,029	
Streets and Public Works	1,341,551	1,181,260	-	-	1,341,551	1,181,260	
Parks and Recreation	899,171	848,396	-	-	899,171	848,396	
Interest on Long-Term Debt	903,427	872,231	-	-	903,427	872,231	
Business-Type Activities							
Wastewater	-	-	1,718,846	2,674,033	1,718,846	2,674,033	
Interest on Long-Term Debt	-	-	1,135,021	636,073	1,135,021	636,073	
<b>TOTAL EXPENSES</b>	<b>(1,730,994)</b>	<b>24,887,796</b>	<b>2,853,867</b>	<b>3,310,106</b>	<b>1,122,873</b>	<b>28,197,902</b>	
<b>CHANGE IN NET POSITION</b>	<b>19,908,950</b>	<b>(7,255,532)</b>	<b>2,536,473</b>	<b>9,837,327</b>	<b>22,445,423</b>	<b>2,581,795</b>	
NET POSITION, JULY 1:	(5,251,444)	2,004,088	16,901,023	7,063,696	11,649,579	9,067,784	
<b>NET POSITION, JUNE 30</b>	<b>\$ 14,657,506</b>	<b>\$ (5,251,444)</b>	<b>\$ 19,437,496</b>	<b>\$ 16,901,023</b>	<b>\$ 34,095,002</b>	<b>\$ 11,649,579</b>	

Governmental Activities increased the City's net position by \$19.91 million and Business-type Activities increased the City's net position by \$2.54 million, respectively. Note that expenses for General Government and Public Safety are negative, or credit amounts because of the large credit to pension expense of \$4.6 million for General Government and \$10.1 million for Public Safety as a result of having to reduce the pension liability as previously discussed.

*REVENUES*

The Governmental Activities total revenues were \$18.18 million and Business-Type Activity revenues were \$5.39 million for the year ended June 30, 2022. This represented a total decrease of \$7.21 million from 2021. This decrease in revenues was attributed primarily to an increase in operating grant and contributions of \$2.20 million and the removal of the onetime LCWD debt loan forgiveness of \$9.38 million from the prior year.

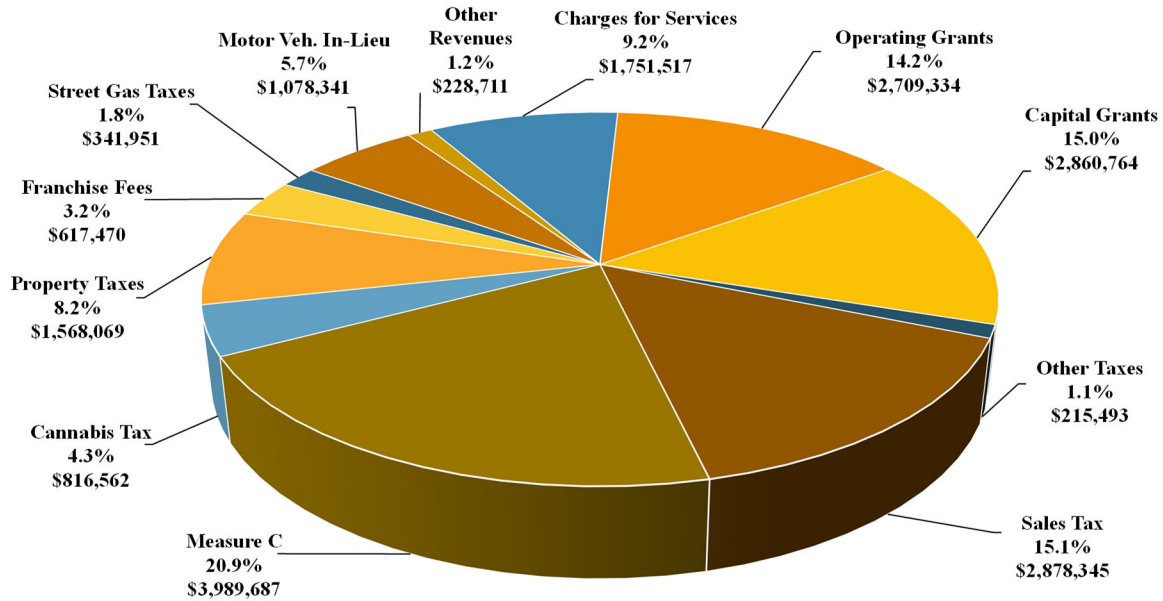
Program revenues include charges for services and grants and contributions. Program revenues provided \$7.32 million (40.28% of total revenues) for governmental activities and approximately \$4.51 million for business-type activities.

General revenues include, among other things, taxes, assessments and intergovernmental revenues. General revenues provided \$10.86 million (59.72% 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, 2022**

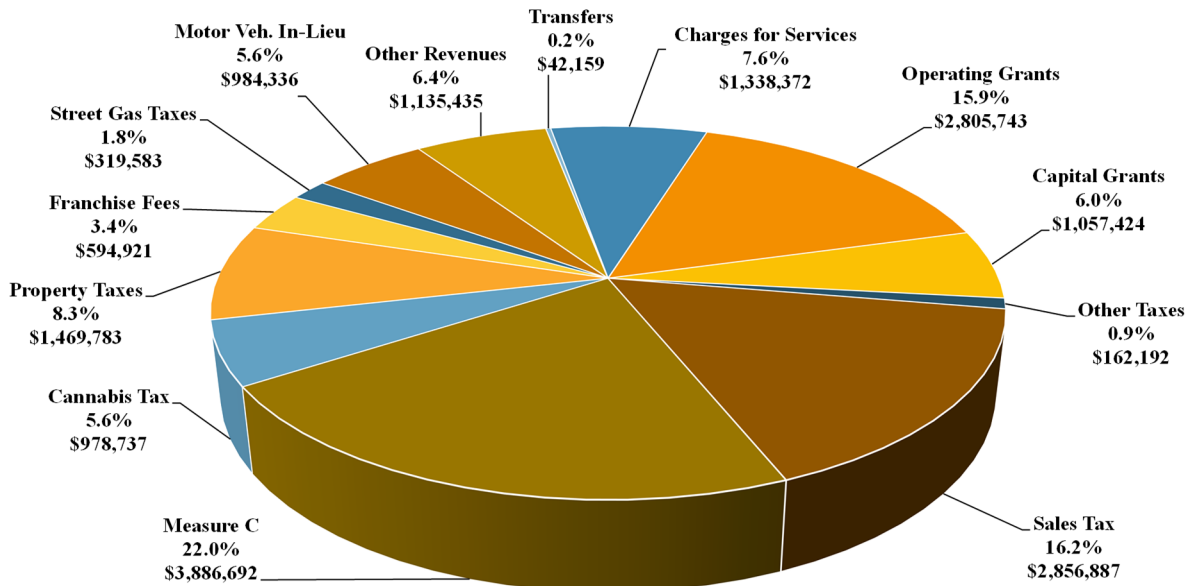
The fiscal year ended June 30, 2022 revenues are reflected graphically as follows:

**2022 Governmental Revenues**



The fiscal year ended June 30, 2021 revenues are reflected graphically as follows:

**2021 Governmental Revenues**



**CITY OF MARYSVILLE, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

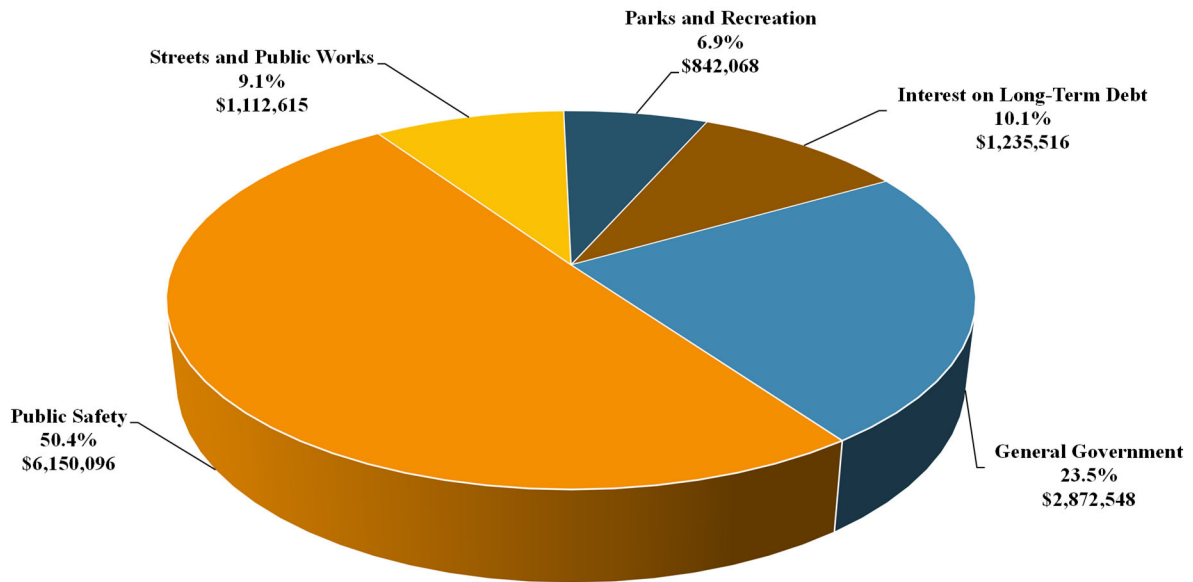
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*EXPENSES*

Expenses for the City totaled \$1.12 million that included \$13.94 million of pension adjustments. Without this adjustment, governmental activities incurred \$12.21 million in expenses as reflected in the chart below and business-type activities incurred \$2.85 million in expenses during the year. Governmental activities expenses were 40.6% 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, 2022 expenses are reflected graphically as follows:

**2022 Governmental Expenditures (excluding pension adjustment)**

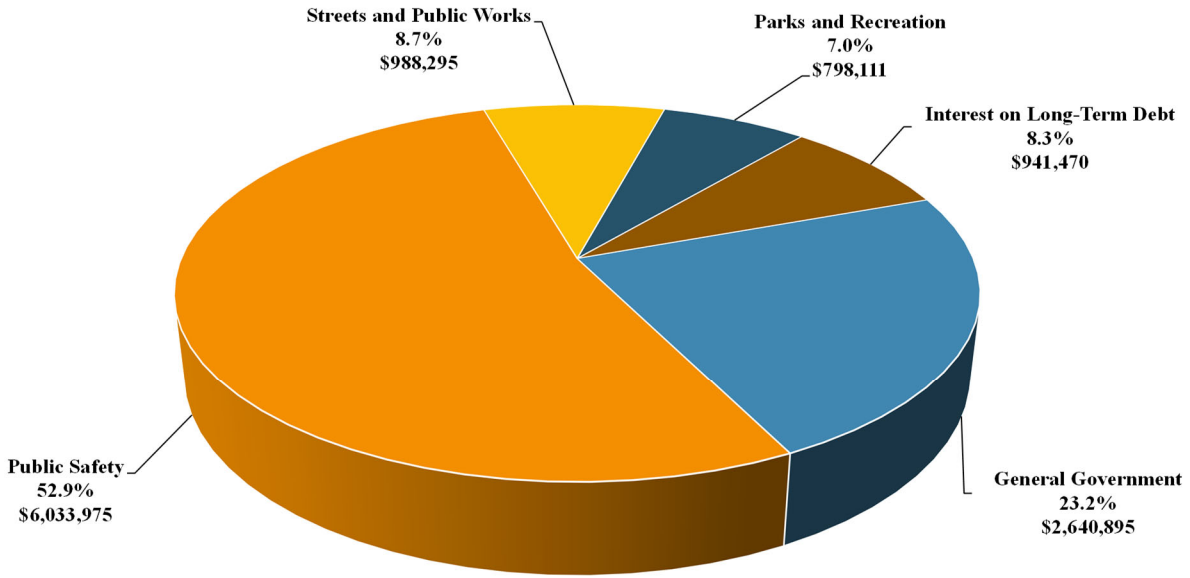


**CITY OF MARYSVILLE, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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The fiscal year ended June 30, 2021 expenses are reflected graphically as follows:

**2021 Governmental Expenditure (excluding pension adjustment)**



**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 2021-22 the City's governmental funds reported combined fund balance of \$12.14 million. The City has an unassigned fund balance of \$8.81 million. The remainder of the governmental ending fund balance of \$3.33 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, 2022**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year General Fund revenue was \$114,451 lower than the amended budget estimate, which was primarily due to grant revenue received from the Coronavirus State and Local Fiscal Recovery Fund not being recognized in the year received causing a decrease. On the other side, overall sales tax revenue, amounts collected for construction and encroachment permits continued to increase.

The General Fund expense budget was \$209,248 higher than the amended budget estimate, which was primarily due to two debt service payments for the Pension Obligation Bond being recorded in the same year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*CAPITAL ASSETS*

The City's investment in capital assets, net of depreciation, as of June 30, 2022, totaled \$52.70 million and consists of the coverage:

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
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	3,016,231	870,693	667,192	16,380,438	3,683,423	17,251,131
Land	6,057,051	6,057,051	-	-	6,057,051	6,057,051
Depreciable capital assets, net:						
Sewer Plant	-	-	17,505,854	2,184,835	17,505,854	2,184,835
Infrastructure	6,179,986	4,818,982	-	-	6,179,986	4,818,982
Buildings	2,312,385	2,275,131	16,449	19,079	2,328,834	2,294,210
Machinery and Equipment	1,180,103	1,141,611	124,080	121,433	1,304,183	1,263,044
Vehicles	3,093,037	3,567,414	36,151	50,812	3,129,188	3,618,226
Equipment Under Capital Lease	-	-	213,263	232,115	213,263	232,115
<b>TOTAL</b>	<b>\$ 21,838,793</b>	<b>\$ 18,730,882</b>	<b>\$ 30,862,989</b>	<b>\$ 31,288,712</b>	<b>\$ 52,701,782</b>	<b>\$ 50,019,594</b>

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 2020-21 of \$2.69 million. The increase principally resulted from the current fiscal year's construction in progress in Governmental Activities of \$2.15 million. 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, 2022**

*DEBT ADMINISTRATION*

At the end of FY 2021-22, the City of Marysville had long-term liabilities of \$23.78 million and \$17.62 million for governmental activities and business-type activities, respectively. Additional information about the City's long-term obligations can be found in Note G in the Notes to Basic Financial Statements.

**TABLE 4**  
**OUTSTANDING DEBT**  
**AS OF JUNE 30**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Pension Obligation Bond	\$ 13,760,000	\$ 13,923,031	\$ -	\$ -	\$ 13,760,000	\$ 13,923,031
BBT Lease 2019	6,153,000	6,457,000	-	-	6,153,000	6,457,000
Cert of Participation, 2017 Series A	1,027,762	1,027,762	-	-	1,027,762	1,027,762
PNC Equipment Lease 2020	832,569	892,238	-	-	832,569	892,238
FNB Wildland Engine Lease	525,696	576,485	-	-	525,696	576,485
Cert of Participation, 2017 Series B	168,302	174,516	-	-	168,302	174,516
Ford Lease September 2017	-	167,840	-	-	-	167,840
Enterprise Lease May 2018	109,981	152,541	-	-	109,981	152,541
Ford Lease 2020	56,529	82,321	-	-	56,529	82,321
GM Tahoe Lease 2020	38,100	49,710	-	-	38,100	49,710
GM Silverado Lease 2020	19,514	28,651	-	-	19,514	28,651
GM Silverado Lease 2020	9,962	28,451	-	-	9,962	28,451
Ford Lease 2019	10,377	20,030	-	-	10,377	20,030
GM Colorado Lease 2020	7,251	14,161	-	-	7,251	14,161
GM Lease 2019	-	11,128	-	-	-	11,128
Ford Lease May 2018	-	9,158	-	-	-	9,158
Compentated Absences	397,495	320,597	5,458	2,792	402,953	323,389
Net Pension Liability	-	980,599	-	27,703	-	1,008,302
OPEB Liability	16,122	18,449	-	-	16,122	18,449
Sewer Revenue Bonds, 2012 Series A	-	-	-	11,305,000	-	11,305,000
Linda County Water District Loan	-	-	-	1,840,000	-	1,840,000
Pension Obligation Bonds	-	-	-	821,969	-	821,969
Enterprise Lease May 2018	-	-	36,816	51,144	36,816	51,144
BBT Lease 2019	-	-	-	39,600	-	39,600
Sewer Revenue Bonds, 2021 Series A	-	-	12,560,000	-	12,560,000	-
Sewer Revenue Bonds, 2021 Series B	-	-	4,630,000	-	4,630,000	-
Add: Unamortized Bond Premium	650,504	641,848	383,199	830,953	1,033,703	1,472,801
<b>TOTAL</b>	<b>\$ 23,783,164</b>	<b>\$ 25,576,516</b>	<b>\$ 17,615,473</b>	<b>\$ 14,919,161</b>	<b>\$ 41,398,637</b>	<b>\$ 40,495,677</b>

**CITY OF MARYSVILLE, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City's General Fund reserves have continued to increase with a fund balance as of June 30, 2022 of \$8,953,182 compared to the prior year at \$7,736,177, an increase of \$1,217,005. The reserve balance is made up of one-time revenue of \$803,980 and \$8,149,202 from ongoing funds. This is a positive outlook as the ending fund balance as of June 30, 2022 was estimated to be \$7,804,157 for budgeting purposes going into FY 2022-23.

The property assessed valuations decreased slightly from 5.83% in FY 2019-20 to 5.23% in FY 2020-21 with another slight decrease to 4.77% in FY 2021-22. This overall decrease over the three-year period indicates property values continue to slow slightly but still strong as reflected in the overall economy of the City.

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 2021-22 was \$3,989,687. This new revenue source has helped to rebuild deteriorated 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 \$650,000 a year to the General Fund which would help pay for general City services. With the addition of adult use sales, the City generated \$816,562 in FY 2021-22.

The City has or will be awarded approximately \$8.37 million in grant funds in FY 2021-22 and FY 2022-23 to be used for street improvements, public safety personnel and equipment, housing rehabilitation, park improvements, and the 5<sup>th</sup> Street Improvement Project that started construction in 2022. The City will continue to aggressively pursue grant funding for much-needed projects and to offset personnel costs.

Moody's Investor Service has 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.

**CITY OF MARYSVILLE, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**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.



## **BASIC FINANCIAL STATEMENTS**

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CITY OF MARYSVILLE, CALIFORNIA

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 8,602,586	\$ 2,193,982	\$ 10,796,568
Accounts receivable	451,081	272,839	723,920
Interest receivable	13,243	2,861	16,104
Loans receivable	2,359,059		2,359,059
Leases receivable, current	133,599		133,599
Due from other governments	5,010,527	410,892	5,421,419
Restricted cash	5	2,993,619	2,993,624
Total current assets	<u>16,570,100</u>	<u>5,874,193</u>	<u>22,444,293</u>
Noncurrent assets:			
Net pension asset	6,858,407	459,451	7,317,858
Leases receivable, noncurrent	913,798		913,798
Capital assets, net of accumulated depreciation			
Non-depreciable	9,073,282	12,967,192	22,040,474
Depreciable	12,765,511	17,895,797	30,661,308
Total capital assets, net of accumulated depreciation	<u>21,838,793</u>	<u>30,862,989</u>	<u>52,701,782</u>
Total noncurrent assets	<u>29,610,998</u>	<u>31,322,440</u>	<u>60,933,438</u>
Total assets	<u>46,181,098</u>	<u>37,196,633</u>	<u>83,377,731</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding		340,835	340,835
Pension	6,511,415	509,439	7,020,854
Total deferred outflows of resources	<u>6,511,415</u>	<u>850,274</u>	<u>7,361,689</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,885,646	301,879	2,187,525
Salaries and benefits payable	466,127	9,861	475,988
Deposits and other payables	111,662		111,662
Interest payable	90,301	148,070	238,371
Deferred revenue	1,580,555		1,580,555
Long-term debt, due within one year	1,054,358	555,009	1,609,367
Total current liabilities	<u>5,188,649</u>	<u>1,014,819</u>	<u>6,203,468</u>
Long-term liabilities:			
Long-term debt, due after one year	22,315,189	17,055,005	39,370,194
Long-term compensated absences	397,495	5,458	402,953
Other post employment benefits payable	16,122		16,122
Total long-term liabilities	<u>22,728,806</u>	<u>17,060,463</u>	<u>39,789,269</u>
Total liabilities	<u>27,917,455</u>	<u>18,075,282</u>	<u>45,992,737</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Leases	1,033,830		1,033,830
Pension	9,083,722	534,129	9,617,851
Total deferred inflows of resources	<u>10,117,552</u>	<u>534,129</u>	<u>10,651,681</u>
<b>NET POSITION</b>			
Net investment in capital assets	12,744,839	16,246,592	28,991,431
Restricted net position	3,295,932	2,993,619	6,289,551
Unrestricted net position	(1,383,265)	197,285	(1,185,980)
Total net position	<u>\$ 14,657,506</u>	<u>\$ 19,437,496</u>	<u>\$ 34,095,002</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, 2022

	Program Revenues			Governmental Activities	Business-type Activities	Total
	Expenses	Charges for Services	Operating Grants and Contributions			
<b>Governmental Activities:</b>						
General government	\$ (1,556,423)	\$ 959,589	\$ 10,151	\$ 2,526,163		\$ 2,526,163
Public safety	(3,318,720)	301,830	1,593,829	\$ 85,268	5,299,647	5,299,647
Streets and public works	1,341,551	357,655	1,078,412	2,775,496	2,870,012	2,870,012
Parks and recreation	899,171	132,443	26,942	(739,786)		(739,786)
Interest on long-term debt and issuance	903,427			(903,427)		(903,427)
Total governmental activities	<u>(1,730,994)</u>	<u>1,751,517</u>	<u>2,709,334</u>	<u>2,860,764</u>	<u>9,052,609</u>	<u>9,052,609</u>
<b>Business-type activities:</b>						
Wastewater	1,718,846	4,115,297		394,491	\$ 2,790,942	2,790,942
Interest on long-term debt	1,135,021				(1,135,021)	(1,135,021)
Total business-type activities	<u>2,853,867</u>	<u>4,115,297</u>		<u>394,491</u>	<u>1,655,921</u>	<u>1,655,921</u>
Total government	<u>\$ 1,122,873</u>	<u>\$ 5,866,814</u>	<u>\$ 2,709,334</u>	<u>\$ 3,255,255</u>	<u>9,052,609</u>	<u>1,655,921</u>
<b>General revenues:</b>						
<b>Taxes:</b>						
Sales and use taxes				6,868,032		6,868,032
Property taxes				1,568,069		1,568,069
Transient occupancy tax				215,493		215,493
Franchise fees				617,470		617,470
Gas taxes				341,951		341,951
Other taxes				816,562		816,562
Motor vehicle in-lieu				1,078,341		1,078,341
Investment income				(60,125)	(14,412)	(74,537)
Rental income				186,699		186,699
Miscellaneous revenues				114,749	16,676	131,425
Gain on sale of fixed assets				(12,612)		(12,612)
<b>Transfers:</b>						
Transfers				(878,288)	878,288	
Total general revenues				<u>10,856,341</u>	<u>880,552</u>	<u>11,736,893</u>
Changes in net position				19,908,950	2,536,473	22,445,423
Net position, beginning of year				(5,251,444)	16,901,023	11,649,579
Net position, end of year				<u>\$ 14,657,506</u>	<u>\$ 19,437,496</u>	<u>\$ 34,095,002</u>

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



## CITY OF MARYSVILLE, CALIFORNIA

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2022

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and investments	\$ 7,654,638		\$ 947,948	\$ 8,602,586
Accounts receivable, net	404,325	\$ 13,773	32,983	451,081
Interest receivable	11,511		1,732	13,243
Loans receivable	35,605		2,323,454	2,359,059
Leases receivable	1,047,397			1,047,397
Due from other governments	2,175,973	2,682,151	152,403	5,010,527
Due from other funds	1,232,641			1,232,641
Restricted cash	5			5
<b>TOTAL ASSETS</b>	<b>\$ 12,562,095</b>	<b>\$ 2,695,924</b>	<b>\$ 3,458,520</b>	<b>\$ 18,716,539</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 406,156	\$ 1,439,966	\$ 39,524	\$ 1,885,646
Accrued payroll liabilities	455,779		10,348	466,127
Deposits and other payables	111,662			111,662
Due to other funds		1,224,104	8,537	1,232,641
Deferred revenue	1,580,555			1,580,555
<b>Total liabilities</b>	<b>2,554,152</b>	<b>2,664,070</b>	<b>58,409</b>	<b>5,276,631</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	20,931	134,912	104,184	260,027
Leases	1,033,830			1,033,830
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,054,761</b>	<b>134,912</b>	<b>104,184</b>	<b>1,293,857</b>
<b>Fund balances:</b>				
Nonspendable	35,605		2,323,454	2,359,059
Restricted	5		974,433	974,438
Unassigned	8,917,572	(103,058)	(1,960)	8,812,554
<b>TOTAL FUND BALANCE</b>	<b>8,953,182</b>	<b>(103,058)</b>	<b>3,295,927</b>	<b>12,146,051</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 12,562,095</b>	<b>\$ 2,695,924</b>	<b>\$ 3,458,520</b>	<b>\$ 18,716,539</b>

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, 2022

Total Governmental Fund Balances	\$ 12,146,051
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.	6,511,415
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,838,793
Certain receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds	260,027
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	(23,369,547)
Compensated absences	(397,495)
OPEB payable	(16,122)
Net pension asset/(liability)	6,858,407
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.	(9,083,722)
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>(90,301)</u>
Net Position of Governmental Activities	<u><u>\$ 14,657,506</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, 2022

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals
<b>REVENUES:</b>				
Taxes and assessments	\$ 2,600,124			\$ 2,600,124
Sales and use taxes	6,868,032			6,868,032
Motor vehicle in lieu tax	1,078,341			1,078,341
Franchise tax	617,470			617,470
Licenses, permits and fees	903,152			903,152
Intergovernmental revenues	1,430,406	\$ 3,064,291	\$ 491,006	4,985,703
Reimbursements	613,278	113,885		727,163
Charges for services	690,302		250,926	941,228
Use of money and property	151,942		(8,156)	143,786
Program income			29,032	29,032
Other revenues	127,414	13,773		141,187
Insurance proceeds	21,965			21,965
Total revenues	<u>15,102,426</u>	<u>3,191,949</u>	<u>762,808</u>	<u>19,057,183</u>
<b>EXPENDITURES:</b>				
Current:				
General government	2,825,919	32,987	13,642	2,872,548
Public safety	6,065,114	17,936	67,046	6,150,096
Streets and public works	697,059		415,556	1,112,615
Parks and recreation	842,068			842,068
Debt Service:				
Principal retirement	1,554,379	110,458	53,112	1,717,949
Interest and fiscal charges	1,183,602	45,493	6,421	1,235,516
Capital outlay	354,013	3,668,322	117,338	4,139,673
Total expenditures	<u>13,522,154</u>	<u>3,875,196</u>	<u>673,115</u>	<u>18,070,465</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,580,272</u>	<u>(683,247)</u>	<u>89,693</u>	<u>986,718</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	115,000	783,593	312,880	1,211,473
Transfers out	(478,267)		(751,633)	(1,229,900)
Total other financing sources (uses)	<u>(363,267)</u>	<u>783,593</u>	<u>(438,753)</u>	<u>(18,427)</u>
Excess of revenues and other sources over expenditures and other uses	1,217,005	100,346	(349,060)	968,291
Fund balance - beginning of year	<u>7,736,177</u>	<u>(203,404)</u>	<u>3,644,987</u>	<u>11,177,760</u>
Fund balance - end of year	<u>\$ 8,953,182</u>	<u>\$ (103,058)</u>	<u>\$ 3,295,927</u>	<u>\$ 12,146,051</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, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 968,291

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	4,139,673
Depreciation expense	(1,019,150)

Governmental funds report proceeds from disposal of capital assets as revenues.  
However, in the government-wide statement of activities, only the gain or (loss)  
on the sale of capital assets is reported. This is the difference between the gain  
or (loss) and proceeds.

Gain on sale of capital assets	(12,612)
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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.

Deferred revenue recognized	11,673
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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	1,717,949
Amortization of premium	29,236

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	2,327
Change in long-term interest payable	302,853
Change in pension liability	14,705,469
Change in compensated absences	(76,898)
Transfer of long-term debt from Governmental Activities to the Enterprise Fund	(859,861)

Change in Net Position of Governmental Activities \$ 19,908,950

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, 2022

ASSETS:

Current Assets:

Cash and investments	\$ 2,193,982
Accounts receivable, net	272,839
Interest receivable	2,861
Due from other governments	410,892
Restricted cash	2,993,619
Total current assets	<u>5,874,193</u>

Noncurrent Assets:

Net pension asset	459,451
Capital assets:	
Nondepreciable	12,905,278
Depreciable	17,957,711
Total capital assets, net of accumulated depreciation	<u>30,862,989</u>
Total assets	<u>37,196,633</u>

DEFERRED OUTFLOWS OF RESOURCES:

Deferred loss on refunding	340,835
Deferred outflows related to pensions	509,439
Total deferred outflows of resources	<u>850,274</u>

LIABILITIES:

Current Liabilities:

Accounts payable	301,879
Salaries and benefits payable	9,861
Interest payable	148,070
Long-term debt, due within one year	555,009
Total current liabilities	<u>1,014,819</u>

Long-term Liabilities:

Long-term debt, due after one year, net	17,055,005
Long-term compensated absences	5,458
Total long-term liabilities	<u>17,060,463</u>
Total liabilities	<u>18,075,282</u>

DEFERRED INFLOWS OF RESOURCES:

Deferred inflows related to pensions	<u>534,129</u>
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NET POSITION:

Invested in capital assets, net of related debt	16,246,592
Restricted for capital projects	2,993,619
Unrestricted	197,285
Total net position	<u>\$ 19,437,496</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, 2022

Operating revenues:	
Service charges	\$ 4,115,297
Other revenues	16,676
Total operating revenues	<u>4,131,973</u>
Operating expenses:	
Salaries and related expenses	(738,493)
Operations and maintenance	1,538,185
Other operating expense	137,042
Depreciation and amortization expense	782,112
Total operating expenses	<u>1,718,846</u>
Income from operations	<u>2,413,127</u>
Non-operating revenues (expenses):	
Intergovernmental revenue	394,491
Interest income	(14,412)
Interest expense	(1,135,021)
Total nonoperating expenses	<u>(754,942)</u>
Income before transfers	1,658,185
Other financing uses:	
Transfers in	878,288
Total other financing uses	<u>878,288</u>
Change in net position	2,536,473
Net position, beginning of year	<u>16,901,023</u>
Net position, end of year	<u><u>\$ 19,437,496</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, 2022

Cash Flows from Operating Activities	
Cash received from customers	\$ 4,244,382
Cash paid to suppliers	(1,439,693)
Cash paid to employees and related benefits	(713,712)
Cash provided by operating activities	<u>2,090,977</u>
Cash Flows from Noncapital Financing Activities	
Repayments received on advances to other funds	159,228
Debt principal paid	(505,000)
Grant proceeds received	394,491
Transfers	878,288
Cash provided by noncapital financing activities	<u>927,007</u>
Cash Flows from Capital and Related Financing Activities	
Capital expenditures	(356,389)
Capital debt principal paid	3,242,315
Interest paid	(1,460,092)
Cash used for capital and related financing activities	<u>1,425,834</u>
Cash Flows from Investing Activities	
Interest received	
Cash provided by investing activities	<u>-</u>
Increase in cash and cash equivalents	4,443,818
Cash and cash equivalents, beginning of year	<u>740,625</u>
Cash and cash equivalents, end of year	<u>\$ 5,184,443</u>
Reconciliation of cash and cash equivalents to the statement of net position:	
Cash and investments	\$ 2,193,982
Restricted cash and investments	<u>2,993,619</u>
Cash and cash equivalents	<u>\$ 5,187,601</u>
Reconciliation of operating income from operations to cash provided by operating activities:	
Operating income	\$ 2,413,127
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation and amortization	782,112
Amortization of premiums on debt	(15,967)
Unrealized losses	
(Increase) decrease in assets:	
Accounts receivable	112,409
Due from other governments	(404,483)
(Decrease) increase in liabilities:	
Accounts payable	270,963
Salaries and benefits payable	3,711
Accrued compensated absences	2,666
Deferred outflows	(475,928)
Pension liability	(487,154)
Deferred inflows	(91,017)
Cash provided by operating activities	<u>\$ 2,110,439</u>

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

CITY OF MARYSVILLE, CALIFORNIA  
STATEMENT OF FIDUCIARY NET POSITION

June 30, 2022

	Redevelopment Successor Agency Private-Purpose Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and investments	\$ 483,070	\$ 695,471
Receivables:		
Accounts receivable		25,784
Interest receivable	566	877
Due from other governments		22,293
Capital assets, net of accumulated depreciation		
Non-depreciable	28,449	
Depreciable	11,355	
<b>TOTAL ASSETS</b>	<b>523,440</b>	<b>\$ 744,425</b>
<b>LIABILITIES</b>		
Accounts payable		\$ 30,333
Due to other governments		714,092
<b>TOTAL LIABILITIES</b>		<b>\$ 744,425</b>
<b>NET POSITION</b>		
Held in trust for other purposes	523,440	
<b>TOTAL NET POSITION</b>	<b>\$ 523,440</b>	

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, 2022

ADDITIONS	
Property taxes	\$ 104,650
Use of money and property	(2,737)
Disposition of assets	14,119
Miscellaneous Revenues	<u>112,772</u>
 TOTAL ADDITIONS	 <u>228,804</u>
DEDUCTIONS	
Operations and maintenance	4,915
Depreciation expense	1,622
Debt Service:	
Interest and fiscal charges	<u>880</u>
 TOTAL DEDUCTIONS	 <u>7,417</u>
 CHANGE IN NET POSITION	 221,387
 Net position, beginning of year	 <u>302,053</u>
 Net position, end of year	 <u><u>\$ 523,440</u></u>

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

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## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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, 2022

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

measurable and available. Revenues are considered to be available when they are collectible within the 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.

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

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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*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.

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 \$98,629 at June 30, 2022 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



CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: It is the City's policy to permit employees to accumulate earned but unused vacation. 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.

Unused vacation is paid to employees upon termination after one year of service. The maximum accrual for all employees for vacation varies depending on the position but varies from 250 to 454 hours. 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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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:			
COPS/SLESF Grant	\$ 170,008	\$ 182,665	\$ 12,657
Traffic Grant	13,811	55,213	41,402
Community Development Block Grant (CDBG)	-	12,369	12,369
Home Program Income	-	1,273	1,273
2015 Community Development Block Grant	-	312,880	312,880

The COPS/SLESF Grant Fund is over budget due to vehicles purchased under capital leases that are included in capital outlay expenditures. The Traffic Grant fund is over budget due to the purchase of a Radar Sign Trailer included in capital outlay expenditures and salaries overtime paid for DUI and traffic checkpoints. The CDBG, Home Program and 2015 CDBG Funds are not budgeted.

New Pronouncements: In April 2022, the GASB issued Statement No. 99, Omnibus 2022. This Statement enhances comparability in accounting and financial reporting and consistency in authoritative literature, including the classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument; clarification of provisions of Statement 87, Leases, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset and identification of lease incentives; clarification of provisions in Statement No. 34, Basic Financial Statements-and Management’s Discussion and Analysis for State and Local Governments, related to the

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

focus of the government-wide financial statements; terminology updates related to provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and terminology used in Statement No. 53 to refer to resource flows statements. The provisions of this Statement are effective immediately through periods beginning after June 15, 2023.

In June 2022, the GASB issued Statement No. 101, Compensated Absences. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 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, 2022 are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 8,602,586	\$ 2,193,982	\$ 1,178,541	\$ 11,975,109
Restricted cash	<u>5</u>	<u>2,993,619</u>		<u>2,993,624</u>
	<u>\$ 8,602,591</u>	<u>\$ 5,187,601</u>	<u>\$ 1,178,541</u>	<u>\$ 14,968,733</u>

As of June 30, 2022, the City's cash and investments consisted of the following:

Cash on hand	\$ 900
Deposits in financial institutions	1,754,107
California Local Agency Investment Fund	9,251,404
Yuba County investment pool	968,698
Held by bond trustee:	
Money market mutual fund	<u>2,993,624</u>
Total cash and investments	<u>\$ 14,968,733</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE B – CASH AND INVESTMENTS (Continued)

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.

	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
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 FDIC insured or fully collateralized	270 days	25%	\$ 1,000,000
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.

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.

	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio*</u>	<u>Maximum Investment In One Issuer</u>
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	25%	10%
Certificates of deposit	365 days	None	None
Money market funds	5 years	30%	5%
Local Agency Investment Fund	365 days	20%	None

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE B – CASH AND INVESTMENTS (Continued)

**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:

	Total	Remaining Maturity (in months)		
		12 Months or Less	13-24 Months	More Than 60 Months
LAIF	\$ 9,372,066	\$ 9,372,066		
Cash in Yuba County pool	968,698	968,698		
Held by bond trustee:				
Money market mutual funds	2,993,624	2,993,624		
Total	<u>\$ 13,334,388</u>	<u>\$ 13,334,388</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, 2022, no investments represented more than 5% of the total investments (other than mutual funds and external investment pools) in any one issuer.

**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, 2022, the carrying amount of the City’s deposits was \$1,633,445 and the balance in financial institutions was \$1,784,059. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$1,534,059 was covered by the pledging financial institution with assets held in a common pool for the City and other governmental agencies.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE B – CASH AND INVESTMENTS (Continued)

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 \$231,867,874,452 managed by the State Treasurer. Of that amount, 1.88% 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, 2022, these investments matured in an average of 311 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 may be found in the notes to the County of Yuba financial statements at [www.yuba.gov/auditor-controller](http://www.yuba.gov/auditor-controller). As of June 30, 2022, the weighted average maturity of investments contained in the County of Yuba investment pool was approximately 357.

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.

NOTE C – LEASES RECEIVABLE

As a result of the implementation of GASB No. 87, the City records a lease receivable and deferred inflow for the present value of the future payments received under agreements for leases of property. The City leases property under a lease agreement that expires August 31, 2027 for a monthly rent of \$5,000 with an option to extend another 5 years with a 3% increase. The City also has five leases of space on the City's cellular towers that contain multiple three to five year extensions and provide for increases in rent ranging from 3% to 20%. These leases expire from June 30, 2023 through May 31, 2032. For purposes of discounting future payments on the lease, the District used a discount rate of 4.75%. The deferred inflow is being amortized over 1 year to 9.92 years, the remaining terms of the leases. As a result of implementing GASB No. 87, the City reported leases receivable and deferred inflow of resources of \$1,171,426 as of July 1, 2021. The City recognized \$144,724 of lease and interest revenue during the year ended June 30, 2022 under these leases.



CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE D – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2022 were as follows:

<u>Due to Other Funds</u>	<u>Due from Other Funds General Fund</u>
Major Fund:	
Capital Projects	\$ 1,224,104
Nonmajor Funds:	
COPS/SLESF Grant Fund	<u>8,537</u>
	<u>\$ 1,232,641</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, 2022 were as follows:

<u>Transfers out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	
Major Governmental Funds:				
General		\$ 155,071		\$ 155,071
Nonmajor Governmental Funds:				
Gas Tax		628,522		628,522
CDBG Principal and Interest			\$ 312,880	312,880
COPS/SLESF Grant	\$ 100,000			100,000
Enterprise Fund:				
Wastewater	<u>15,000</u>			<u>15,000</u>
	<u>\$ 115,000</u>	<u>\$ 783,593</u>	<u>\$ 312,880</u>	<u>\$ 1,211,473</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. Transfers in recorded in the Wastewater Fund of \$859,861 represents the removal of the pension obligation bonds and transfer of the entire bond transaction to the governmental activities, so a corresponding transfer out is not reflected in the fund financial statements.

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 \$46,456 was made during the fiscal year ended June 30, 2022.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE E – LOANS RECEIVABLE

The following is a summary of the various types of loans receivable outstanding as of June 30, 2022:

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. The City made loans to its employees for computer purchases. These loans have an interest rate of 6% and varying due dates.

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%.

Activity in loans receivable for the year ended June 30, 2022 is as follows:

	Balance at July 1, 2021	Additions	Payments Received	Adjustments	Balance at June 30, 2022
Major Governmental Fund:					
General:					
Small Business Emergency					
Economic Relief	\$ 57,436		\$ (21,831)		\$ 35,605
Employees - computers	1,670		(1,670)		-
Nonmajor Governmental Funds:					
CDBG Principal and Interest:					
Block grant principal	877,292		(4,488)		872,804
Block grant interest	482,632	\$ 27,724	(4,949)	\$ (89)	505,318
HOME Program Income:					
HOME loans principal	823,009		(9,980)	10,990	824,019
HOME loans interest	135,000	11,567	(4,089)	(21,165)	121,313
Total Loans Receivable	<u>\$ 2,377,039</u>	<u>\$ 39,291</u>	<u>\$ (47,007)</u>	<u>\$ (10,264)</u>	<u>\$ 2,359,059</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE F – CAPITAL ASSETS

Governmental capital assets activity for the year ended June 30, 2022 was as follows:

	Balance at June 30, 2021	Additions	Retirements	Transfers	Balance at June 30, 2022
Capital assets, not being depreciated:					
Land	\$ 6,057,051				\$ 6,057,051
Construction in progress	870,693	\$ 3,668,321	\$ (6,825)	\$ (1,515,958)	3,016,231
Total capital assets, not being depreciated	<u>6,927,744</u>	<u>3,668,321</u>	<u>(6,825)</u>	<u>(1,515,958)</u>	<u>9,073,282</u>
Capital assets, being depreciated:					
Infrastructure	5,566,268			1,515,958	7,082,226
Buildings	4,823,391	142,110			4,965,501
Machinery and equipment	2,907,760	217,088	(5,836)		3,119,012
Vehicles	5,896,958	112,154			6,009,112
Total capital assets, being depreciated	<u>19,194,377</u>	<u>471,352</u>	<u>(5,836)</u>	<u>1,515,958</u>	<u>21,175,851</u>
Less accumulated depreciation for:					
Infrastructure	(747,286)	(154,954)			(902,240)
Buildings	(2,548,260)	(104,856)			(2,653,116)
Machinery and equipment	(1,766,149)	(172,809)	49		(1,938,909)
Vehicles	(2,329,544)	(586,531)			(2,916,075)
Total accumulated depreciation	<u>(7,391,239)</u>	<u>(1,019,150)</u>	<u>49</u>	<u>-</u>	<u>(8,410,340)</u>
Capital assets being depreciated, net	<u>11,803,138</u>	<u>(547,798)</u>	<u>(5,787)</u>	<u>1,515,958</u>	<u>12,765,511</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 18,730,882</u>	<u>\$ 3,120,523</u>	<u>\$ (12,612)</u>	<u>\$ -</u>	<u>\$ 21,838,793</u>

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

General government	\$ 105,492
Public safety	627,619
Streets and public works	228,936
Parks and recreation	<u>57,103</u>
Total governmental activities depreciation expense	<u>\$ 1,019,150</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE F – CAPITAL ASSETS (Continued)

Business-type capital assets activities for the year ended June 30, 2022 was as follows:

	Balance at June 30, 2021	Additions	Retirements	Transfers	Balance at June 30, 2022
Capital assets, not being depreciated:					
Intangible asset - Right to Capacity	\$ 12,300,000				\$ 12,300,000
Construction in progress	16,380,438	\$ 249,429		\$ (15,962,675)	667,192
Total capital assets, not being depreciated	<u>28,680,438</u>	<u>249,429</u>		<u>(15,962,675)</u>	<u>12,967,192</u>
Capital assets, being depreciated:					
Sewer plant	7,233,113	86,113		15,962,675	23,281,901
Buildings	1,483,400				1,483,400
Machinery and equipment	843,119	20,847			863,966
Vehicles	383,408				383,408
Equipment under capital lease	570,426				570,426
Total capital assets, being depreciated	<u>10,513,466</u>	<u>106,960</u>		<u>15,962,675</u>	<u>26,583,101</u>
Less accumulated depreciation for:					
Sewer plant	(5,048,278)	(727,769)			(5,776,047)
Buildings	(1,464,321)	(2,630)			(1,466,951)
Machinery and equipment	(721,686)	(18,200)			(739,886)
Vehicles	(332,596)	(14,661)			(347,257)
Equipment under capital lease	(338,311)	(18,852)			(357,163)
Total accumulated depreciation	<u>(7,905,192)</u>	<u>(782,112)</u>			<u>(8,687,304)</u>
Capital assets being depreciated, net	<u>2,608,274</u>	<u>(675,152)</u>		<u>15,962,675</u>	<u>17,895,797</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 31,288,712</u>	<u>\$ (425,723)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,862,989</u>

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

Wastewater	<u>\$ 782,112</u>
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CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE G— LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Payments	Adjustments	Balance June 30, 2022	Due Within One Year
<b>Governmental Activities:</b>						
Pension Obligation Bonds	\$ 13,923,031		\$ (985,000)	\$ 821,969	\$ 13,760,000	\$ 480,000
BBT Lease 2019	6,457,000		(304,000)		6,153,000	330,000
Cert of Participation 2017 Series A	1,027,762				1,027,762	2,985
PNC Equipment Lease 2020	892,238		(59,669)		832,569	61,638
FNB Wildland Engine Lease 2020	576,485		(50,789)		525,696	52,203
Cert of Participation 2017 Series B	174,516		(6,214)		168,302	6,233
Enterprise Leases May 2018	563,991		(312,277)		251,714	121,293
Ford Lease 2020	82,321		(25,792)		56,529	27,407
GM Tahoe Lease 2020	49,710		(11,610)		38,100	12,138
GM Silverado Lease 2020	28,651		(9,137)		19,514	9,544
Ford Lease 2019	20,030		(9,653)		10,377	10,377
GM Silverado Lease 2020	28,451		(18,489)		9,962	9,962
GM Colorado Lease 2020	14,161		(6,910)		7,251	7,251
Ford Lease September 2017	167,840		(167,840)		-	-
GM Lease 2019	11,128		(11,128)		-	-
Ford Lease May 2018	9,158		(9,158)		-	-
	<u>24,026,473</u>	<u>-</u>	<u>(1,987,666)</u>	<u>821,969</u>	<u>22,860,776</u>	<u>1,131,031</u>
Add: unamortized bond premium	641,848		(29,236)	37,892	650,504	
	<u>24,668,321</u>	<u>-</u>	<u>(2,016,902)</u>	<u>859,861</u>	<u>23,511,280</u>	<u>1,131,031</u>
Compensated absences	320,597	\$ 76,898			397,495	
Net pension liability	980,599		(980,599)		-	
OPEB liability	18,449		(2,327)		16,122	
Governmental activities long-term liabilities	<u>\$ 25,987,966</u>	<u>\$ 76,898</u>	<u>\$ (2,999,828)</u>	<u>\$ 859,861</u>	<u>\$ 23,924,897</u>	<u>\$ 1,131,031</u>
<b>Business-Type Activities:</b>						
Sewer revenue bonds, 2021 Series A		\$ 13,065,000	\$ (505,000)		\$ 12,560,000	\$ 415,000
Sewer revenue bonds, 2021 Series B		4,630,000			4,630,000	125,000
Enterprise Lease May 2018	\$ 51,144		(14,328)		36,816	15,009
Sewer revenue bonds, 2012 Series A	11,305,000		(11,305,000)		-	-
Linda County Water District Loan	1,840,000		(1,840,000)		-	-
Pension Obligation Bonds	821,969			\$ (821,969)	-	-
BBT Lease 2019	39,600		(39,600)		-	-
	<u>14,057,713</u>	<u>17,695,000</u>	<u>(13,703,928)</u>	<u>(821,969)</u>	<u>17,226,816</u>	<u>555,009</u>
Add: unamortized bond premium	830,953	399,165	(809,027)	(37,892)	383,199	
Total long-term debt	<u>14,888,666</u>	<u>18,094,165</u>	<u>(14,512,955)</u>	<u>(859,861)</u>	<u>17,610,015</u>	<u>555,009</u>
Compensated absences	2,792	2,666			5,458	
Net pension liability	27,703		(27,703)		-	
Business-type activities long-term liabilities	<u>\$ 14,919,161</u>	<u>\$ 18,096,831</u>	<u>\$ (14,540,658)</u>	<u>\$ (859,861)</u>	<u>\$ 17,615,473</u>	<u>\$ 555,009</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE G – LONG-TERM LIABILITIES (Continued)

Long-term debt of the City’s governmental activities consists of the following as of June 30, 2022, 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 immediately.

\$ 13,760,000

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 \$293,000 to \$506,000 are due annually beginning October 1, 2020 through October 1, 2036 and interest payments ranging from \$7,792 to \$104,820 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.

6,153,000

\$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, 2022

NOTE G – LONG-TERM LIABILITIES (Continued)

Obligation under finance 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 assets were \$967,948 and accumulated depreciation was \$154,697 at June 30, 2022. 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.

\$ 832,569

Obligation under finance lease:

The City entered into a purchase option lease agreement with Community First National Bank dated December 1, 2020 for the acquisition of one Type 3 Wildland Engine. Due in annual installments of \$66,839 beginning December 10, 2021 and ending December 10, 2030, including interest at 2.78%. The cost of the asset was \$576,485 and accumulated depreciation was \$38,432 at June 30, 2022. See default terms above.

525,696

\$168,302 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.

168,302

Obligation under finance 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. Four of those vehicles were returned to Enterprise in April and June of 2021. The cost of the remaining assets were \$218,013 and accumulated depreciation was \$106,947 as of June 30, 2022. See default terms above.

251,714

Obligation under finance 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 \$35,531 as of June 30, 2022. See default terms above.

56,529

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE G – LONG-TERM LIABILITIES (Continued)

Obligation under finance lease:

The City entered into a purchase option lease agreement with GM Financial dated May 20, 2021 for the acquisition of one 2020 Chevy Tahoe police vehicle. Due in annual installments of \$13,875 beginning May 20, 2021 and ending May 20, 2024, including interest at 4.56%. The cost of the asset was \$63,585 and accumulated depreciation was \$13,777 at June 30, 2022. See default terms above.

\$ 38,100

Obligation under finance lease:

The City entered into a purchase option lease agreement with GM Financial dated September 10, 2020 for the acquisition of one 2020 Chevy Silverado police vehicle. Due in annual installments of \$10,414 beginning September 10, 2020 and ending September 10, 2023, including interest at 4.46%. The cost of the asset was \$38,923 and accumulated depreciation was \$14,272 at June 30, 2022. See default terms above.

19,514

Obligation under finance 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 \$29,911 at June 30, 2022. See default terms above.

10,377

Obligation under finance lease:

The City entered into a purchase option lease agreement with GM Financial dated April 8, 2020 for the acquisition of one 2020 Chevrolet Silverado 1500 vehicle. Due in annual installments of \$10,472 beginning April 8, 2020 and ending April 8, 2023, including interest at 5.13%. The cost of the asset was \$38,923 and accumulated depreciation was \$17,515 as of June 30, 2022. See default terms above.

9,962

Obligation under finance 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 \$12,759 as of June 30, 2022. See default terms above.

7,251

Obligation under finance 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 \$763,057 at June 30, 2022. See default terms above. The remaining debt obligation was paid as of June 30, 2022.



CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE G – LONG-TERM LIABILITIES (Continued)

Obligation under finance 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 \$26,562 at June 30, 2022. See terms of default above. The remaining debt obligation was paid as of June 30, 2022.

Obligation under finance 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 \$40,749 at June 30, 2022. See terms of default above. The remaining debt obligation was paid as of June 30, 2022.

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\$ 22,860,776

Long-term debt of the City's business-type activities consists of the following as of June 30, 2022, all of which is direct debt:

\$13,065,000 Sewer Refunding Revenue Bonds, 2021 Series A:

Issued on August 25, 2021 to refund the outstanding Marysville Financing Authority Sewer Revenue Bonds, 2012 Series A, generate annual cash flow savings to the City's Sewer Enterprise, and reduce restrictive covenants that were imposed on the City with the 2021 Series A Revenue Bonds. The serial bonds with principal payments of \$415,000 to \$505,000 are due beginning November 1, 2021 through November 1, 2031 with term bonds maturing on November 1, 2036, 2040, and 2045. The serial bonds have stated interest rates of 0.299% to 2.107% and the term bonds have stated interest rates of 2.757% to 3.234%. 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 bonds could immediately become due and payable.

\$ 12,560,000

\$4,630,000 Sewer Revenue Bonds, 2021 Series B:

Issued on August 25, 2021 to prepay the outstanding loan made by the Linda County Water District to the City made to finance the costs of improvements to the Sewer System and finance new improvements to the Sewer System. The serial bonds with principal payments of \$125,000 to \$175,000 are due beginning November 1, 2022 through November 1, 2031 with term bonds maturing on November 1, 2036, 2041, and 2045. The serial bonds have stated interest rates of 2% to 4% and the term bonds have interest rates of 2.25% and 4%. Repayment is secured by a pledge and lien of the net revenues of the sewer system. The default provisions are the same as the Series A bonds.

4,630,000

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE G – LONG-TERM LIABILITIES (Continued)

Obligation under finance 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 \$37,156 as of June 30, 2022. 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.

\$ 36,816

\$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. Remaining debt was refinanced as part of the Sewer Revenue Refunding Bonds 2021 Series A.

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. The remaining loan was prepaid as part of the Sewer Revenue Bonds 2021 Series B.

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. As of June 30, 2022 the remaining debt related to the business-type activities was transferred to by the governmental activities. See **page 45** for terms and details.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE G – 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 \$39,600 to \$70,400 are due annually beginning October 1, 2020 through October 1, 2021 and interest payments ranging from \$990 to \$3,520 are due semi-annually on April 1 and October 1 beginning April 1, 2020 to 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: \$79,200 business-type activities and \$140,800 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. Obligation was paid as of June 30, 2022.

\$ 17,226,816

Principal and interest payments on debt are due as follows:

Year Ending June 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 1,054,358	\$ 877,225	\$ 555,009	\$ 448,929
2024	1,146,130	842,126	565,722	441,153
2025	1,152,049	805,167	561,085	432,431
2026	1,197,957	761,231	565,000	422,858
2027	1,293,821	706,377	575,000	412,004
2028-2032	7,848,217	2,571,205	3,065,000	1,878,442
2033-2037	7,931,581	947,550	3,520,000	1,422,373
2038-2042	1,064,930	71,366	4,090,000	856,107
2043-2047	30,000	1,249	3,730,000	225,489
2048-2053	-	-	-	-
Totals	<u>\$ 22,719,043</u>	<u>\$ 7,583,496</u>	<u>\$ 17,226,816</u>	<u>\$ 6,539,786</u>

The Wastewater Fund has pledged a portion of its net revenue to repay \$17,695,000 for the Sewer Revenue Bonds to finance certain sewer system improvements. Total principal and interest remaining on the bonds through 2045 is \$23,766,602. For fiscal year 2022, the principal and interest paid by the Wastewater fund for these loans was \$813,368. The City was in compliance with its debt coverage related to the Sewer Revenue Bond for the year ending June 30, 2021.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE H – NET POSITION/FUND BALANCE

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Public safety	\$ 126,766	
Public works		
Capital projects		\$ 2,993,617
Other	784,695	
Debt service	5	
Community development	<u>2,384,466</u>	
	<u>\$ 3,295,932</u>	<u>\$ 2,993,617</u>

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:				
Nonspendable:				
Loans receivable	\$ 35,605		\$ 2,323,454	\$ 2,359,059
Total Nonspendable	<u>35,605</u>		<u>2,323,454</u>	<u>2,359,059</u>
Committed for:				
Operating Reserve				-
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted for:				
Public safety			126,766	126,766
Public works				
Capital projects				-
Public works			784,695	784,695
Debt service	5			5
Community development			62,972	62,972
Total Restricted	<u>5</u>		<u>974,433</u>	<u>974,438</u>
Unassigned/Unrestricted	<u>10,443,245</u>	<u>\$ (103,058)</u>	<u>(1,960)</u>	<u>10,338,227</u>
Total Unassigned	<u>10,443,245</u>	<u>(103,058)</u>	<u>(1,960)</u>	<u>10,338,227</u>
Total fund balances	<u>\$ 10,478,855</u>	<u>\$ (103,058)</u>	<u>\$ 3,295,927</u>	<u>\$ 13,671,724</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE I – 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
- Safety Police Plan PEPRA
- Safety Fire Plan Classic
- Safety Fire Plan PEPRA

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](http://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, 2022, are summarized as follows:

	<b>City Miscellaneous Classic Tier 1</b>	<b>City Miscellaneous Classic Tier 2</b>	<b>City Miscellaneous PEPRA Tier 3</b>
	Prior to January 1, 1982	On or after January 1, 1982	On or after 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	0.00%	7.00%	6.75%
Required employer contribution rates	0.000%	10.340%	7.590%

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE I – PENSION PLANS (Continued)

	<b>Safety Police Classic</b>	<b>Safety Police PEPRA</b>	<b>Safety Fire Classic</b>	<b>Safety Fire PEPRA</b>
	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%	13.00%	9.00%	13.00%
Required employer contribution rates	22.480%	13.130%	18.190%	13.130%

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, 2022, the employer contributions made to the Plan were as follows for the year ended June 30, 2022:

	Normal Cost	UAL Amortization	Total
City Miscellaneous Risk Pool	\$ 137,716	\$ 13,470	\$ 151,186
Safety Risk Pool	346,209	24,403	370,612
	<u>\$ 483,925</u>	<u>\$ 37,873</u>	<u>\$ 521,798</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE I – PENSION PLANS (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:  
As of June 30, 2022, the City reported a net pension liability/(asset) for its proportionate share of the net pension liability/(asset) as follows:

	Proportionate Share of Net Pension Liability/(Asset)
City Miscellaneous Risk Pool	\$ (2,609,034)
Safety Risk Pool	<u>(4,708,824)</u>
Total Net Pension Liability/(Asset)	<u><u>\$ (7,317,858)</u></u>

The City's net pension liability/(asset) is measured as the proportionate share of the net pension liability/(asset). The net pension liability/(asset) of the Plan is measured as of June 30, 2020, and the total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2021 using standard update procedures. The City's proportion of the net pension liability/(asset) 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/(asset) for the Plan as of June 30, 2022 and 2021 was as follows:

	Miscellaneous Plan	Safety Plan
Proportion - June 30, 2021	0.00373%	0.01277%
Proportion - June 30, 2022	<u>-0.13740%</u>	<u>-0.13417%</u>
Change - Increase (Decrease)	-0.14113%	-0.14694%

For the year ended June 30, 2022, the City recognized a pension credit of \$5,834,609 for the Miscellaneous Plan and \$9,403,162 for its Safety Plan. At June 30, 2022, 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	\$ 151,186	
Change in assumptions		
Net differences between projected and actual earnings on plan investments	2,277,550	
Difference between employer's and proportionate share of contributions		\$ (740,466)
Difference between expected and actual experience		(292,575)
Change in employer's proportion	<u>464,161</u>	<u>(2,000,062)</u>
Total	<u><u>\$ 2,892,897</u></u>	<u><u>\$ (3,033,103)</u></u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE I – PENSION PLANS (Continued)

Safety Risk Pool	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 370,612	
Change in assumptions		
Net differences between projected and actual earnings on plan investments	2,802,656	
Difference between employer's and proportionate share of contributions	19,552	\$ (1,454,949)
Difference between expected and actual experience		(804,499)
Change in Employer's Proportion	935,137	(4,325,300)
Total	\$ 4,127,957	\$ (6,584,748)
Total - all risk pools	\$ 7,020,854	\$ (9,617,851)

The \$521,798 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/(asset) in the year ended June 30, 2023. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	City		Total
	Miscellaneous Risk Pool	Safety Risk Pool	
2023	\$ (852,455)	\$ (2,347,045)	\$ (3,199,500)
2024	(553,914)	(1,731,528)	(2,285,442)
2025	485,579	479,919	965,498
2026	629,398	771,251	1,400,649
Thereafter	-	-	-
	\$ (291,392)	\$ (2,827,403)	\$ (3,118,795)

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
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, 2022

NOTE I – 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/(asset) 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 2.00% 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, 2022

NOTE I – PENSION PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability/(asset) to Changes in the Discount Rate: The following presents the City’s proportionate share of the net pension liability/(asset) 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:

	<b>City Miscellaneous Risk Pool</b>	<b>Safety Risk Pool</b>	<b>Total</b>
1% Decrease	6.15%	6.15%	6.15%
Net Pension Asset	\$ (196,883)	\$ (183,986)	\$ (380,869)
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Asset	\$ (2,609,034)	\$ (4,708,824)	\$ (7,317,858)
1% Increase	8.15%	8.15%	8.15%
Net Pension Asset	\$ (4,603,127)	\$ (8,425,420)	\$ (13,028,547)

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 J – POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description: Only one City employee is 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 \$16,122 was measured using the Alternative Measurement Method as of June 30, 2022. Changes in the total OPEB liability are as follows:

Annual required contribution	\$ 2,138
Interest on net OPEB obligation	96
Benefit payments	<u>(4,561)</u>
Decrease in net OPEB obligation	(2,327)
Total OPEB liability, July 1	<u>18,449</u>
Total OPEB liability, June 30	<u><u>\$ 16,122</u></u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE J – 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	9 years

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

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.

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	-	25,000
Boiler and machinery	100,000,000	-	5,000
Mobile equipment	5,383,467	-	2,000
Workers Compensation liability	500,000	-	100,000
Cyber Excess	3,000,000	4,000,000	-
Crime	3,000,000	-	5,000
Deadly Weapon Response Program	500,000	-	-
Flood	15,000,000-17,000,000		100,000-250,000

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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE K – INSURANCE (Continued)

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 - 50,000	Self-insured	Banking layer
50,001 - 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

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, 2022, 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.

The City has a contract in the amount of \$3,137,164 for the 5<sup>th</sup> Street Rehabilitation project. As of June 30, 2022, \$438,928 of the unexpended contracted amount remains outstanding.

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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

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

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, 2022 are required by debt continuing disclosure requirements.

Successor agency capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Balance at June 30, 2021	Additions	Retirements	Balance at June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 29,120		\$ (671)	\$ 28,449
Capital assets, being depreciated:				
Buildings	48,663			48,663
Less: accumulated depreciation				
Buildings	(35,686)	\$ (1,622)		(37,308)
<b>FIDUCIARY CAPITAL ASSETS, NET</b>	<b>\$ 42,097</b>	<b>\$ (1,622)</b>	<b>\$ (671)</b>	<b>\$ 39,804</b>

Long-term Liabilities

The following is a summary of changes in the Successor Agency’s long-term liabilities for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Retirements	Adjustments	Balance June 30, 2022	Due Within One Year
BBT Lease 2019	\$ 70,400		\$ (70,400)		\$ -	
	\$ 70,400	\$ -	\$ (70,400)	\$ -	\$ -	\$ -

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

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

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.

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 2022, the City of Marysville awarded a contract of \$3,684,276 with Gateway Pacific Contractors, Inc for the construction of the WWTP Ponds Closure Project using State Water Resources Control Board Clean Water State Revolving Fund (CWSRF) Grant # C-06-8557-110.

**REQUIRED SUPPLEMENTARY INFORMATION**

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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, 2022

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes and assessments	\$ 2,381,624	\$ 2,481,624	\$ 2,600,124	\$ 118,500
Sales and use taxes	5,739,275	6,289,275	6,868,032	578,757
Motor vehicle in lieu tax	1,064,981	1,064,981	1,078,341	13,360
Franchise tax	544,000	544,000	617,470	73,470
Licenses, fees and permits	567,312	647,812	903,152	255,340
Intergovernmental revenues	951,264	2,821,274	1,430,406	(1,390,868)
Reimbursements	491,640	553,894	613,278	59,384
Charges for services	686,500	580,500	690,302	109,802
Use of money and property	183,068	183,068	151,942	(31,126)
Other revenue	34,025	34,025	127,414	93,389
Proceeds from insurance recovery		9,985	21,965	11,980
Total revenues	<u>12,643,689</u>	<u>15,210,438</u>	<u>15,102,426</u>	<u>(108,012)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,764,496	2,977,632	2,825,919	151,713
Public safety	5,770,059	6,367,496	6,065,114	302,382
Streets and public works	714,912	729,174	697,059	32,115
Parks and recreation	665,530	901,085	842,068	59,017
<b>Debt Service:</b>				
Principal retirement	1,131,593	1,103,593	1,554,379	(450,786)
Interest and other charges	859,957	859,957	1,183,602	(323,645)
Capital outlay	85,000	373,969	354,013	19,956
Total expenditures	<u>11,991,547</u>	<u>13,312,906</u>	<u>13,522,154</u>	<u>(209,248)</u>
Excess (deficiency) of revenues over expenditures	652,142	1,897,532	1,580,272	(317,260)
<b>Other financing sources (uses):</b>				
Transfers in	115,000	115,000	115,000	-
Transfers out	(761,539)	(761,539)	(478,267)	283,272
Total other financing sources	<u>(646,539)</u>	<u>(646,539)</u>	<u>(363,267)</u>	<u>283,272</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	5,603	1,250,993	1,217,005	(33,988)
Fund balances - beginning of year	<u>7,736,177</u>	<u>7,736,177</u>	<u>7,736,177</u>	
Fund balances - end of year	<u>\$ 7,741,780</u>	<u>\$ 8,987,170</u>	<u>\$ 8,953,182</u>	<u>\$ (33,988)</u>

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

CITY OF MARYSVILLE, CALIFORNIA

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2021

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

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	-0.13740%	0.00373%	0.11786%	0.11472%	0.11082%	0.10814%	0.10273%	0.08314%
Proportionate share of the net pension liability (asset)	\$ (2,609,034)	\$ 157,312	\$ 4,719,585	\$ 4,323,365	\$ 4,368,711	\$ 3,756,736	\$ 2,818,412	\$ 2,724,272
Covered payroll - measurement period	\$ 1,517,815	\$ 1,398,175	\$ 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 (asset) as a percentage of covered payroll	-171.89%	11.25%	354.84%	355.06%	361.09%	320.27%	229.36%	219.07%
Plan fiduciary net position as a percentage of the total pension liability	114.28%	99.13%	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, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 151,186	\$ 123,368	\$ 406,932	\$ 327,447	\$ 269,762	\$ 247,565	\$ 209,655	\$ 130,826
Contributions in relation to the actuarially determined contributions	(151,186)	(123,368)	(5,155,280)	(327,447)	(269,762)	(247,565)	(209,655)	(130,826)
Contribution deficiency (excess)	\$ -	\$ -	\$ (4,748,348)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - fiscal year	\$ 1,611,947	\$ 1,517,815	\$ 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	9.38%	8.13%	368.71%	24.62%	22.15%	20.46%	17.87%	10.65%
Valuation date:	June 30, 2019	June 30, 2018	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:

	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
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	Market Value	Market Value	15-year smoothed market
Inflation	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases				Varies by Entry Age and Service				
Payroll growth	2.75%	2.75%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.00% <sup>(1)</sup>	7.00% <sup>(1)</sup>	7.25% <sup>(1)</sup>	7.375% <sup>(1)</sup>	7.50% <sup>(1)</sup>	7.50% <sup>(1)</sup>	7.50% <sup>(1)</sup>	7.50% <sup>(1)</sup>
Mortality	(4)	(4)	(3)	(3)	(3)	(2)	(2)	(2)

Notes to Schedule:

<sup>(1)</sup> Net of administrative expenses, includes inflation.

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

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

<sup>(4)</sup> Probabilities of retirement and mortality are based on CalPERS' 2017 Experience Study for the period from 1997 to 2015.

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, 2021

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

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	-0.13417%	0.01277%	0.16958%	0.17282%	0.16880%	0.17725%	0.18427%	0.14064%
Proportionate share of the net pension liability (asset)	\$ (4,708,824)	\$ 850,990	\$ 10,586,186	\$ 10,140,138	\$ 10,086,254	\$ 9,180,407	\$ 7,592,673	\$ 6,728,712
Covered payroll - measurement period	\$ 2,110,027	\$ 1,994,870	\$ 1,641,904	\$ 1,485,180	\$ 1,395,874	\$ 1,366,046	\$ 1,011,871	\$ 996,792
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	-223.16%	42.66%	644.75%	682.75%	722.58%	672.04%	750.36%	675.04%
Plan fiduciary net position as a percentage of the total pension liability	114.01%	97.37%	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, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 370,612	\$ 340,014	\$ 1,191,731	\$ 1,013,415	\$ 852,710	\$ 657,260	\$ 663,213	\$ 322,800
Contributions in relation to the actuarially determined contributions	(370,612)	(340,014)	(10,006,650)	(1,013,415)	(852,710)	(657,260)	(663,213)	(322,800)
Contribution deficiency (excess)	\$ -	\$ -	\$ (8,814,919)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - fiscal year	\$ 2,204,559	\$ 2,110,027	\$ 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	16.81%	16.11%	501.62%	61.72%	57.41%	47.09%	48.55%	31.90%
Valuation date:	June 30, 2019	June 30, 2018	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		15-year smoothed market
	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value		
Remaining amortization period				Varies, not more than 30 years					
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value		
Inflation	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%	
Salary increases						Varies by Entry Age and Service			
Payroll growth	2.75%	2.75%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%	
Investment rate of return	7.00% <sup>(1)</sup>	7.00% <sup>(1)</sup>	7.25% <sup>(1)</sup>	7.375% <sup>(1)</sup>	7.50% <sup>(1)</sup>	7.50% <sup>(1)</sup>	7.50% <sup>(1)</sup>	7.50% <sup>(1)</sup>	
Mortality	(4)	(4)	(3)	(3)	(3)	(2)	(2)	(2)	

Notes to Schedule:

<sup>(1)</sup> Net of administrative expenses, includes inflation.

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

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

<sup>(4)</sup> Probabilities of retirement and mortality are based on CalPERS' 2017 Experience Study for the period from 1997 to 2015.

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.

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**COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS**

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2022

	Special Revenue			
	Gas Tax Fund	Narcotics Enforcement Fund	Asset Seizure Fund	Sidewalk Fund
ASSETS				
Cash and investments	\$ 721,836	\$ 1,220	\$ 1,084	\$ 13,794
Receivables:				
Accounts receivable				1,528
Interest receivable	1,030	2	1	18
Loans receivable				
Lease receivable				
Due from other governments	70,311			
<b>TOTAL ASSETS</b>	<b>\$ 793,177</b>	<b>\$ 1,222</b>	<b>\$ 1,085</b>	<b>\$ 15,340</b>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 13,962			
Accrued payroll liabilities	9,860			
Due to other funds				
<b>TOTAL LIABILITIES</b>	<b>23,822</b>			
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
<b>TOTAL DEFERRED INFLOWS     OF RESOURCES</b>				
Fund balances:				
Nonspendable				
Restricted	769,355	\$ 1,222	\$ 1,085	\$ 15,340
Unassigned				
<b>TOTAL FUND BALANCES</b>	<b>769,355</b>	<b>1,222</b>	<b>1,085</b>	<b>15,340</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>	<b>\$ 793,177</b>	<b>\$ 1,222</b>	<b>\$ 1,085</b>	<b>\$ 15,340</b>

Special Revenue						
Transportation and Transit Fund	Revolving Loan Funds			Law Enforcement Grants		Totals
	CDBG Principal and Interest Fund	HOME Program Income Fund	2015 CDBG Fund	COPS/SLESF Grant Fund	Traffic Grant	
	\$ 5,971	\$ 38,299	\$ 24,601	\$ 141,143		\$ 947,948
\$ 31,455						32,983
	437	72		172		1,732
	1,378,122	945,332				2,323,454
				72,729	\$ 9,363	152,403
<u>\$ 31,455</u>	<u>\$ 1,384,530</u>	<u>\$ 983,703</u>	<u>\$ 24,601</u>	<u>\$ 214,044</u>	<u>\$ 9,363</u>	<u>\$ 3,458,520</u>
	\$ 8,368			\$ 17,194		\$ 39,524
					\$ 488	10,348
					8,537	8,537
	8,368			17,194	9,025	58,409
\$ 31,455				72,729		104,184
31,455				72,729		104,184
	1,378,122	\$ 945,332				2,323,454
		38,371	\$ 24,601	124,121	338	974,433
	(1,960)					(1,960)
	1,376,162	983,703	24,601	124,121	338	3,295,927
<u>\$ 31,455</u>	<u>\$ 1,384,530</u>	<u>\$ 983,703</u>	<u>\$ 24,601</u>	<u>\$ 214,044</u>	<u>\$ 9,363</u>	<u>\$ 3,458,520</u>

CITY OF MARYSVILLE, CALIFORNIA

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

For the Year Ended June 30, 2022

	Special Revenue			
	Gas Tax Fund	Narcotics Enforcement Fund	Asset Seizure Fund	Sidewalk Fund
REVENUES				
Intergovernmental revenue	\$ 341,951			
Charges for services	250,926			
Use of money and property	(4,729)	\$ (7)	\$ (8)	\$ (84)
Program income				
<b>TOTAL REVENUES</b>	<b>588,148</b>	<b>(7)</b>	<b>(8)</b>	<b>(84)</b>
EXPENDITURES				
Current:				
General government				
Public safety				
Streets and public works	415,556			
Debt Service:				
Principal retirement	14,358			
Interest and other charges	2,060			
Capital outlay	89,621			
<b>TOTAL EXPENDITURES</b>	<b>521,595</b>			
REVENUES OVER (UNDER) EXPENDITURES	66,553	(7)	(8)	(84)
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	(338,753)			
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<b>(338,753)</b>			
NET CHANGE IN FUND BALANCES	(272,200)	(7)	(8)	(84)
Beginning of year	1,041,555	1,229	1,093	15,424
End of year	\$ 769,355	\$ 1,222	\$ 1,085	\$ 15,340



Special Revenue						
Transportation and Transit Fund	Revolving Loan Funds			Law Enforcement Grants		Totals
	CDBG Principal and Interest Fund	HOME Program Income Fund	2015 CDBG Fund	COPS/SLESF Grant Fund	Traffic Grant	
				\$ 93,842	\$ 55,213	\$ 491,006
						250,926
	\$ (2,111)	\$ (367)		(850)		(8,156)
	27,641	1,391				29,032
	25,530	1,024		92,992	55,213	762,808
	12,369	1,273		22,356	44,690	13,642
						67,046
						415,556
				38,754		53,112
				4,361		6,421
				17,194	10,523	117,338
	12,369	1,273		82,665	55,213	673,115
	13,161	(249)		10,327		89,693
	312,880					312,880
	-		\$ (312,880)	(100,000)		(751,633)
	312,880		(312,880)	(100,000)		(438,753)
-	326,041	(249)	(312,880)	(89,673)	-	(349,060)
-	1,050,121	983,952	337,481	213,794	338	3,644,987
\$ -	\$ 1,376,162	\$ 983,703	\$ 24,601	\$ 124,121	\$ 338	\$ 3,295,927

CITY OF MARYSVILLE, CALIFORNIA

Combining Statement of Assets and Liabilities  
Agency Funds

June 30, 2022

	Levee Commission Fund	Mary Aaron Museum Fund	Totals
<b>ASSETS</b>			
Cash and investments	\$ 677,675	\$ 17,796	\$ 695,471
Receivables:			
Accounts receivable	25,784		25,784
Interest receivable	855	22	877
Due from other governments	22,293		22,293
<b>TOTAL ASSETS</b>	<b>\$ 726,607</b>	<b>\$ 17,818</b>	<b>\$ 744,425</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 30,044	\$ 289	\$ 30,333
Due to other agencies	696,563	17,529	714,092
<b>TOTAL LIABILITIES</b>	<b>\$ 726,607</b>	<b>\$ 17,818</b>	<b>\$ 744,425</b>

## OTHER REPORTS

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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  
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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 10, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2022-003 to be significant deficiencies.

To the City Council  
City of Marysville, California

Report on 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as findings 2022-002.

City of Marysville's Response to Findings

*Government Auditing Standards* requires the auditors to perform limited procedures on the City of Marysville's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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 the responses.

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*

March 10, 2023



550 Howe Avenue, Suite 210  
Sacramento, California 95825  
Telephone: (916) 564-8727  
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM,  
INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

City Council  
City of Marysville  
Marysville, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Marysville, California (the City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

To the City Council  
City of Marysville, California

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires that the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant



To the City Council  
City of Marysville, California

deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Richardson & Company, LLP*

March 10, 2023

CITY OF MARYSVILLE, CALIFORNIA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2022

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- |  |            |
|--|------------|
| 1. Type of auditor's report issued:  | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weaknesses identified?   | Yes        |
| b. Significant deficiencies identified not considered to be material weaknesses? | No         |
| 3. Noncompliance material to financial statements noted?                         | No         |

Federal Awards

- |  |                                   |                                |        |                                   |  |
|--|-----------------------------------|--------------------------------|--------|-----------------------------------|--|
| 1. Internal control over major programs:   |                                   |                                |        |                                   |  |
| a. Material weaknesses identified?   | Yes                               |                                |        |                                   |  |
| b. Significant deficiencies identified not considered to be material weaknesses?   | Yes                               |                                |        |                                   |  |
| 2. Type of auditor's report issued on compliance for major programs:   | Unmodified                        |                                |        |                                   |  |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)?   | Yes                               |                                |        |                                   |  |
| 4. Identification of major programs:   |                                   |                                |        |                                   |  |
| <table style="border: none; width: 100%;"> <tr> <td style="text-align: left;"><u>AL Number</u></td> <td style="text-align: left;"><u>Name of Federal Program</u></td> </tr> <tr> <td>20.205</td> <td>Highway Planning and Construction</td> </tr> </table> | <u>AL Number</u>                  | <u>Name of Federal Program</u> | 20.205 | Highway Planning and Construction |  |
| <u>AL Number</u>   | <u>Name of Federal Program</u>    |                                |        |                                   |  |
| 20.205   | Highway Planning and Construction |                                |        |                                   |  |
| 5. Dollar Threshold used to distinguish between Type A and Type B programs?  | \$750,000                         |                                |        |                                   |  |
| 6. Auditee qualified as a low-risk auditee under 2 CFR, Section 200.516(a)?  | No                                |                                |        |                                   |  |

CITY OF MARYSVILLE, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

B. CURRENT YEAR FINDINGS – Financial Statement Audit

Finding 2022-001 – 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 \$1.2 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.

**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.

C. COMPLIANCE AND OTHER MATTERS

See finding 2022-002 described under the CURRENT YEAR FINDINGS AND QUESTIONED COSTS – Major Federal Award Program section below.

D. CURRENT YEAR FINDINGS AND QUESTIONED COSTS – Major Federal Award Program

Finding 2022-002 – Tracking of Equipment – Material Weakness

**Program:** Highway Planning and Construction

**AL No.:** 20.205

**Federal Grantor:** United States Department of Transportation, Federal Highway Administration

**Passed-through:** State of California, Department of Transportation

**Award No.:** STPL-5009(030)

CITY OF MARYSVILLE, CALIFORNIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS(CONTINUED)

For the Year Ended June 30, 2022

D. CURRENT YEAR FINDINGS AND QUESTIONED COSTS – Major Federal Award Program  
(Continued)

**Compliance Requirement:** Equipment/ Real Property Management

**Condition:** The City was unable to produce a list of equipment and real property purchased with federal funds. Some capital acquisitions in the year were identified as being grant-reimbursed, but the 5<sup>th</sup> Street construction project reimbursed by the major program was not identified. A physical inventory has also not been performed for federally purchased equipment and real property.

**Criteria:** A list of equipment and real property purchased with federal funds should be maintained for tracking purposes as there are specific federal guidelines and requirements regarding these purchases and dispositions.

**Cause:** The City did not have procedures in place to ensure all compliance requirements for this program are met. This is largely due to the material weakness finding on capital assets in Finding 2022-001, which was caused by the City not having completed an inventory count for a few years.

**Effect:** The City may not be in compliance with the Uniform Guidance if federally acquired equipment have been sold and the proceeds were either not reimbursed to the Federal awarding agency or set aside to be used towards the purchase of a similar equipment. Work performed on the major program project was not adequately identified in the current year.

**Context:** The program requires that for dispositions of equipment acquired under grants with a current per-unit fair market value of \$5,000 or more, the Federal awarding agency is to be reimbursed for the Federal portion of the current market value or sales proceeds.

**Recommendation:** After a full inventory is performed, the City should review all equipment and real property on hand and add an indication of which items are purchased with federal funds or create a separate listing of the ones that were acquired or had improvements made using federal funds. The list should be updated every time a federal purchase is made.

**City's Response:**

Finding 2022-003 – Schedule of Expenditures of Federal Awards (SEFA) – Significant Deficiency

**Program:** All Federal Programs

**Compliance Requirement:** Reporting

**Condition:** The expenses and awards reported on the Schedule of Expenditures of Federal Awards (SEFA) were revised during the single audit.

**Criteria:** Internal controls should be in place that provide reasonable assurance that the SEFA is complete and accurate, prior to the start of the audit.

**Cause:** The SEFA did not include federal awards that were passed through from the County and all assistance listing numbers identified in grant agreements.

**Effect:** The expenses included on the SEFA were revised during the audit, which could have resulted in the auditor not selecting the correct program for testing during the single audit and could have resulted in the single audit not satisfying the requirements of the Uniform Guidance.

CITY OF MARYSVILLE, CALIFORNIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS(CONTINUED)

For the Year Ended June 30, 2022

D. CURRENT YEAR FINDINGS AND QUESTIONED COSTS – Major Federal Award Program  
(Continued)

**Context:** The City excluded three federal awards from the U.S. Department of Homeland Security as these awards were passed through from Yuba County, and one federal award from the U.S. Department of Housing and Urban Development that was funded from the CARES Act. There were also two U.S. Department of Transportation grants passed through from the State Office of Traffic Safety that were each awarded for two different assistance listing (AL) numbers. The City had reported both grants under one of the AL numbers (20.608), resulting in this program’s expenditures being overstated on the SEFA and the other AL number (20.600) being improperly excluded from the SEFA for major program determination.

**Recommendation:** We recommend that the City consider all grants where the source is federal when reconciling to the SEFA. The City should communicate with pass-through entities and granting agencies to determine if a grant is federal if it is not clear after review of the grant agreement. The City should also document all assistance listing numbers on grants identified as federal. The City should also ensure grant revenue is properly identified as federal versus state when recording revenue in the general ledger.

**City’s Response:**

E. STATUS OF PRIOR YEAR FINDINGS

Finding 2021-001 – 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 60 adjustments being identified during the audit process and has delayed completion of the audit.

**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 did 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

CITY OF MARYSVILLE, CALIFORNIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS(CONTINUED)

For the Year Ended June 30, 2022

all balance sheet accounts are reviewed and reconciled to supporting schedules prior to the beginning of the audit.

**City's Response:** The City has made significant improvements in this area so this finding is considered resolved.

E. STATUS OF PRIOR YEAR FINDINGS (Continued)

Finding 2021-002 – Capital Asset Accounting – Material Weakness

See Finding 2022-001 for current status.

Finding 2021-003 – Tracking of Equipment – Material Weakness

See Finding 2022-002 for current status.

CITY OF MARYSVILLE, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal Assistance Listing (AL) Number</u>	<u>Pass-Through Grantors' Number</u>	<u>Expenditures</u>
<b>MAJOR PROGRAMS</b>			
<u>U.S. Department of Transportation, Federal Highway Administration:</u>			
Passed through California State Transportation Agency, Department of Transportation Highway Planning and Construction	20.205	STPL-5009(030)	\$ 2,701,789
TOTAL MAJOR PROGRAMS			<u>2,701,789</u>
<b>NON-MAJOR PROGRAMS</b>			
<u>U.S. Department of Housing and Urban Development:</u>			
Passed through California Department of Housing and Community Development COVID-19-Community Development Block Grants/ State's program and Non-Entitlement Grants in Hawaii	14.228	20-CDBG-CV2-3-00004	20,931
COVID-19-Emergency Solutions Grants	14.231		35,250
<u>U.S. Department of Transportation:</u>			
Passed through the State of California Office of Traffic Safety State and Community Highway Safety	20.600	PT21158	2,684
State and Community Highway Safety	20.600	PT22028	23,833
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT21158	14,093
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT22028	14,603
<u>U.S. Environmental Protection Agency:</u>			
Passed through California State Water Resources Control Board Capitalization Grants for Clean Water State Revolving Funds	66.458	D2101034 C-06-8557-110	394,491
<u>U.S. Department of Homeland Security</u>			
Passed through Yuba County Office of Emergency Services Homeland Security Grant Program	97.067	HSG-06-09	27,715
Homeland Security Grant Program	97.067	HSG-07-02	7,633
Homeland Security Grant Program - HSGP19	97.067		32,143
<u>U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA):</u>			
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2018-FF-00463	134,773
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2018-FF-00350	31,045
TOTAL NON-MAJOR PROGRAMS			<u>739,194</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 3,440,983</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City of Marysville, California (the City) under programs of the federal government for year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the City's operations, it is not intended to be and does not present the financial position, changes in financial position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenses reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenses are not allowable or are limited as to reimbursement.

NOTE C – PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, may be more than shown.

NOTE D – INDIRECT COST ALLOCATION PLAN

The City did not charge indirect costs to federal programs during the year ended June 30, 2022.

NOTE E – LOAN PROGRAMS

The outstanding balances of loan programs were as follows:

Federal Program	Federal AL Number	Outstanding Loan Balance
Community Development Block Grants/Entitlement Grants	14.218	\$ 1,378,122
Home Investment Partnerships Program	14.239	945,332

NOTE F – SUBRECIPIENTS

Amounts passed-through to subrecipients included \$20,931 under Assistance Listing 14.228 that was passed-through to the FREED Center for Independent Living during the year ended June 30, 2022.

NOTE G – CLUSTERS OF PROGRAMS

There were no clusters of the City's federal programs during the year ended June 30, 2022.





## CITY OF MARYSVILLE

FINANCE DEPARTMENT  
526 C STREET  
MARYSVILLE,  
CALIFORNIA 95901

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

### City of Marysville Schedule of Finding Responses – Corrective Action Plan June 30, 2022

#### Finding 2022-001 – Capital Asset Accounting – Material Weakness

The three conditions listed will take further time to research through records to find the timeline and backup as City records are not in electronic form at this time and the items go back several years. Some of this research was completed in FY 2021-22 but addition records need to still be found. A part of the year end process now includes adding assets to our master capital asset workbook, comparing to added capital assets for the year, and making sure that assets are being depreciated according to our Capital Asset Policy.

#### Finding 2022-002 – Tracking of Equipment – Material Weakness

As the City works on conducting a full inventory, the equipment and real property on hand will be evaluated to assess if it was purchased or improved using federal funds. An additional section has been added to the master capital asset workbook to indicate if acquired by federal funds. All assets will be reviewed during the preparation of the FY 22-23 audit and noted accordingly. These will also be compared to all grant tracking summaries to ensure that all assets are assessed and noted.

#### Finding 2022-003 – Schedule of Expenditures of Federal Award (SEFA) – Significant Deficiency

All grants will be reviewed and each individual grant tracking summary will indicate source of grant, whether federal, state, or other, all assistance listing numbers will be added as needed and our master grant tracking summary will be updated to include the source. When completing the SEFA, it will be prepared at the same time of the master grant tracking summary for comparison. We are also working on a grant policy and checklist that will allow for the collection of needed information and materials.