

CITY OF MARYSVILLE, CALIFORNIA

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

FOR THE FISCAL YEAR
ENDED JUNE 30, 2013



CITY OF MARYSVILLE, CALIFORNIA

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CITY OF MARYSVILLE, CALIFORNIA

CITY OFFICIALS
AS OF JUNE 30, 2013

CITY COUNCIL

- *Ricky Samayoa* Mayor
- *James Kitchen* Vice Mayor
- *Michael Selvidge* Council member
- *Chris Pedigo* Council member
- *Dale Whitmore* Council member

OTHER CITY OFFICIALS

- *Walter Munchheimer* City Manager
- *Brant Bordsen* City Attorney
- *Matt Michaelis* Administrative Services
Manager
- *David Baker* Acting Police Chief
- *David Lamon* City Services Director
- *Billie Fangman* City Clerk

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BOLER & ASSOCIATES

PROFESSIONAL ACCOUNTANCY CORPORATION
750 F STREET • DAVIS, CA 95616

(530) 756-1735

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Administrator, and
Members of the City Council
City of Marysville, California

Report on the Financial Statements

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, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marysville, California, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Community Development Block Grant

Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marysville, California's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 November 7, 2013, on our consideration of the City of Marysville, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Marysville, California's internal control over financial reporting and compliance.



November 7, 2013

CITY OF MARYSVILLE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL ENDED JUNE 30, 2013

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, 2013. 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 \$14.98 million (net position). Of this amount, the City has an unrestricted deficit of \$9.92 million (due to the issuance of the Sewer Fund Series 2012 Revenue Bonds), \$15.56 million is restricted for specific purposes such as loan programs, street projects, and other community development, and \$9.33 million is invested in capital assets, net of related debt.
- The City's total net position increased by \$397,950.
- The General Fund's fund balance is \$0.94 million as of June 30, 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of five 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 Financial Statements and
 - Budgetary Comparison Schedules for the General Fund and Community Development Block Grant Special Revenue Fund
- Combining 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 15) presents information on all of 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.

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2013

The Statement of Activities (page 16 and 17) presents information showing how the government's net position changed during the past year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (accrual basis of accounting). 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 users fees and charges – “business-type activities.” The government activities of the City of Marysville include general government, public safety, streets, public works and parks and recreation. The business-type activity of the city is the wastewater system.

The government-wide financial statements include the City of Marysville itself (known as the primary government) and the legally separate Marysville Community Development Agency. The City Council serves as the governing body of this component unit and the City is financially accountable, resulting in its financial information being included in the City's overall financial statements on a blended basis. Please refer to the separately issued financial statements for the Community Development Agency.

FUND FINANCIAL STATEMENTS

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

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2013

each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern or the City's activities. Information is presented separately in the governmental funds balance sheet and in the governmental funds statements of revenues expenditures and changes in fund balances for the following major funds (found starting on page 18):

- General Fund
- Community Development Block Grant Special Revenue Fund
- 2011 Taxable Certificates of Participation Debt Service Fund

Data from the remaining nonmajor 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 61.

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, two enterprise funds, 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 and the activity of its public financing authority.

The debt service for the Wastewater system is combined into the business-type activities column of the Statement of Net Position (page 15) 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.

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 30-60 of this report.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

This section of the report includes additional detailed information about nonmajor governmental, proprietary and agency funds and can be found beginning on page 61.

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year ended June 30, 2013 is the ninth 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 \$14.98 million. The city reported positive balances in all three categories of net position, as well as for its separate governmental and 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	
	2013	2012	2013	2012	2013	2012
ASSETS:						
Current and other assets	\$ 5,851,809	\$ 6,627,756	\$ 15,216,661	\$ 1,580,716	\$ 21,068,470	\$ 8,208,472
Capital assets, net	7,843,681	6,941,163	8,725,543	9,000,690	16,569,224	15,941,853
TOTAL ASSETS	\$ 13,695,490	\$ 13,568,919	\$ 23,942,204	\$ 10,581,406	\$ 37,637,694	\$ 24,150,325
DEFERRED OUTFLOWS OF RESOURCES						
	\$ 456,293	\$ 475,848	\$ 686,625	\$ 15,534	\$ 1,142,918	\$ 491,382
LIABILITIES:						
Liabilities due after one year	\$ 7,000,000	\$ 7,078,721	\$ 13,904,635	\$ 1,168,302	\$ 20,904,635	\$ 8,247,023
Other liabilities	1,238,617	1,424,732	539,475	316,526	1,778,092	1,741,258
TOTAL LIABILITIES	\$ 8,238,617	\$ 8,503,453	\$ 14,444,110	\$ 1,484,828	\$ 22,682,727	\$ 9,988,281
DEFERRED INFLOWS OF RESOURCES						
	\$ 48,926	\$ 73,597	\$ 1,071,181	\$ -	\$ 1,120,107	\$ 73,597
NET POSITION:						
Investment in capital assets	\$ 1,299,974	\$ 216,864	\$ 8,034,579	\$ 8,084,823	\$ 9,334,553	\$ 8,301,687
Restricted	1,887,674	2,323,692	13,673,936	565,853	15,561,610	2,889,545
Unrestricted	2,676,592	2,927,161	(12,594,977)	461,436	(9,918,385)	3,388,597
TOTAL NET POSITION	\$ 5,864,240	\$ 5,467,717	\$ 9,113,538	\$ 9,112,112	\$ 14,977,778	\$ 14,579,829

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2013

- Total Net Position increased by \$397,950 from 2012 to 2013.
- \$9.33 million (62.32%) in net 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.
- \$15.56 million (103.90%) in 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 2012 to 2013 can be found in the Restricted Net position in the Governmental Activities.
- The remaining unrestricted deficit is \$9.92 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
FOR THE FISCAL YEAR ENDED JUNE 30

	Governmental Activities		Business-type Activities		TOTALS	
	2013	2012	2013	2012	2013	2012
PROGRAM REVENUES:						
Charges for services	\$ 1,746,547	\$ 2,749,821	\$ 2,300,998	\$ 1,701,363	\$ 4,047,545	\$ 4,451,184
Operating grants	696,362	718,136	93,126	325,275	789,488	1,043,411
Capital grants	1,520,336	1,458,978	-	-	1,520,336	1,458,978
GENERAL REVENUES:						
Property taxes	1,021,412	1,198,825	-	-	1,021,412	1,198,825
Sales and use taxes	1,800,686	2,091,459	-	-	1,800,686	2,091,459
Motor vehicle in-lieu	1,103,910	821,565	-	-	1,103,910	821,565
Franchise fees	367,508	393,276	-	-	367,508	393,276
Transient occupancy tax	60,575	82,803	-	-	60,575	82,803
Business license tax	142,809	137,214	-	-	142,809	137,214
Reimbursements	283,112	259,507	39,373	20,500	322,485	280,007
Proceeds from insurance	2,575	-	-	-	2,575	-
Miscellaneous sales	69,163	8,691	-	-	69,163	8,691
Debt forgiven by County	200,147	-	-	-	200,147	-
Loss on disposition of asset	(53,807)	(665)	-	-	(53,807)	(665)
Other revenues	3,869	42,040	-	-	3,869	42,040
Investment income	159,987	202,067	9,365	10,256	169,352	212,323
TOTAL REVENUES	9,125,191	10,163,717	2,442,862	2,057,394	11,568,053	12,221,111

CITY OF MARYSVILLE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL ENDED JUNE 30, 2013

	Governmental Activities		Business-type Activities		TOTALS	
	2013	2012	2013	2012	2013	2012
EXPENSES:						
Governmental activities:						
General government	1,210,608	1,505,154	-	-	1,210,608	1,505,154
Public safety	4,983,611	5,301,071	-	-	4,983,611	5,301,071
Streets and public works	1,700,016	1,423,577	-	-	1,700,016	1,423,577
Parks and recreation	533,536	413,135	-	-	533,536	413,135
Interest on long-term debt	501,886	395,207	-	-	501,886	395,207
Business-type activities:						
Public financing	-	-	-	594	-	594
Sewer	-	-	1,504,736	1,484,428	1,504,736	1,484,428
Interest on long-term debt	-	-	801,700	126,837	801,700	126,837
TOTAL EXPENSES	8,929,657	9,038,144	2,306,436	1,611,859	11,236,093	10,650,003
EXCESS OF REVENUES OVER EXPENDITURES						
Extraordinary gain on dissolution of redevelopment agency	-	1,017,299	-	-	-	1,017,299
Transfers in (out)	200,990	(4,612,753)	(135,000)	4,612,753	65,990	-
CHANGE IN NET POSITION	396,524	(2,469,881)	1,426	5,058,288	397,950	2,588,407
NET POSITION, JULY 1	5,467,716	7,923,497	9,112,112	4,053,824	14,579,828	11,977,321
NET POSITION, JUNE 30	\$ 5,864,240	\$ 5,453,616	\$ 9,113,538	\$ 9,112,112	\$ 14,977,778	\$ 14,565,728

Governmental Activities and Business-type Activities increased the City's net position by \$196,409 and \$1,426, respectively.

REVENUES

The Governmental Activities total revenues and transfers were \$9.33 million and Business-Type Activity revenues were \$2.31 million for the year ended June 30, 2013. This represented a total decrease of \$867,305 from 2012. This decrease in revenues was attributed to the decrease in the dollar amount expended in the Gas Tax and Capital Projects funds over fiscal year 11-12 for grant related projects.

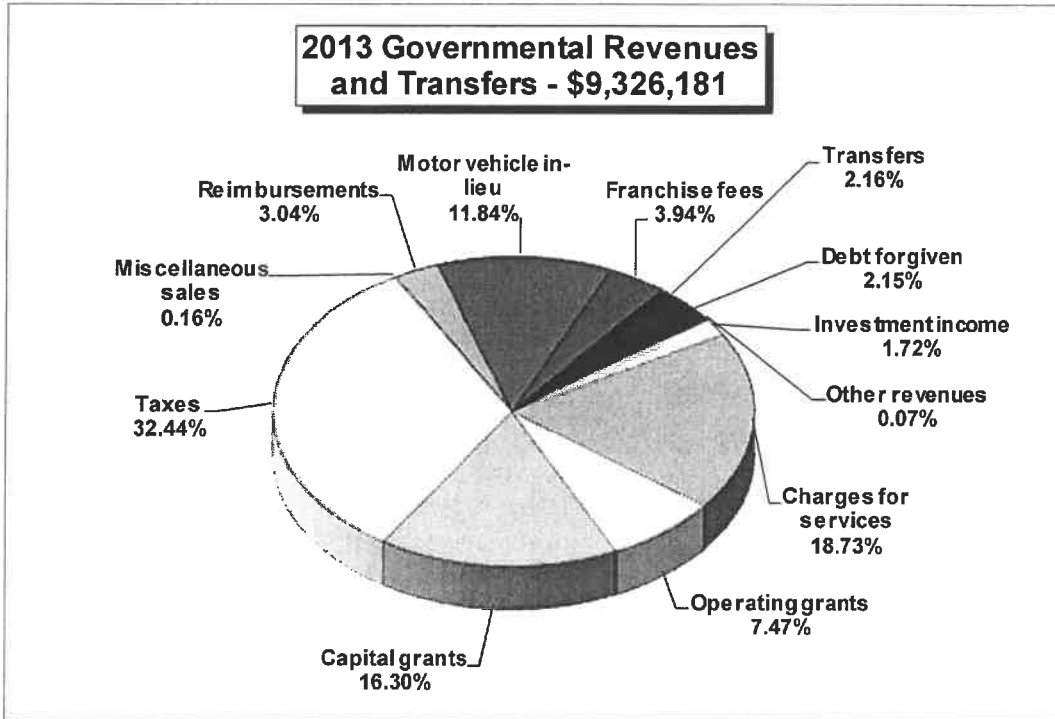
Program revenues include charges for services and grants and contributions. Program revenues provided \$3.96 million (43.43% of total revenues) for governmental activities and approximately \$2.39 million for business-type activities.

General revenues include, among other things, taxes, assessments and intergovernmental revenues. General revenues provided \$5.16 million (56.57% of total revenues). The majority of general revenues came from property, sales and other taxes.

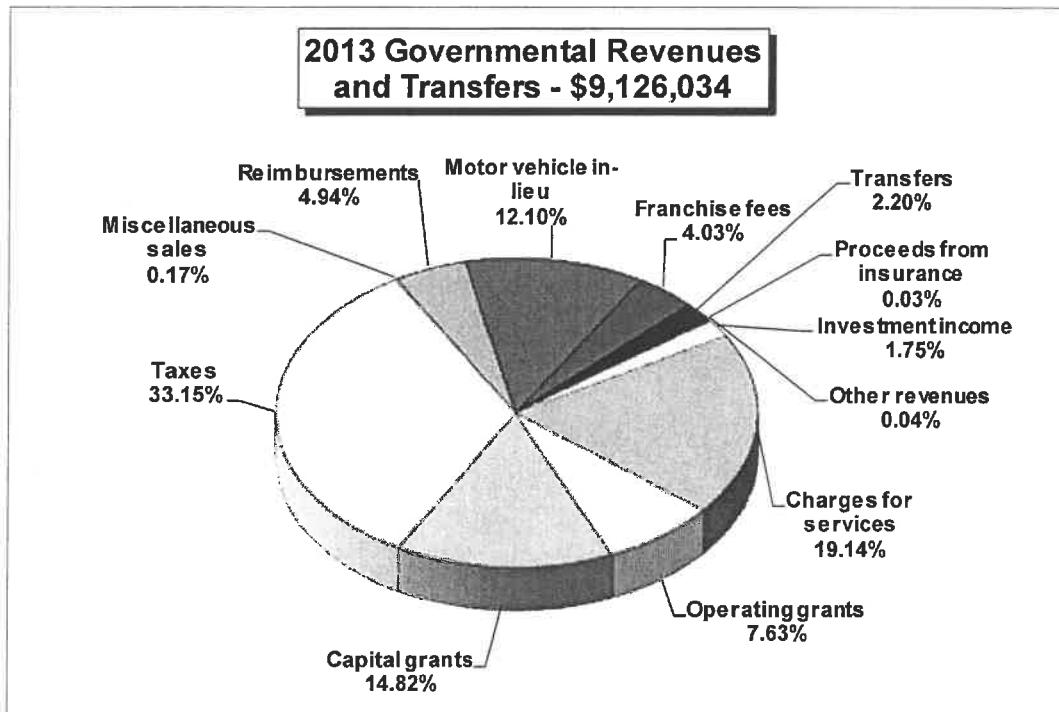
CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2013

The fiscal year ended June 30, 2013 revenues are reflected graphically as follows:



The fiscal year ended June 30, 2012 revenues are reflected graphically as follows:



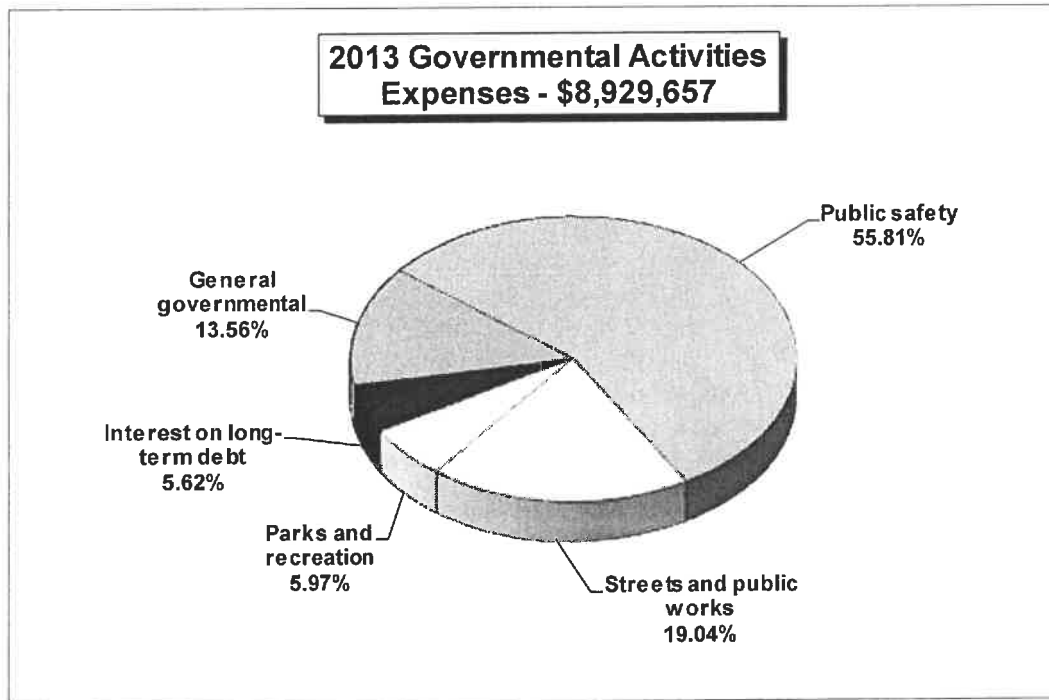
CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2013

EXPENSES

Expenses for the City totaled \$11.24 million. Governmental activities incurred \$8.93 million in expenses and business-type activities incurred \$2.31 million in expenses during the year. As can be seen in the table above, governmental activities expenses were 43.41% 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 96.34% funded by program revenues, with the exception of interest and investment earnings. Increases in business-type expenses were caused by required studies needed to determine what changes will be necessary at the City's sewer treatment facility to comply with State of California discharge requirements.

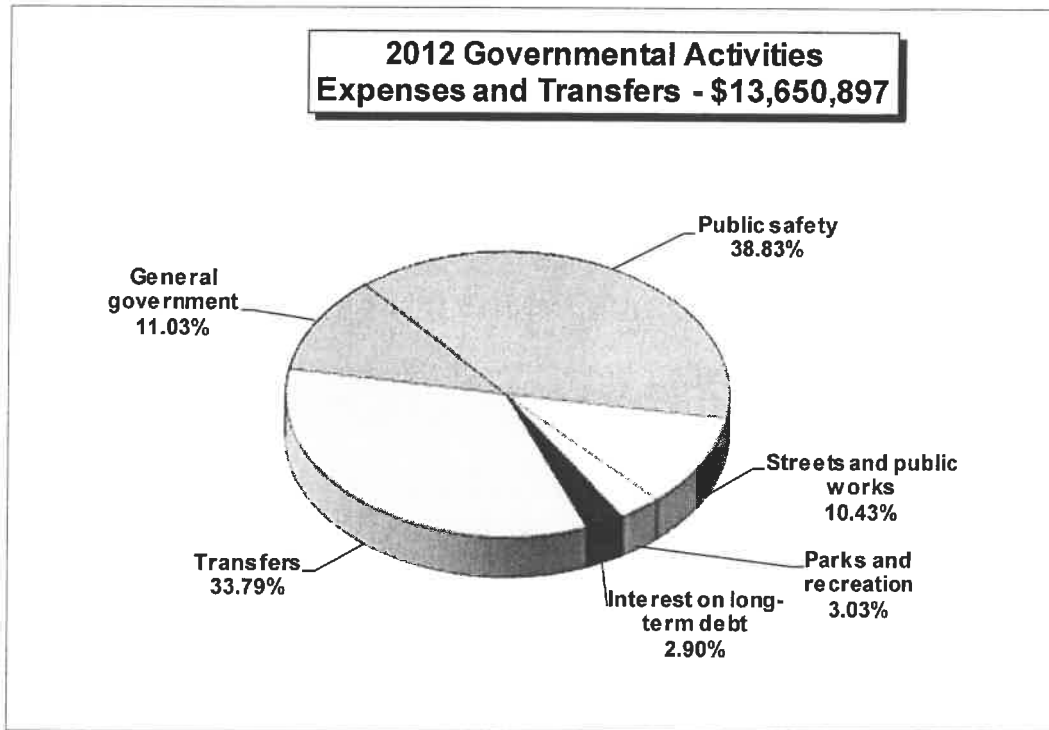
The fiscal year ended June 30, 2013 expenses are reflected graphically as follows:



CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2013

The fiscal year ended June 30, 2012 expenses are reflected graphically as follows:



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

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

At the end of FY 2012-13, the City's governmental funds reported combined fund balances of \$4.92 million. The City has an unassigned fund balance of \$468,491. The remainder of the governmental ending fund balance of \$4.45 million is non-spendable, committed, restricted or assigned 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 ENDED JUNE 30, 2013

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund expense budget was increased \$734,138 from the prior fiscal year. A small part of this increase had to do with the conversion of a part time Finance Technician position to full time. The majority of the remainder of the increase was associated with the completion of contractually allowable red light camera approaches. With each additional approach comes an added monthly maintenance costs.

During the fiscal year General Fund revenue was \$187,939 lower than the amended budget estimate, which was primarily due to the reduction in Vehicle Code Fine and Sales Tax revenues in the final two quarters of the fiscal year. The Vehicle Code Fine reduction is attributable to construction projects completed by Cal Trans.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The capital assets reported reflect the reevaluation of capital asset balances reported in 2003-04 to conform to GASB Statement No. 34 reporting requirements.

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

	Governmental Activities		Business-type Activities		TOTALS	
	2013	2012	2013	2012	2013	2012
Capital assets, not being depreciated:						
Construction in progress	\$ -	\$ 1,009,834	\$ -	\$ -	\$ -	\$ 1,009,834
Land	1,495,048	1,495,048	4,562,003	4,562,003	6,057,051	6,057,051
Depreciable capital assets, net:						
Sewer plant	-	-	3,468,578	3,686,343	3,468,578	3,686,343
Infrastructure	2,603,582	502,378	-	-	2,603,582	502,378
Buildings	1,810,650	1,770,494	370,825	389,366	2,181,475	2,159,860
Machinery and equipment	556,140	606,599	234,400	261,776	790,540	868,375
Vehicles	1,378,262	1,556,810	89,737	101,202	1,467,999	1,658,012
TOTAL	\$ 7,843,682	\$ 6,941,163	\$ 8,725,543	\$ 9,000,690	\$ 16,569,225	\$ 15,941,853

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, was \$16.57 million (net of accumulated depreciation). 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 for FY 2011-12 of \$627,372. 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 ENDED JUNE 30, 2013**

DEBT ADMINISTRATION

At the end of FY 2012-13, the City of Marysville had long-term liabilities of \$6.78 million and \$14.71 million for governmental activities and business-type activities, respectively. Also, the fiduciary activities' long-term liabilities were \$613,523. Additional information about the City's long-term obligations can be found in Note F in the Notes to Basic Financial Statements.

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

	Governmental Activities		Business-type Activities		Fiduciary Activities	
	2013	2012	2013	2012	2013	2012
Sewer Revenue Bonds, 2012 Series A	\$ -	\$ -	\$ 13,135,000	\$ -	\$ -	\$ -
Certificates of participation, 2011	7,000,000	7,000,000	-	-	-	-
Lease revenue bonds, 2001 Series A	-	-	346,478	415,051	613,522	734,949
Repayment agreement	-	200,147	-	-	-	-
State Water Resources Loan	-	-	821,826	972,111	-	-
Add: Bond premium, net	-	-	1,071,181	-	-	-
Less: Bond discount, net	(456,293)	(475,848)	(13,981)	(15,534)	-	-
Less: Issuance costs, net	-	-	(672,644)	-	-	-
Compensated absences	237,237	263,294	24,453	43,349	-	-
TOTALS	\$ 6,780,944	\$ 6,987,593	\$ 14,712,313	\$ 1,414,977	\$ 613,522	\$ 734,949

DISSOLUTION OF THE CITY'S REDEVELOPMENT AGENCY

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. This action impacted the reporting entity of the City of Marysville, California that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On 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.

The activity of the successor agency is accounted for within the Redevelopment Successor Agency Private-Purpose Trust Fund.

CITY OF MARYSVILLE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL ENDED JUNE 30, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economic climate continues to adversely impact the City's ability to supply services to its citizens. The State Highway corridors continue to be the source of much of the revenue received by the City in the form of sales tax and others taxes. The hospital complex in the City has begun their expansion project and has launched into the full building cycle in 2012-2013.

During fiscal year 2013-2014 the General Fund's fund balance is budgeted to decrease by \$280,000 due to Council-approved expenditures associated with the City's economic "Bounce Back" initiative. These additional expenses will be offset with various grants and have not been factored in to these projections. Significant decreases in employee costs accomplished through furloughs and benefits reductions, hiring freezes, turning off selected street lights, and reductions in parks maintenance are continued into the next fiscal year. The State of California is still making efforts to redirect local revenues to the state level or the schools in an effort to address its own budget problems. How this effort will impact local revenues is still unclear at this time.

Additionally, several significant businesses have left or are leaving the City, which will negatively impact the amount of sales tax received for the City. As a result, in addition to the cuts outlined above, the City will be forced to resize service levels according to the amount it can afford; over what they have already decided in previous years.

The end of fiscal year 2013-2014 will mark a financial turning point for the City of Marysville. The City Council understands the gravity of the years ahead and is united in their efforts to preserve the core services provided by the City. The Bounce Back initiative is the City's current streamlined effort to stimulate economic activity throughout the City in order to maintain service levels. The Council is also directing staff to pursue other solutions including annexation, the request for a sales tax increase, and the selling of City assets.

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, including the separately issued component unit financial statements of the Redevelopment Successor Agency of the City of Marysville, California, should be addressed to the City of Marysville Finance Department at 526 C Street, Marysville, CA 95901, phone (530) 749-3903.



CITY OF MARYSVILLE, CALIFORNIA

GOVERNMENT-WIDE STATEMENT OF NET POSITION AS OF JUNE 30, 2013

	Governmental Activities	Business-type Activities	TOTALS
ASSETS:			
CURRENT ASSETS:			
Cash and investments	\$ 1,390,129	\$ 175,191	\$ 1,565,320
Receivables:			
Accounts receivable	163,572	648,911	812,483
Interest receivable	299	-	299
Taxes receivable	156,484	-	156,484
Loans receivable	2,105,851	-	2,105,851
Due from other governments	718,726	241,284	960,010
Due from fiduciary funds	202,530	477,339	679,869
Restricted cash with fiscal agent	1,114,218	13,673,936	14,788,154
TOTAL CURRENT ASSETS	5,851,809	15,216,661	21,068,470
NONCURRENT ASSETS:			
Nondepreciable capital assets	1,495,049	4,562,003	6,057,052
Depreciable capital assets, net	6,348,632	4,163,540	10,512,172
TOTAL NONCURRENT ASSETS	7,843,681	8,725,543	16,569,224
DEFERRED OUTFLOWS OF RESOURCES:			
Unamortized bond issuance costs and discounts	456,293	686,625	1,142,918
TOTAL ASSETS	\$ 14,151,783	\$ 24,628,829	\$ 38,780,612
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	\$ 498,885	\$ 57,836	\$ 556,721
Accrued payroll liabilities	339,846	84	339,930
Interest payable	120,469	58,434	178,903
Deposits payable	42,180	-	42,180
Compensated absences	237,237	24,453	261,690
Long-term debt, due within one year	-	398,668	398,668
TOTAL CURRENT LIABILITIES	1,238,617	539,475	1,778,092
NONCURRENT LIABILITIES:			
Long-term debt, due after one year	7,000,000	13,904,635	20,904,635
TOTAL LIABILITIES	\$ 8,238,617	\$ 14,444,110	\$ 22,682,727
DEFERRED INFLOWS OF RESOURCES:			
Business license fees to be earned	27,529	-	27,529
Grant revenues to be earned	16,961	-	16,961
Unamortized bond premium	-	1,071,181	1,071,181
Other deferred inflows	4,436	-	4,436
TOTAL DEFERRED INFLOWS OF RESOURCE:	48,926	1,071,181	1,120,107
NET POSITION:			
Invested in capital assets, net of related debt	\$ 1,299,974	\$ 8,034,579	\$ 9,334,553
Restricted	1,887,674	13,673,936	15,561,610
Unrestricted	2,676,592	(12,594,977)	(9,918,385)
TOTAL NET POSITION	\$ 5,864,240	\$ 9,113,538	\$ 14,977,778

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MARYSVILLE, CALIFORNIA

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Operating Expenses	Charges for Services	Program Revenues	
			Operating	Grants and other contributions Capital
GOVERNMENTAL ACTIVITIES:				
General government	\$ 1,210,608	\$ 622,241	\$ -	\$ -
Public safety	4,983,611	863,052	696,362	-
Streets and public works	1,700,016	126,346	-	1,503,197
Parks and recreation	533,536	134,908	-	17,139
Interest on long-term debt	501,886	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	8,929,657	1,746,547	696,362	1,520,336
BUSINESS-TYPE ACTIVITIES:				
Public financing	-	-	-	-
Sewer	1,504,736	2,300,998	93,126	-
Interest on long-term debt	801,700	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	2,306,436	2,300,998	93,126	-
TOTAL GOVERNMENT	\$ 11,236,093	\$ 4,047,545	\$ 789,488	\$ 1,520,336

GENERAL REVENUES:

- Property taxes
- Sales and use taxes
- Motor vehicle in-lieu
- Franchise fees
- Transient occupancy tax
- Business license tax
- Reimbursements
- Proceeds from insurance recovery
- Miscellaneous sales
- Debt forgiven by County
- Loss on disposition of capital asset
- Other revenues
- Investment income

TRANSFERS

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

Net position, July 1

NET POSITION, JUNE 30

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	TOTALS
\$ (588,367)	\$ -	\$ (588,367)
(3,424,197)	-	(3,424,197)
(70,473)	-	(70,473)
(381,489)	-	(381,489)
(501,886)	-	(501,886)
<u>(4,966,412)</u>	<u>-</u>	<u>(4,966,412)</u>
-	-	-
-	889,388	889,388
<u>-</u>	<u>(801,700)</u>	<u>(801,700)</u>
-	87,688	87,688
<u>(4,966,412)</u>	<u>87,688</u>	<u>(4,878,724)</u>
1,021,412	-	1,021,412
1,800,686	-	1,800,686
1,103,910	-	1,103,910
367,508	-	367,508
60,575	-	60,575
142,809	-	142,809
283,112	39,373	322,485
2,575	-	2,575
69,163	-	69,163
200,147	-	200,147
(53,807)	-	(53,807)
3,869	-	3,869
159,987	9,365	169,352
200,990	(135,000)	65,990
<u>5,362,936</u>	<u>(86,262)</u>	<u>5,276,674</u>
396,524	1,426	397,950
<u>5,467,716</u>	<u>9,112,112</u>	<u>14,579,828</u>
<u>\$ 5,864,240</u>	<u>\$ 9,113,538</u>	<u>\$ 14,977,778</u>

CITY OF MARYSVILLE, CALIFORNIA

BALANCE SHEET GOVERNMENTAL FUNDS AS OF JUNE 30, 2013

	General Fund	Special Revenue Community Development Block Grant Fund	Debt Service 2011 Taxable Certificates of Participation Fund	Aggregate Nonmajor Governmental Funds	TOTALS
ASSETS					
Cash and investments	\$ 791,664	\$ -	\$ -	\$ 598,465	\$ 1,390,129
Receivables:					
Accounts receivable	118,048	7,718	-	37,806	163,572
Interest receivable	54	-	-	245	299
Taxes receivable	156,484	-	-	-	156,484
Notes receivable	23,279	1,198,947	-	883,625	2,105,851
Due from other governments	525,990	-	-	192,736	718,726
Due from other funds	49,928	-	-	264,143	314,071
Advances to other funds	169,467	-	-	-	169,467
Restricted cash with fiscal agent	-	-	1,114,218	-	1,114,218
TOTAL ASSETS	\$1,834,914	\$ 1,206,665	\$1,114,218	\$ 1,977,020	\$ 6,132,817
LIABILITIES					
Accounts payable	\$ 478,819	\$ -	\$ -	\$ 20,066	\$ 498,885
Accrued payroll liabilities	339,846	-	-	-	339,846
Deposits	42,180	-	-	-	42,180
Due to other funds	-	-	-	281,008	281,008
TOTAL LIABILITIES	860,845	-	-	301,074	1,161,919
DEFERRED INFLOWS OF RESOURCES					
Business license fees to be earned	27,528	-	-	-	27,528
Grant revenues to be earned	3,300	-	-	13,661	16,961
Other deferred inflows	4,437	-	-	-	4,437
TOTAL DEFERRED INFLOWS	35,265	-	-	13,661	48,926
FUND BALANCES					
Non-spendable:					
Advances to other funds	169,467	-	-	-	169,467
Notes receivable	10,000	1,198,947	-	883,625	2,092,572
Committed:					
Debt service	-	-	1,114,218	-	1,114,218
Subsequent year's expenditures	303,800	-	-	-	303,800
Restricted:					
Loan programs	-	-	-	250,530	250,530
Road improvements and repairs	-	-	-	405,254	405,254
Parks and recreation	-	-	-	35,682	35,682
Public buildings	-	-	-	17,205	17,205
Assigned:					
Bridge repair	-	-	-	64,785	64,785
Unassigned:					
General fund	455,537	-	-	-	455,537
Special revenue funds	-	7,718	-	5,204	12,922
TOTAL FUND BALANCES	938,804	1,206,665	1,114,218	1,662,285	4,921,972
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$1,834,914	\$ 1,206,665	\$1,114,218	\$ 1,977,020	\$ 6,132,817

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MARYSVILLE, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION AS OF JUNE 30, 2013

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS			\$ 4,921,972
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			7,843,681
Long-term credits not due and available in the current period and therefore are not reported in the governmental funds balance sheet:			
Unamortized bond issuance costs and discounts			456,293
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet:			
Bonds payable	\$ (7,000,000)		
Compensated absences	<u>(237,237)</u>		<u>(7,237,237)</u>
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>(120,469)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES			<u><u>\$ 5,864,240</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Community Development Block Grant Fund	Debt Service 2011 Taxable Certificates of Participation Fund	Aggregate Nonmajor Governmental Funds	TOTALS
REVENUES:					
Tax revenues	\$ 4,496,900	\$ -	\$ -	\$ -	\$ 4,496,900
Intergovernmental revenues	528,971	-	-	1,687,727	2,216,698
Licenses, fees and permits	171,569	-	-	-	171,569
Charges for services	743,715	-	-	-	743,715
Fines, forfeitures and penalties	739,815	-	-	-	739,815
Reimbursements and refunds	283,112	-	-	-	283,112
Use of money and property	116,781	15,361	10,574	17,271	159,987
Program income	-	15,692	-	7,523	23,215
Miscellaneous sales	69,163	-	-	-	69,163
Proceeds from insurance recovery	2,575	-	-	-	2,575
Recreation and event fees	37,280	-	-	16,732	54,012
Donations	14,220	-	-	-	14,220
Other revenue	3,869	-	-	-	3,869
TOTAL REVENUES	7,207,970	31,053	10,574	1,729,253	8,978,850
EXPENDITURES:					
Current:					
General government	1,141,857	-	-	32	1,141,889
Public safety	4,686,869	-	-	165,619	4,852,488
Streets and public works	1,441,216	-	-	166,400	1,607,616
Parks and recreation	384,124	-	-	19,174	403,298
Debt service:					
Interest and other charges	331	-	481,875	125	482,331
Capital outlay	-	-	-	1,425,112	1,425,112
TOTAL EXPENDITURES	7,654,397	-	481,875	1,776,462	9,912,734
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(446,427)	31,053	(471,301)	(47,209)	(933,884)
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of city property	20,250	-	-	-	20,250
Transfers in	390,990	-	25,000	1,114,185	1,530,175
Transfers out	-	(13,743)	-	(1,315,442)	(1,329,185)
TOTAL OTHER FINANCING	411,240	(13,743)	25,000	(201,257)	221,240
NET CHANGE IN FUND BALANCES	(35,187)	17,310	(446,301)	(248,466)	(712,644)
FUND BALANCES, July 1	973,991	1,189,355	1,560,519	1,910,751	5,634,616
FUND BALANCES, JUNE 30	\$ 938,804	\$ 1,206,665	\$ 1,114,218	\$ 1,662,285	\$ 4,921,972

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MARYSVILLE, CALIFORNIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (712,644)**

*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, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 1,235,123	
Depreciation expense	<u>(258,547)</u>	976,576

Government funds report the total amount of proceeds from the sale of assets as revenues. However, in the Government-wide Statement of Activities and Changes in Net Assets, only the gain or (loss) on the sale of capital assets is reported.

Book value of capital assets sold		(74,057)
-----------------------------------	--	----------

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities:

Debt forgiven by the County	\$ 200,147	
Amortization of issuance costs and discounts	<u>(19,555)</u>	180,592

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in compensated absences		<u>26,057</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS **\$ 396,524**

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND AND MAJOR SPECIAL REVENUE FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Tax revenues	\$ 4,641,000	\$ 4,641,000	\$4,496,900	\$ (144,100)
Intergovernmental revenues	657,568	657,868	528,971	(128,897)
Licenses, fees and permits	168,100	168,100	171,569	3,469
Charges for services	577,700	577,700	743,715	166,015
Fines, forfeitures and penalties	915,500	915,500	739,815	(175,685)
Reimbursements and refunds	200,941	200,941	283,112	82,171
Use of money and property	135,400	135,400	116,781	(18,619)
Program income	-	-	-	-
Proceeds from insurance recovery	2,500	2,500	2,575	75
Miscellaneous sales	5,400	5,400	69,163	63,763
Recreation and event fees	38,000	38,000	37,280	(720)
Donations	11,500	16,500	14,220	(2,280)
Other revenue	37,000	37,000	3,869	(33,131)
TOTAL REVENUES	7,390,609	7,395,909	7,207,970	(187,939)
EXPENDITURES:				
Current:				
General government	1,376,001	1,376,001	1,141,857	234,144
Public safety	5,263,812	5,285,812	4,686,869	598,943
Streets and public works	938,765	938,765	1,441,216	(502,451)
Parks and recreation	282,642	282,642	384,124	(101,482)
Debt service:				
Interest and other charges	-	-	331	(331)
Capital outlay	149,975	242,975	-	242,975
TOTAL EXPENDITURES	8,011,195	8,126,195	7,654,397	471,798
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(620,586)	(730,286)	(446,427)	283,859
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of city property	-	-	20,250	20,250
Transfers in	400,000	400,000	390,990	(9,010)
Transfers out	(58,200)	(58,200)	-	58,200
TOTAL OTHER FINANCING	341,800	341,800	411,240	69,440
NET CHANGE IN FUND BALANCES	(278,786)	(388,486)	(35,187)	353,299
FUND BALANCES, July 1	973,991	973,991	973,991	-
FUND BALANCES, JUNE 30	\$ 695,205	\$ 585,505	\$ 938,804	\$ 353,299

The accompanying notes to financial statements are an integral part of this statement.

Community Development Block Grant Special Revenue Fund

Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
10	10	15,361	15,351
18,000	18,000	15,692	(2,308)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>18,010</u>	<u>18,010</u>	<u>31,053</u>	<u>13,043</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>18,010</u>	<u>18,010</u>	<u>31,053</u>	<u>13,043</u>
-	-	-	-
-	-	-	-
<u>(17,000)</u>	<u>(17,000)</u>	<u>(13,743)</u>	<u>3,257</u>
<u>(17,000)</u>	<u>(17,000)</u>	<u>(13,743)</u>	<u>3,257</u>
1,010	1,010	17,310	16,300
<u>1,189,355</u>	<u>1,189,355</u>	<u>1,189,355</u>	<u>-</u>
<u>\$ 1,190,365</u>	<u>\$ 1,190,365</u>	<u>\$ 1,206,665</u>	<u>\$ 16,300</u>

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS AS OF JUNE 30, 2013

	Public Finan- cing Author- ity Fund	Wastewater Fund	TOTALS
ASSETS:			
CURRENT ASSETS:			
Cash and investments	\$ -	\$ 175,191	\$ 175,191
Receivables, net			
Accounts receivable	-	648,911	648,911
Due from other governments	-	241,284	241,284
Due from other funds	-	317,422	317,422
Restricted cash with fiscal agent	-	13,673,936	13,673,936
	-	15,056,744	15,056,744
TOTAL CURRENT ASSETS			
NONCURRENT ASSETS:			
Advance to other funds	-	477,339	477,339
Non-depreciable capital assets	4,562,003	-	4,562,003
Depreciable capital assets, net	-	4,163,540	4,163,540
	4,562,003	4,640,879	9,202,882
TOTAL NONCURRENT ASSETS			
DEFERRED OUTFLOWS OF RESOURCES:			
Unamortized bond issuance costs and discounts	-	686,625	686,625
	-	686,625	686,625
TOTAL ASSETS			
	\$ 4,562,003	\$ 20,384,248	\$ 24,946,251
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	\$ -	\$ 57,836	\$ 57,836
Accrued payroll liabilities	-	84	84
Interest payable	-	58,434	58,434
Compensated absences	-	24,453	24,453
Due to other funds	317,422	-	317,422
Long-term debt, due within one year	-	398,668	398,668
	317,422	539,475	856,897
TOTAL CURRENT LIABILITIES			
NONCURRENT LIABILITIES:			
Long-term debt, due after one year, net	-	13,904,635	13,904,635
	-	13,904,635	13,904,635
TOTAL LIABILITIES			
	317,422	14,444,110	14,761,532
DEFERRED INFLOWS OF RESOURCES:			
Unamortized bond premium	-	1,071,181	1,071,181
	-	1,071,181	1,071,181
NET ASSETS:			
Invested in capital assets, net of related debt	4,562,003	3,472,576	8,034,579
Restricted for debt service	-	13,673,936	13,673,936
Unrestricted	(317,422)	(12,277,555)	(12,594,977)
	4,244,581	4,868,957	9,113,538
TOTAL NET ASSETS			
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET ASSETS			
	\$ 4,562,003	\$ 20,384,248	\$ 24,946,251

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Public Finan- cing Author- ity Fund</u>	<u>Wastewater Fund</u>	<u>TOTALS</u>
OPERATING REVENUES:			
Utility revenue	\$ -	\$ 2,290,712	\$ 2,290,712
Other revenue	-	10,286	10,286
TOTAL OPERATING REVENUES	<u>-</u>	<u>2,300,998</u>	<u>2,300,998</u>
OPERATING EXPENSES:			
Salaries and benefits	-	395,007	395,007
Operations and maintenance	-	820,925	820,925
Depreciation and amortization expense	-	288,804	288,804
TOTAL OPERATING EXPENSES	<u>-</u>	<u>1,504,736</u>	<u>1,504,736</u>
OPERATING INCOME (LOSS)	<u>-</u>	<u>796,262</u>	<u>796,262</u>
NONOPERATING INCOME (EXPENSE):			
Reimbursements	-	39,373	39,373
Intergovernmental revenues	-	93,126	93,126
Interest income	-	9,365	9,365
Interest expense	(1,640)	(800,060)	(801,700)
TOTAL NONOPERATING INCOME (EXPENSE)	<u>(1,640)</u>	<u>(658,196)</u>	<u>(659,836)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(1,640)</u>	<u>138,066</u>	<u>136,426</u>
TRANSFERS:			
Transfers out	(25,000)	(110,000)	(135,000)
TOTAL TRANSFERS	<u>(25,000)</u>	<u>(110,000)</u>	<u>(135,000)</u>
CHANGE IN NET POSITION	(26,640)	28,066	1,426
NET POSITION, JULY 1	<u>4,271,221</u>	<u>4,840,891</u>	<u>9,112,112</u>
NET POSITION, JUNE 30	<u><u>\$ 4,244,581</u></u>	<u><u>\$ 4,868,957</u></u>	<u><u>\$ 9,113,538</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Public Finan- cing Author- ity Fund	Wastewater Fund	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ -	\$ 1,920,639	\$ 1,920,639
Cash paid to suppliers	-	(802,449)	(802,449)
Cash paid to employees and related benefits	-	(413,956)	(413,956)
Interfund borrowings	26,640	169,763	196,403
NET CASH PROVIDED BY OPERATING ACTIVITIES	26,640	873,997	900,637
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Bond premium	-	1,090,457	1,090,457
Cost of issuance of revenue bonds	-	(684,749)	(684,749)
Interest paid	(1,640)	(775,722)	(777,362)
Payments on long term debt	-	(218,859)	(218,859)
Proceeds from long term debt	-	13,135,000	13,135,000
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(1,640)	12,546,127	12,544,487
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Increase in advances to other funds	-	(6,044)	(6,044)
Intergovernmental revenues	-	(69,544)	(69,544)
Transfers out	-	(110,000)	(110,000)
Transfers in	(25,000)	-	(25,000)
Reimbursements	-	39,373	39,373
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(25,000)	(146,215)	(171,215)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	-	9,365	9,365
INCREASE IN CASH AND CASH EQUIVALENTS	-	13,283,274	13,283,274
Cash and cash equivalents, July 1	-	565,853	565,853
CASH AND CASH EQUIVALENTS, JUNE 30	\$ -	\$ 13,849,127	\$ 13,849,127
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Cash and cash equivalents	\$ -	\$ 175,191	\$ 175,191
Restricted cash with fiscal agent	-	13,673,936	13,673,936
TOTAL CASH AND CASH EQUIVALENTS	\$ -	\$ 13,849,127	\$ 13,849,127

The accompanying notes to financial statements are an integral part of this statement.

	<u>Public Finan- cing Author- ity Fund</u>	<u>Wastewater Fund</u>	<u>TOTALS</u>
Reconciliation of operating income from operations to cash provided by operating activities:			
Operating income	\$ -	\$ 796,262	\$ 796,262
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation and amortization	-	288,804	288,804
(Increase) decrease in assets:			
Accounts receivable	-	(380,359)	(380,359)
Increase (decrease) in liabilities:			
Accounts payable	-	18,476	18,476
Accrued payroll liabilities	-	(53)	(53)
Compensated absences	-	(18,896)	(18,896)
Due to other funds	26,640	169,763	196,403
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 26,640</u>	<u>\$ 873,997</u>	<u>\$ 900,637</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
(None noted)			

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF FIDUCIARY NET POSITION AS OF JUNE 30, 2013

	<u>Redevelopment Successor Agency Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS:		
Cash and investments	\$ 81,380	\$ 12,657
Receivables:		
Interest receivable	92	3
Prepaid costs	-	6,199
Due from other governments	-	17,926
Due from other agencies	-	24,056
Restricted assets:		
Investments with fiscal agent	226,963	-
Land held for redevelopment	79,203	-
Depreciable capital assets, net	25,954	-
TOTAL ASSETS	<u>\$ 413,592</u>	<u>\$ 60,841</u>
 LIABILITIES:		
Accounts payable	\$ -	\$ 8,831
Accrued payroll liabilities	-	6,169
Interest payable	-	5,470
Due to other City funds	-	33,063
Advances from other City funds	646,806	-
Due to other agencies	-	7,308
Long-term debt:		
Due within one year	51,127	-
Due after one year	562,396	-
TOTAL LIABILITIES	<u>\$ 1,260,329</u>	<u>\$ 60,841</u>
 NET POSITION:		
Held in trust for other purposes	<u>\$ (846,737)</u>	

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION REDEVELOPMENT SUCCESSOR AGENCY PRIVATE-PURPOSE TRUST FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

ADDITIONS:

Property taxes	\$ 354,255
Use of money and property	3,991

TOTAL ADDITIONS

358,246

DEDUCTIONS:

Depreciation expense	1,622
Administrative expenses	13,432
Interest and fiscal agency expenses of former redevelopment agency	37,936

TOTAL DEDUCTIONS

52,990

CHANGE IN NET POSITION BEFORE TRANSFERS

305,256

Transfers out

(65,990)

CHANGE IN NET POSITION

239,266

NET POSITION, JULY 1

(1,086,003)

NET POSITION, JUNE 30

\$ (846,737)

The accompanying notes to financial statements are an integral part of this statement.

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CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City's reporting entity includes the following blended component unit:

City of Marysville Community Development Agency (Community Development and Low/Moderate Housing Capital Projects Funds): 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. The successor agency is reported as a fiduciary 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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Community Development Block Grant Special Revenue Fund – To account for revenues and expenditures associated with the Department of Housing and Urban Development Community Development Block Grant projects.

2011 Taxable Certificates of Participation Debt Service Fund – To account for revenues and expenditures associated with the 2011 Taxable Certificates of Participation bonds.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major enterprise funds:

Public Financing Authority Enterprise Fund – The Public Financing Authority Enterprise Fund is used to account for revenues and expenses of the financing authority incurred in acquisition of real property.

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.

Capital Project Funds — Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

PROPRIETARY FUNDS

Enterprise Funds — Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

FIDUCIARY FUNDS

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

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 funds are charges to customers 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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: For purposes of the accompanying Statement of Cash Flows, cash and cash equivalents are defined as deposits and highly liquid investments with original maturities of 90 days or less, and are readily convertible to known amounts of cash and not subject to significant changes in value from interest rate fluctuations. Cash and cash equivalents include: demand deposits, short-term, highly liquid investments including Treasury bills, commercial paper, certificates of deposit, money market funds, and cash management pools, including California Local Agency Investment Fund (LAIF).

Investments: Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value using the aggregate method.

Receivables and Payables: Property, sales, use, and utility user taxes related to the current fiscal year are accrued as revenue and accounts receivable and are 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 is limited to the amount that is deemed measurable and collectible.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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."

Advances between funds, as reported in the fund financial statements, are offset by a reservation of fund balance for noncurrent assets in governmental funds to indicate they do not constitute resources available for appropriation.

The City's estimates the amount of uncollectible receivables based on prior experience and history. At June 30, 2013, the allowance for doubtful accounts were as follows:

	Accounts receivable	Allowance for doubtful account	Accounts receivable, net
Major funds:			
General fund	\$ 180,321	\$ (62,273)	\$ 118,048
Sewer enterprise fund	701,576	(52,665)	648,911
TOTAL	\$ 881,897	\$ (114,938)	\$ 766,959

Property Taxes: The County of Yuba (the County) is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due provided they are collected within 60 days after year end. Secured property taxes are levied on or before September 30 of each year. They become a lien on real property on March 1 preceding the fiscal year for which taxes are levied. These taxes are paid

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. These taxes are secured by liens on the property being taxed. 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 percent of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

Restricted Assets: Certain proceeds of the City’s long-term debt are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The “reserve” account is used to report resources set aside to make up potential future deficiencies in the bond’s debt service.

Capital Assets: Capital assets, which include land, ponds, buildings and improvements, machinery and equipment, and vehicles are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. For certain assets, estimated historical costs are used. The City has recorded its infrastructure assets prospectively beginning with the year ended 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 capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and structures	80- 150
Machinery, equipment and vehicles	5 -40

It is the City’s policy to capitalize all land and equipment with a cost of \$5,000 or more. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related 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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: It is the City's policy to permit employees to accumulate earned but unused annual leave. Annual leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements and is currently payable. The General Fund is typically used to liquidate compensated absences.

Unused annual leave is paid to employees upon termination. The maximum accrual for all employees is 384 hours. In December of each year, all employees have the opportunity to "sell back" a portion of their annual leave.

Deferred and Unearned Revenues: Deferred revenues in governmental funds arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues arise when resources are received by the City before it has legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

Long-term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and are amortized over the life of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

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

Invested in Capital Assets, Net of Related Debt — 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, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. As of June 30, 2013, the Restricted Net Position consisted of the following:

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Type	Amount	Action
Major Funds:		
2011 Taxable Certificates of Participation Debt Service Fund	\$ 1,114,218	Imposed by debt indebtore
Wastewater Enterprise Fund	13,673,936	Imposed by debt indebtore
Road improvements and repairs		
Nonmajor special revenue funds	360,901	Imposed by funding source
Nonmajor capital projects funds	44,353	Imposed by funding source
Parks and recreation		
Nonmajor capital projects funds	35,682	Imposed by funding source
Public buildings		
Nonmajor capital projects funds	17,205	Imposed by funding source
Loan programs		
Nonmajor special revenue funds	250,530	Imposed by funding source
Street projects		
Nonmajor special revenue funds	64,785	Imposed by funding source
	<u>\$ 15,561,610</u>	

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

Fund Equity: In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

- Non-spendable – includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors of amounts constrained due to constitutional provisions or enabling legislation.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance maybe assigned by the City Manager or Department Heads with City Council approval.
- Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The non-spendable fund balance is comprised as follows:

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Type	Amount
Advances to other funds:	
Major funds:	
General Fund	\$ 169,467
Notes receivable:	
Major funds:	
General Fund	10,000
Community Development	
Special Revenue Fund	1,198,947
Nonmajor special revenue fund	883,625
	\$ 2,262,039

The City committed the following fund balance types by taking the following action:

Fund Balance Type	Amount	Action
Debt service:		
Major funds:		
2011 Taxable Certificates of Participation		
Participation Debt Service Fund	\$ 1,114,218	Bond indenture
Subsequent year's expenditures:		
Major funds:		
General Fund	303,800	Council budget resolution
	\$ 1,418,018	

The City has restricted fund balances as follows:

Fund Balance Type	Amount	Action
Loan programs		
Nonmajor special revenue funds	\$ 250,530	Imposed by funding source
Road improvements and repairs		
Nonmajor special revenue funds	360,901	Imposed by funding source
Nonmajor capital projects funds	44,353	Imposed by funding source
Parks and recreation		
Nonmajor capital projects funds	35,682	Imposed by funding source
Public buildings		
Nonmajor capital projects funds	17,205	Imposed by funding source
	\$ 708,671	

The assigned fund balances follows:

Fund Balance Type	Amount	Action
Bridge repair:		
Nonmajor special revenue fund	\$ 64,785	Planned project expenditure

The City uses restricted or committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major Special Revenue Fund	Revenue source
Community Development Block Grant Fund	Loan repayments

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets 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 establishes budgets for all governmental funds. Budgetary control is legally maintained at the fund level, Department heads submit a proposed budget 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 after public hearings are held and is adopted by City Council resolution prior to July 1 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. The City manager is authorized to transfer budgeted amounts within an object or purpose within any department. However, the City Council must approve revisions that alter the total expenditures of any department.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. All budget amounts presented in the accompanying financial statements and supplementary information have been adjusted for legally authorized revisions of the annual budgets during the year. Amounts represent the original budgeted amounts and all supplemental appropriations. The supplemental appropriations were immaterial.

Budget information is presented for the General and major Special Revenue Funds. The budget information is presented on a basis consistent with GAAP. Governmental Fund budgets are maintained on the modified accrual basis of accounting. Appropriations, except open project appropriations, and unexpended grant appropriations lapse at the end of each fiscal year. The budgetary data is prepared on the modified accrual basis consistent with the related "actual" amounts.

Deficit Fund Equity: The following funds had a fund deficit at June 30, 2013:

Fund	Deficit
Non-major special revenue funds:	
Avoid the 9 Fund	\$(1,020)
Business Development Center Fund	(32)

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund	Appropriations	Total Expenditures and Transfers	Excess Expenditures and Transfers
Non-Major Special Revenue Funds:			
Bok Kai Event Fund	\$ 18,300	\$ 19,174	\$ (874)
Law Enforcement:			
Avoid the 9	22,193	66,791	(44,598)
Office of Justice*	-	8	(8)
CCAP Grant*	-	48,086	(48,086)
DUI Grant*	-	4,377	(4,377)
ABC COPS Grant*	-	12,965	(12,965)
Office of Traffic Safety:			
Distracted Driver Grant*	-	11,115	(11,115)
Traffic Grant*	-	42,773	(42,773)
	<u>\$ 40,493</u>	<u>\$ 205,289</u>	<u>\$ (164,796)</u>

* Fund is unbudgeted

New Accounting Pronouncements: The City implemented the requirements of GASB Statements No. 63 during the fiscal year ended June 30, 2013.

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

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, amounts invested in the State of California Local Agency Investment Fund (LAIF) and debt service reserves. Cash and investments at June 30, 2013 are classified in the accompanying financial statements as follows:

	Government-wide Statement of Net Assets		Fiduciary Fund State- ment of Net Assets To	tal
	Governmental Activities	Business-type Activities		
Cash and investments	\$ 1,390,129	\$ 175,191	\$ 94,037	\$ 1,659,357
Restricted cash with fiscal agent	1,114,218	13,673,936	226,963	15,015,117
TOTAL	<u>\$ 2,504,347</u>	<u>\$ 13,849,127</u>	<u>\$ 321,000</u>	<u>\$ 16,674,474</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE B - CASH AND INVESTMENTS (Continued)

As of June 30, 2013, the City's cash and investments consisted of the following:

Cash on hand	\$	900
Imprest claims account		17,593
Deposits in financial institutions		544,345
Add: deposits in transit		49,949
Less: outstanding checks		<u>(83,936)</u>
Total cash and cash equivalents		<u>528,851</u>
LAIF		1,130,507
Held by bond trustee:		
Cash		13,992,628
Certificates of deposit		662,298
Money market mutual fund		226,690
Repurchase agreement		<u>133,500</u>
Total investments		<u>16,145,623</u>
Total cash and investments		<u><u>\$ 16,674,474</u></u>

Investment policy: California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio*	Maximum Investment In One Issuer
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
Banker's acceptances	180 days	30%	30%
High grade commercial paper	180 days	15%	None
Negotiable certificates of deposit	1 year	30%	None
Local Agency Investment Fund	N/A	None	None
Medium term corporate notes	5 years	15%	None
Repurchase agreements	30 days	20%	None

*Excluding amounts held by bond trustee that are not subject to the California Government Code restrictions.

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE B - CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements: Investment of debt proceeds held by 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 2001 Series A Lease Revenue debt agreement contains certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio*	Maximum Investment In One Issuer
Local agency bonds	None	None	None
U.S. Treasury obligations	None	None	None
Municipal obligations	None	None	None
Banker's acceptances	360 days	40%	30%
Commercial paper	270 days	None	None
Negotiable certificates of deposit	360 days	None	None
Repurchase agreements*	None	None	None
Money market mutual funds	None	None	None
Local Agency Investment Fund	N/A	None	None
Investment agreement*	None	None	None

*These investments require prior approval of the municipal bond insurer, Ambac Assurance Corporation.

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 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 months to 24 months	More than 60 months
Local Agency Investment Fund	\$ 1,130,507	\$ 1,130,507	-	\$ -
Held by bond trustee:				
Money market mutual funds	226,690	226,690	-	-
Certificates of deposit	662,298	662,298	-	-
Repurchase agreements	133,500	-	-	133,500
TOTAL	<u>\$ 2,152,995</u>	<u>\$ 2,019,495</u>	<u>\$ -</u>	<u>\$ 133,500</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE B - CASH AND INVESTMENTS (Continued)

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 fund is AAA. LAIF does not have ratings assigned by a nationally recognized statistical organization. The repurchase agreement is held with the fiscal agent but not in the City's name.

Concentration of Credit Risk: The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2013, the repurchase agreement with a reported amount of \$133,500 represented more than 5% of the total investments (other than mutual funds and external investment pools) in any one issuer. The issuer of the repurchase agreement is Chase Manhattan Bank. The repurchase agreement represents the reserve fund for the 2001 Series A Lease Revenue Bonds.

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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another 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 Government 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, 2013, the carrying amount of the City's deposits was \$510,358 and the balances in financial institutions were \$544,345. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$294,345 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. As of June 30, 2013, a repurchase agreement with a reported amount of \$133,500 was held by the same broker-dealer (counterparty) that was used by the City to purchase the security.

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 at June 30, 2013 invested by all public agencies in LAIF is \$58,852,094,221 managed by the State Treasurer. The investments are as follows:

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE B - CASH AND INVESTMENTS (Continued)

	As a percent of portfolio
Structured notes and medium-term asset backed securities	1.88%
Short-term asset-backed commercial paper	0.08%
All other investments	98.04%
	100.00%

The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. Copies of LAIF's annual financial report and other information may be obtained from LAIF at 915 Capitol Mall, Room 110, Sacramento, CA 95814 or at its website www.treasurer.ca.gov/pmia-laif/. 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.

NOTE C - INTERFUND TRANSACTIONS

Interfund long-term advances at June 30, 2013 were as follows:

Fund	Advances to Other Funds	Advances From Other Funds
General Fund	\$ 169,467	\$ -
Enterprise Funds:		
Wastewater Fund	477,339	-
Fiduciary Funds - Private-Purpose Trust:		
Redevelopment Successor Agency	-	646,806
	\$ 646,806	\$ 646,806

The changes in the interfund advances for the fiscal year ended June 30, 2013 were as follows:

	Balance at July 1, 2012	Additions	Retirement	Balance at June 30, 2013
Advance from the General Fund	\$ 169,467	\$ -	\$ -	\$ 169,467
Advance from the Wastewater Enterprise Fund	471,295	6,044	-	477,339
TOTAL ADVANCES	\$ 640,762	\$ 6,044	\$ -	\$ 646,806

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE C - INTERFUND TRANSACTIONS (Continued)

Advance from General Fund: The General Fund advanced amounts to the former redevelopment agency for various redevelopment projects. The amount of outstanding debt had accumulated to a total of \$1,812,731 as of July, 1991. However, the refunding bond proceeds and proceeds from sale of two properties reduced the balance to \$350,128. The balance of the advance were to be repaid over the same term as the bonds, or thirty years. The scheduled payments increase over time, corresponding with the annually increasing tax increment proceeds. This debt carried an interest rate of 6%. Pending clarification with the State of California as to whether these monies and related interest charges are to be repaid to the City by the successor agency, the scheduled payments were suspended for the fiscal year ended June 30, 2013. The schedule of future requirements for the retirement of the remaining advance to the Agency follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2014	\$ 38,332	\$ 20,336	\$ 58,668
2015	41,632	7,868	49,500
2016	44,130	5,370	49,500
2017	45,373	2,722	48,095
TOTALS	<u>\$ 169,467</u>	<u>\$ 36,296</u>	<u>\$ 205,763</u>

Advance from Wastewater Enterprise Fund: During the year ended June 30, 2000, the City's Wastewater Enterprise Fund advanced to the Agency \$500,000 to be used for improvements at the baseball field. Revenues from the operation of the baseball field will be used to repay the advance from the Wastewater Enterprise Fund. Interest accrues at the LAIF interest rate plus 1% and is added to the advance balance annually. Currently, there are no scheduled repayments for the advance from the Wastewater Fund.

Interfund balances at June 30, 2013 were as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 49,928	\$ -
Enterprise Funds:		
Public Financing Authority Fund	-	317,422
Wastewater Fund	317,422	-
Fiduciary Funds:		
Agency funds	-	33,063
Nonmajor funds:		
Special revenue funds	264,143	16,865
Capital projects funds	-	264,143
Total	<u>\$ 631,493</u>	<u>\$ 631,493</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE C - INTERFUND TRANSACTIONS (Continued)

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.

Interfund transfers for the year ended June 30, 2013 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 390,990	\$ -
Special Revenue Funds:		
Community Development Block Grant	-	13,743
Debt Service Fund:		
2011 Taxable Certificates of Participation	25,000	-
Enterprise Funds:		
Public Financing Authority	-	25,000
Wastewater Fund	-	110,000
Fiduciary Funds - Private-Purpose Trust:		
Redevelopment Successor Agency	-	65,990
Nonmajor funds:		
Special revenue funds	13,743	1,315,442
Capital projects funds	1,100,442	-
Total	\$ 1,530,175	\$ 1,530,175

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

NOTE D - NOTES RECEIVABLE

The following is a summary of the various types of notes receivable outstanding as of June 30, 2013:

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

CDBG 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%.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE D - NOTES RECEIVABLE (Continued)

Housing Revolving Loan 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. Interest rates range from 3% to 3.75%.

Economic Development Loan Fund — The City has made various business loans to qualifying businesses. The notes are due in varying installments through November 25, 2006, including interest at rates ranging from 4.25% to 6% at June 30, 2009.

HOME Program Income Fund — 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%.

Activity in notes receivable for the year ended June 30, 2013 is as follows:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Payments Received</u>	<u>Balance at June 30, 2013</u>
Major Governmental Funds:				
General Fund:				
Employees - computers	\$ 324	\$ 7,330	\$ (4,375)	\$ 3,279
Note receivable - fire truck sale	-	30,000	(10,000)	20,000
Community Development Block Grant				
Special Revenue Fund:				
Block grant loans	1,184,801	23,399	(9,253)	1,198,947
Nonmajor Governmental Funds:				
Revolving Loan Special Revenue Funds:				
Housing Revolving Loan Fund	236,919	507	(13,295)	224,131
Economic Development Loan Fund	97,725	-	(5,300)	92,425
Home Program Income Fund	552,031	15,038	-	567,069
TOTAL NOTES AND LOANS RECEIVABLE	<u>\$ 2,071,800</u>	<u>\$ 76,274</u>	<u>\$ (42,223)</u>	<u>\$ 2,105,851</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE E - CAPITAL ASSETS

Governmental capital asset activities for the year ended June 30, 2013 were as follows:

	Balance at July 1, 2012	Additions	Deletions	Transfers	Balance at June 30, 2013
Capital assets, not being depreciated:					
Land	\$ 1,495,048	\$ -	\$ -	\$ -	\$ 1,495,048
Construction in progress	1,009,833	-	-	(1,009,833)	-
Total capital assets not being depreciated	2,504,881	-	-	(1,009,833)	1,495,048
Capital assets being depreciated:					
Infrastructure	523,216	1,126,675	-	1,009,833	2,659,724
Buildings	3,604,341	97,948	-	-	3,702,289
Machinery and equipment	1,525,018	10,500	-	(9,000)	1,526,518
Vehicles	2,871,750	-	(213,214)	-	2,658,536
Less: accumulated depreciation:					
Infrastructure	(20,837)	(35,305)	-	-	(56,142)
Buildings	(1,833,846)	(57,793)	-	-	(1,891,639)
Machinery and equipment	(918,421)	(55,445)	-	3,488	(970,378)
Vehicles	(1,314,939)	(110,004)	144,669	-	(1,280,274)
Total capital assets being depreciated, net	4,436,282	976,576	(68,545)	1,004,321	6,348,634
GOVERNMENTAL ACTIVITIES					
CAPITAL ASSETS, NET	\$ 6,941,163	\$ 976,576	\$ (68,545)	\$ (5,512)	\$ 7,843,682

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

General government	\$ 56,033
Public safety	131,123
Streets and public works	34,342
Parks and recreation	37,049
TOTAL GOVERNMENTAL ACTIVITIES	\$ 258,547

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE E - CAPITAL ASSETS (Continued)

Business-type capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 4,562,003	\$ -	\$ -	\$ 4,562,003
Capital assets being depreciated:				
Sewer plant	6,696,769	-	-	6,696,769
Buildings	1,483,400	-	-	1,483,400
Machinery and equipment	1,362,689	-	-	1,362,689
Vehicles	310,101	-	-	310,101
Equipment under capital lease	225,786	-	-	225,786
Less: accumulated depreciation:				
Sewer plant	(3,010,426)	(217,765)	-	(3,228,191)
Buildings	(1,094,033)	(18,542)	-	(1,112,575)
Machinery and equipment	(1,200,948)	(16,086)	-	(1,217,034)
Vehicles	(208,899)	(11,465)	-	(220,364)
Equipment under capital lease	(125,752)	(11,289)	-	(137,041)
Total capital assets being depreciated, net	<u>4,438,687</u>	<u>(275,147)</u>	<u>-</u>	<u>4,163,540</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 9,000,690</u>	<u>\$ (275,147)</u>	<u>\$ -</u>	<u>\$ 8,725,543</u>

The depreciation expense for business-type capital assets was charged to the wastewater function. Prior to the fiscal year ended June 30, 2013, the City had capitalized interest totaling \$1,060,872 as part of land acquisitions costs for the Public Financing Enterprise fund.

Fiduciary fund capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 79,203	\$ -	\$ -	\$ 79,203
Capital assets being depreciated:				
Buildings	48,663	-	-	48,663
Less: accumulated depreciation:				
Buildings	(21,087)	(1,622)	-	(22,709)
FIDUCIARY CAPITAL ASSETS, NET	<u>\$ 106,779</u>	<u>\$ (1,622)</u>	<u>\$ -</u>	<u>\$ 105,157</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE F — LONG-TERM LIABILITIES

The activity of the long-term liabilities of the City for the year ended June 30, 2013 follows:

	Balance at July 1, 2012	Incurred	Retired	Balance at June 30, 2013	Due within one year
Governmental activities:					
Certificates of participation, 2011	\$ 7,000,000	\$ -	\$ -	\$ 7,000,000	-
Repayment agreement with county	200,147	-	(200,147)	-	-
Compensated absences	263,294	-	(26,057)	237,237	-
	<u>7,463,441</u>	<u>-</u>	<u>(226,204)</u>	<u>7,237,237</u>	<u>-</u>
Less: unamortized bond issuance costs and discounts	(475,848)	-	19,555	(456,293)	-
TOTAL	<u>\$ 6,987,593</u>	<u>\$ -</u>	<u>\$ (206,649)</u>	<u>\$ 6,780,944</u>	<u>\$ -</u>
Business-type activities:					
Lease revenue bonds, 2001 Series A	\$ 415,051	\$ -	\$ (68,574)	\$ 346,477	\$ 28,873
Sewer revenue bonds, 2012 Series A	-	13,135,000	-	13,135,000	215,000
State Water Resources loan	972,112	-	(150,286)	821,826	154,795
Compensated absences	43,349	-	(18,896)	24,453	-
	<u>1,430,512</u>	<u>13,135,000</u>	<u>(237,756)</u>	<u>14,327,756</u>	<u>398,668</u>
Add: unamortized bond premium	-	1,090,457	(19,276)	1,071,181	-
Less: unamortized bond issuance costs and discounts	(15,534)	(684,749)	13,658	(686,625)	-
TOTAL	<u>\$ 1,414,978</u>	<u>\$ 13,540,708</u>	<u>\$ (243,374)</u>	<u>\$ 14,712,312</u>	<u>\$ 398,668</u>

Long-term debt consists of the following:

BONDS AND LOANS PAYABLE:

\$7,000,000 Taxable Certificates of Participation, 2011: Issued on September 26, 2011 by the City of Marysville to refund the prior 2006 Taxable Certificates of Participation of the City of Marysville Public Financing Authority. The stated interest rates are 6.25% to 7.25%. Principal payments ranging from \$160,000 to \$615,000 are due annually beginning October 1, 2016 through October 1, 2036 and interest payments ranging from \$44,588 to \$484,552 are due semi-annually on April 1 and October 1 beginning October 1, 2012 through October 1, 2036. The term certificates mature as follows: \$715,000, October 1, 2019; \$910,000, October 1, 2023, \$1,875,000, October 1, 2029; and, \$3,500,000 mature on October 1, 2036. To provide for repayment of the bonds, the City intends to lease, on a long-term basis, the baseball park and a development project.

\$7,000,000

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE F — LONG-TERM LIABILITIES (Continued)

\$2,725,000 Lease Revenue Bonds, 2001 Series A: Issued on July 20, 2001 to refinance the two outstanding debt issues of the City issued in 1992: Certificates of Participation (1992 Capital Improvement Financing Project) and Marysville Community Development Agency 1992 Tax Allocation Refunding Bonds. The bonds were issued by the Association of Bay Area Governments (the Authority) with three other cities for a total bond issuance of \$15,110,000. The City's bonds are due beginning July 1, 2002 through July 1, 2021 and have stated interests rates from 3.25% to 5.25%. Principal payments ranging from \$110,000 to \$200,000 are due annually on July 1 through July 1, 2021 and interest payments ranging from \$2,750 to \$46,354 are due semi-annually on January 1 and July 1 through July 1, 2021. To provide for repayment of the bonds, the City has leased the city hall to the Authority under a leaseback agreement. The refinancing involved both governmental activities and business-type activities. The liability has been allocated based on the debt service requirements of the respective bond issues refinanced: \$346,478 business-type activities and \$613,522 fiduciary activities. 960,000

\$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. 13,135,000

State Water Resources Board Loan: Dated June 6, 1995 to finance improvements to the wastewater system. The stated interest rate is 3.0% and accrues as of the date of each disbursement. The maximum allowable loan is \$2,633,254. On June 26, 1995, the City received the initial drawdown. Payments of \$179,449 are due annually through December 19, 2017, including interest at 3%. 821,826

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE F — LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the outstanding debt as of June 30, 2013 are as follows:

Governmental activities:

Year Ending June 30	Certificates of Particip- ation, 2011
2014	\$ 481,875
2015	481,875
2016	481,875
2017	636,875
2018	641,406
2019 - 2023	3,190,000
2024 - 2028	3,173,344
2029 - 2033	3,181,413
2034 - 2038	<u>2,544,950</u>
	14,813,613
Less: interest	(7,813,613)
Unamortized discount	<u>(456,293)</u>
	6,543,707
Due within one year	<u>-</u>
Due after one year	<u>\$ 6,543,707</u>

Year Ending June 30	Business-type Activities				Fiduciary Activities
	Lease Revenue Bonds, 2001 Series A	Sewer Revenue Bonds, 2012 Series A	State Water Resources Board Loan	Total	Lease Revenue Bonds, 2001 Series A
2014	\$ 87,472	\$ 769,816	\$ 179,449	\$ 1,036,737	\$ 154,891
2015	41,874	768,419	179,450	989,743	74,148
2016	42,294	771,513	179,449	993,256	74,891
2017	40,767	774,175	179,450	994,392	72,189
2018	40,914	775,638	179,449	996,001	72,448
2019 - 2023	167,103	3,897,433	-	4,064,536	295,897
2024 - 2028	-	3,917,500	-	3,917,500	-
2029 - 2033	-	3,920,500	-	3,920,500	-
2034 - 2038	-	3,925,750	-	3,925,750	-
2039 - 2043	-	3,919,375	-	3,919,375	-
2044 - 2048	-	2,352,625	-	2,352,625	-
	<u>420,424</u>	<u>25,792,744</u>	<u>897,247</u>	<u>27,110,415</u>	<u>744,464</u>
Add (Less): Interest	(73,946)	(12,657,744)	(75,421)	(12,807,111)	(130,942)
Unamortized discount	(13,981)	(672,644)	-	(686,625)	-
Unamortized premium	-	1,071,181	-	1,071,181	-
	<u>332,497</u>	<u>13,533,537</u>	<u>821,826</u>	<u>14,687,860</u>	<u>613,522</u>
Due within one year	<u>(72,183)</u>	<u>(215,000)</u>	<u>(150,286)</u>	<u>(437,469)</u>	<u>(127,817)</u>
Due after one year	<u>\$ 260,314</u>	<u>\$ 13,318,537</u>	<u>\$ 671,540</u>	<u>\$14,250,391</u>	<u>\$ 485,705</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE F — LONG-TERM LIABILITIES (Continued)

Prior Advance Refundings:

Lease Revenue Bonds, 2001 Series A:

On July 20, 2001, the City issued the \$2,725,000 Lease Revenue Bonds, 2001 Series A to defease the two outstanding debt issues of the City issued in 1992: Certificates of Participation (1992 Capital Improvement Financing Project) and Marysville Community Development Agency 1992 Tax Allocation Refunding Bonds. The bonds were issued by the Association of Bay Area Governments (the Authority) with three other cities for a total bond issuance of \$15,110,000. Proceeds of the 2001 Series A Bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased 1992 bonds and certificates of participation are not included in the City's financial statements.

2011 Taxable Certificates of Participation:

On September 26, 2011, the City issued \$7,000,000 2011 Taxable Certificates of Participation to refund the 2006 Taxable Certificates of Participation of the City of Marysville Public Financing Authority. Proceeds of the 2011 Taxable Certificates of Participation were placed in redemption fund to provide for all future debt service payments on the old bonds. Accordingly, the redemption account assets and the liability for the defeased 2006 taxable certificates of participation are not included in the City's financial statements.

The outstanding balances of the defeased bonds at June 30, 2013 are as follows:

1992 Refunding bonds payable	\$ 730,000
2006 Taxable certificates of participation	<u>4,745,000</u>
	<u>\$ 5,475,000</u>

Operating leases:

The City at year end had 5 copier leases. The minimum lease payments are as follows:

Year Ending June 30	Number of copier leases by department			
	Police (2)	Admini- stration (2)	Fire (1)	Total
2014	\$ 4,800	\$ 4,140	\$ 1,092	\$ 10,032
2015	4,800	4,140	1,092	10,032
2016	4,800	4,140	1,092	10,032
2017	4,400	3,795	1,001	9,196
	<u>\$ 18,800</u>	<u>\$ 16,215</u>	<u>\$ 4,277</u>	<u>\$ 39,292</u>
Monthly payment	<u>\$ 400</u>	<u>\$ 345</u>	<u>\$ 91</u>	<u>\$ 836</u>
Term for all leases:	June 1, 2012 to June 1, 2017			

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE F — LONG-TERM LIABILITIES (Continued)

The annual rent costs for the fiscal year were as follows:

	<u>Amount</u>
Copier leases	\$ 9,324
Facilities rent - baseball	18,100
Other rent costs	<u>4,306</u>
TOTAL	<u>\$ 31,730</u>

NOTE G - CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued debt instruments to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying loan agreements. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2013, conduit debt issues were as follows:

Fremont-Rideout Health Group:	
Insured Revenue Bonds, Series 2003a	\$ 6,225,000
Master lease-purchase and sublease agreement, 2011	12,583,000
Revenue Bonds, Series 2011	<u>112,460,000</u>
TOTAL	<u>\$ 131,268,000</u>

NOTE H— DEFINED BENEFIT PENSION PLAN

Plan Description: The City of Marysville contributes to the California Public Employees Retirement System (PERS) an agent multiple-employer public employee, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. All permanent full and part time City employees working at least 1,000 hours per year are eligible, to participate in PERS. Under PERS, benefits vest after five years of service, upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor multiplied by their highest average monthly salary over twelve consecutive months of employment benefit provisions and all other requirements are established by state statute.

The establishment and amendment of specific benefit provisions of the plan is authorized by resolution of the City Council. Copies of the PERS annual financial report and pertinent past trend information may be obtained from their Executive Offices at 400 P Street, Sacramento, CA 95814.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE H— DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy: Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes contributions required of City’s employees on their behalf and for their account. Contributions made by the City on behalf of the employees totaled \$182,980. The City is required to contribute at actuarially determined rates as follows:

- safety employees, 42.345%
- miscellaneous first tier employees, 9.405%
- miscellaneous second tier employees, 13.087%

The contribution requirement of plan members and the City are established and may be amended by PERS.

Annual Pension Cost for the year ended June 30, 2013 the City’s annual pension costs of \$585,912 for PERS were equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included:

1. Valuation date: June 30, 2012 (most recent available data)
2. Actuarial cost method: Entry age actuarial cost method
3. Amortization method: Level percent of payroll on a closed basis
4. Average remaining period as of the valuation date: 19 years, Safety plan; 18 years, Miscellaneous – first tier; and 18 years, Miscellaneous – second tier.
5. Asset valuation method: 15 year smoothed market
6. Actuarial assumptions:
 - Discount rate of 7.50% compounded annually (net of expenses),
 - Termination liability discount rate used is the 30-year US Treasury Stripped Rate as of the valuation date,
 - Projected annual salary increases that vary by age, service, and type of employment: 3.3% to 14.2% for both safety and miscellaneous employees
 - 2.75% inflation
 - 3.00% payroll growth (compounded annually)

Three-year Trend Information for PERS

<u>Fiscal Year June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Con- tributed</u>	<u>Net Pension Obligation</u>
2011	\$ 516,720	100.0%	none
2012	\$ 612,858	100.0%	none
2013	\$ 585,912	100.0%	none

The following supplementary information for was prepared using the June 30, 2011 actuarial valuation which is the latest available.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE H— DEFINED BENEFIT PENSION PLAN (Continued)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of payroll
MISCELLANEOUS PLANS (PERS WIDE):						
June 30, 2009	\$ 3,104,798,222	\$ 2,758,511,101	\$ 346,287,121	88.847%	\$ 742,981,488	46.608%
June 30, 2010	3,309,064,934	2,946,408,106	362,656,828	89.041%	748,401,352	48.458%
June 30, 2011	3,619,835,876	3,203,214,899	416,620,977	88.491%	759,263,518	54.872%
CITY OF MARYSVILLE:						
<i>First tier:</i>						
June 30, 2011	6,109,512	5,587,134	522,378	91.450%	74,900	697.434%
<i>Second tier:</i>						
June 30, 2011	7,428,547	6,644,307	784,240	89.443%	1,456,341	53.850%
SAFETY PLANS (PERS WIDE):						
June 30, 2009	\$ 9,721,675,347	\$ 8,027,158,724	\$ 1,694,516,623	82.570%	\$ 973,814,168	174.008%
June 30, 2010	10,165,475,166	8,470,235,152	1,695,240,014	83.324%	955,980,815	177.330%
June 30, 2011	10,951,745,049	9,135,654,246	1,816,090,803	83.417%	949,833,090	191.201%
CITY OF MARYSVILLE:						
June 30, 2011	24,202,488	19,693,385	4,509,103	81.369%	1,124,739	400.902%

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

One City employee and his spouse are the only persons currently eligible for post retirement health benefits if they meet certain service year requirements and retire upon separation from the City. The City has computed the post-employment benefits using the alternative measurement method permitted under GASB No. 45. 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.

Basis of Accounting

The employee and his spouse are not required to contribute to the plan. Employer contributions are recognized when due when an invoice is received from the medical insurance provider. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Funding Policy

Future contribution requirements of plan members, if any, and the City will be established and amended as needed by the City Council. The required contribution will be based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the Council. For 2013, the City contributed \$-0- to the plan of the projected \$72,000 liability. The City paid a total of \$10,032 to the medical insurance provider during the year.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), the amount was determined using the Alternative Measurement Method permitted for employers with less than 100 employees in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over an anticipated period of twelve years. The following table shows the amount contributed to the plan, and changes in the City's net OPEB obligation:

Required annual contribution	\$ 10,536
Premiums paid during year	(10,536)
Computed decrease in OPEB liability	<u>(13,000)</u>
Decrease in net OPEB obligation	(13,000)
Net OPEB obligation, July 1	<u>85,000</u>
Net OPEB obligation, June 30	<u>\$ 72,000</u>

The ARC was determined as part of the June 30, 2013 alternative measurement method computation. The ARC rate is not comparable to the annual covered payroll, since there are no active employees participating in the existing plan. For the fiscal year ended June 30, 2013, the City paid the required medical insurance premiums as billed.

The City's annual OPEB cost paid, the percentage of annual OPEB cost contributed and the unpaid computed OPEB costs for the fiscal year ended June 30, 2013 were as follows:

<u>Year ended June 30,</u>	<u>OPEB cost paid</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Unpaid OPEB costs</u>
2011	\$ 8,760	100.00%	-
2012	10,032	100.00%	-
2013	10,536	100.00%	-

Funded Status and Funding Process

The funded status of the liability as of June 30, 2013, was as follows:

Accrued liability (AL)	\$ 72,000
Value of plan assets contributed	<u>-</u>
Unfunded accrued liability (UAL)	<u>\$ 72,000</u>
Funded ratio (value of plan assets/AL)	<u>0.00%</u>
Covered payroll (active plan members)	<u>\$ -</u>
UAL as a percentage of covered payroll	<u>n/a</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013, the alternative measurement method was used. The assumptions included a 4.00% investment rate of return (net of administrative expenses), discount rate of 4.50% and average salary increases of 3.30%. The Entry Age Normal (EAN) cost method spreads plan costs for each participant from entry date to the expected retirement date. The unfunded actuarial accrued liability will be amortized using the flat dollar amount method over twelve years.

NOTE J — RISK MANAGEMENT

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.

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

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE J — RISK MANAGEMENT (Continued)

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

Amount	Coverage provider	Payment Source
<i>LIABILITY CLAIMS:</i>		
\$ 0 - 25,000	Self-insured	Banking layer
25,001 - 500,000	Northern California Cities Self-Insurance Fund	Shared risk pool
500,001 - \$ 24,500,000	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
300,001 - \$ 150,000,000	California State Association of Counties- Excess Insurance Authority	Shared risk pool

NOTE K - CONTINGENT LIABILITIES

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 participates in various federal and state assisted grant programs. These programs are subject to compliance audits by the grantors. Such audits could result in a request for reimbursement for expenses disallowed under the terms and conditions of the agreements. 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.

NOTE L – SUBSEQUENT EVENTS

STATE OF CALIFORNIA

The state-wide economic slowdown has resulted in the State of California looking to municipalities as a mechanism for balancing its budget. As a result, certain revenue sources may be suspended or delayed. It is not determinable at this time the effects, if any, for such suspension or delay on the operations of the City.

NOTE M – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

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. This action impacted the reporting entity of the City of Marysville, California that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On 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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE M – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated. The successor agency is accounted for as a private-purpose trust fund.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

NOTE N – COUNTY OBLIGATION FORGIVEN

In December 2011 the County of Yuba concluded from an audit that the City had been overpaid for traffic fines in the amount of \$222,386. A repayment agreement was entered into where the City was scheduled to repay the County at \$1,853 monthly. Subsequently in April 2013, it was determined that the County's methodology in computation of the Property Tax Administration Fee was invalid. As a result of this finding, it was determined that the County owed the City an amount in excess of the overpaid traffic fines. As of June 2013, the payments due to the County for the traffic fines were suspended and the liability was considered to be satisfied. Any amounts for the administration fee will be recognized as revenue when received.

NOTE O – COMMITMENT

In planning for the expansion project funded by the 2012 Sewer Revenue bonds, the City and Linda County Water District (LCWD) agreed that additional financing would be necessary for the District's planned capital additions. On September 19, 2012, the City entered into an interagency agreement for contribution to the water district for the projected capital additions for the District's wastewater treatment plant system. Payments of \$476,625 are due annually beginning January 1, 2013 for 30 years and conclude in fiscal year 2041-42. The payments are made directly to LCWD from the City's Wastewater Enterprise Fund.



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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**



CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS AS OF JUNE 30, 2013

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS:			
Cash and investments	\$ 338,972	\$ 259,493	\$ 598,465
Receivables:			
Accounts receivable	877	36,929	37,806
Interest receivable	221	24	245
Loans receivable	883,625	-	883,625
Due from other governments	99,547	93,189	192,736
Due from other funds	264,143	-	264,143
	<u>264,143</u>	<u>-</u>	<u>264,143</u>
TOTAL ASSETS	<u><u>\$ 1,587,385</u></u>	<u><u>\$ 389,635</u></u>	<u><u>\$ 1,977,020</u></u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 5,475	\$ 14,591	\$ 20,066
Due to other funds	16,865	264,143	281,008
	<u>16,865</u>	<u>264,143</u>	<u>281,008</u>
TOTAL LIABILITIES	<u>22,340</u>	<u>278,734</u>	<u>301,074</u>
 DEFERRED INFLOWS OF RESOURCES:			
Grant revenues to be earned	-	13,661	13,661
	<u>-</u>	<u>13,661</u>	<u>13,661</u>
 FUND BALANCES:			
Non-spendable:			
Notes receivable	883,625	-	883,625
Restricted:			
Loan programs	250,530	-	250,530
Road improvements and repairs	360,901	44,353	405,254
Parks and recreation	-	35,682	35,682
Public buildings	-	17,205	17,205
Assigned:			
Bridge repair	64,785	-	64,785
Unassigned	5,204	-	5,204
	<u>5,204</u>	<u>-</u>	<u>5,204</u>
TOTAL FUND BALANCES	<u>1,565,045</u>	<u>97,240</u>	<u>1,662,285</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u><u>\$ 1,587,385</u></u>	<u><u>\$ 389,635</u></u>	<u><u>\$ 1,977,020</u></u>

CITY OF MARYSVILLE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES:			
Intergovernmental revenue	\$ 1,363,718	\$ 324,009	\$ 1,687,727
Reimbursements and refunds	-	-	-
Use of money and property	17,175	96	17,271
Program income	7,523	-	7,523
Recreation and event fees	16,732	-	16,732
Other revenues	-	-	-
	1,405,148	324,105	1,729,253
EXPENDITURES:			
Current:			
General government	32	-	32
Public safety	165,619	-	165,619
Streets and public works	158,407	7,993	166,400
Parks and recreation	19,174	-	19,174
Debt service:			
Interest and other charges	15	110	125
Capital outlay	20,496	1,404,616	1,425,112
	363,743	1,412,719	1,776,462
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,041,405	(1,088,614)	(47,209)
OTHER FINANCING SOURCES (USES):			
Transfers in	13,743	1,100,442	1,114,185
Transfers out	(1,315,442)	-	(1,315,442)
	(1,301,699)	1,100,442	(201,257)
NET CHANGE IN FUND BALANCE	(260,294)	11,828	(248,466)
FUND BALANCE, JULY 1	1,825,339	85,412	1,910,751
FUND BALANCE, JUNE 30	\$ 1,565,045	\$ 97,240	\$ 1,662,285

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS AS OF JUNE 30, 2013

	Bok Kai Event Fund	Gas Tax Fund	Revolving Loan Funds		
			Housing Revolving Loan Fund	Economic Development Loan Fund	HOME Program Income Fund
ASSETS					
Cash and investments	\$ 8,523	\$ 80,875	\$170,863	\$ 78,711	\$ -
Receivables:					
Accounts receivable	-	-	77	800	-
Interest receivable	3	139	54	25	-
Notes receivable	-	-	224,131	92,425	567,069
Due from other governments	130	80,529	-	-	-
Due from other funds	-	264,143	-	-	-
	\$ 8,656	\$ 425,686	\$395,125	\$171,961	\$ 567,069
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ 2,400	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
	2,400	-	-	-	-
FUND BALANCE:					
Non-spendable:					
Notes receivable	-	-	224,131	92,425	567,069
Restricted:					
Loan programs	-	-	170,994	79,536	-
Road improvements and repairs	-	360,901	-	-	-
Assigned:					
Bridge repair	-	64,785	-	-	-
Unassigned	6,256	-	-	-	-
	6,256	425,686	395,125	171,961	567,069
TOTAL FUND BALANCE	6,256	425,686	395,125	171,961	567,069
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,656	\$ 425,686	\$395,125	\$171,961	\$ 567,069

Law Enforcement Grants							Business Develop- ment Cen- ter Fund	TOTALS
Avoid The 9 Fund	Office of Justice	CCAP Grant	DUI Grant	ABC COPS Grant	Office of Traffic Safety			
					Distracted Driver	Traffic Grant		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 338,972
-	-	-	-	-	-	-	-	877
-	-	-	-	-	-	-	-	221
-	-	-	-	-	-	-	-	883,625
7,810	-	-	1,792	2,805	1,837	4,644	-	99,547
-	-	-	-	-	-	-	-	264,143
<u>\$ 7,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,792</u>	<u>\$ 2,805</u>	<u>\$ 1,837</u>	<u>\$ 4,644</u>	<u>\$ -</u>	<u>\$ 1,587,385</u>
\$ 3,043	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32	\$ 5,475
5,787	-	-	1,792	2,805	1,837	4,644	-	16,865
<u>8,830</u>	<u>-</u>	<u>-</u>	<u>1,792</u>	<u>2,805</u>	<u>1,837</u>	<u>4,644</u>	<u>32</u>	<u>22,340</u>
-	-	-	-	-	-	-	-	883,625
-	-	-	-	-	-	-	-	250,530
-	-	-	-	-	-	-	-	360,901
-	-	-	-	-	-	-	-	64,785
(1,020)	-	-	-	-	-	-	(32)	5,204
<u>(1,020)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32)</u>	<u>1,565,045</u>
<u>\$ 7,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,792</u>	<u>\$ 2,805</u>	<u>\$ 1,837</u>	<u>\$ 4,644</u>	<u>\$ -</u>	<u>\$ 1,587,385</u>

CITY OF MARYSVILLE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Bok Kai Event Fund	Gas Tax Fund	Revolving Loan Funds		
			Housing Revolving Loan Fund	Economic Development Loan Fund	HOME Program Income Fund
REVENUES:					
Intergovernmental revenue	\$ -	\$ 1,177,790	\$ -	\$ -	\$ -
Use of money and property	13	279	1,736	109	15,038
Program income	-	-	3,226	4,297	-
Recreation and event fees	16,732	-	-	-	-
TOTAL REVENUES	<u>16,745</u>	<u>1,178,069</u>	<u>4,962</u>	<u>4,406</u>	<u>15,038</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Streets and public works	-	158,407	-	-	-
Parks and recreation	19,174	-	-	-	-
Debt service:					
Interest and other charges	-	15	-	-	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	<u>19,174</u>	<u>158,422</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,429)</u>	<u>1,019,647</u>	<u>4,962</u>	<u>4,406</u>	<u>15,038</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	11,993	1,750	-
Transfers out	-	(1,315,442)	-	-	-
TOTAL OTHER FINANCING	<u>-</u>	<u>(1,315,442)</u>	<u>11,993</u>	<u>1,750</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(2,429)</u>	<u>(295,795)</u>	<u>16,955</u>	<u>6,156</u>	<u>15,038</u>
FUND BALANCE (DEFICIT), JULY 1	<u>8,685</u>	<u>721,481</u>	<u>378,170</u>	<u>165,805</u>	<u>552,031</u>
FUND BALANCE (DEFICIT), JUNE 30	<u>\$ 6,256</u>	<u>\$ 425,686</u>	<u>\$ 395,125</u>	<u>\$ 171,961</u>	<u>\$ 567,069</u>

Law Enforcement Grants							Business Develop- ment Cen- ter Fund	TOTALS
Avoid The 9 Fund	Office of Justice	CCAP Grant	DUI Grant	ABC COPS Grant	Office of Traffic Safety Distracted Driver	Traffic Grant		
\$66,612	\$ -	\$48,086	\$ 4,377	\$12,965	\$ 11,115	\$ 42,773	\$ -	\$1,363,718
-	-	-	-	-	-	-	-	17,175
-	-	-	-	-	-	-	-	7,523
-	-	-	-	-	-	-	-	16,732
<u>66,612</u>	<u>-</u>	<u>48,086</u>	<u>4,377</u>	<u>12,965</u>	<u>11,115</u>	<u>42,773</u>	<u>-</u>	<u>1,405,148</u>
-	-	-	-	-	-	-	32	32
56,285	8	48,086	4,377	12,965	11,115	32,783	-	165,619
-	-	-	-	-	-	-	-	158,407
-	-	-	-	-	-	-	-	19,174
-	-	-	-	-	-	-	-	15
<u>10,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,990</u>	<u>-</u>	<u>20,496</u>
<u>66,791</u>	<u>8</u>	<u>48,086</u>	<u>4,377</u>	<u>12,965</u>	<u>11,115</u>	<u>42,773</u>	<u>32</u>	<u>363,743</u>
<u>(179)</u>	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32)</u>	<u>1,041,405</u>
-	-	-	-	-	-	-	-	13,743
-	-	-	-	-	-	-	-	(1,315,442)
-	-	-	-	-	-	-	-	(1,301,699)
(179)	(8)	-	-	-	-	-	(32)	(260,294)
<u>(841)</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,825,339</u>
<u>\$ (1,020)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (32)</u>	<u>\$1,565,045</u>

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS AS OF JUNE 30, 2013

	Capital Projects Fund	Low/Moder- ate Income Housing Fund	Parks and Recreation Fund	Public Buildings Fund	Transport- ation and Transit Fund	TOTALS
ASSETS						
Cash and investments	\$ 146,190	\$ 6	\$ 35,699	\$ 38,847	\$ 38,751	\$ 259,493
Receivables:						
Accounts receivable	31,339	-	-	-	5,590	36,929
Interest receivable	-	-	-	12	12	24
Due from other governments	93,189	-	-	-	-	93,189
TOTAL ASSETS	\$ 270,718	\$ 6	\$ 35,699	\$ 38,859	\$ 44,353	\$ 389,635
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE						
LIABILITIES:						
Accounts payable	\$ 6,575	\$ 6	\$ 17	\$ 7,993	\$ -	\$ 14,591
Due to other funds	264,143	-	-	-	-	264,143
TOTAL LIABILITIES	270,718	6	17	7,993	-	278,734
DEFERRED INFLOWS OF RESOURCES:						
Grant revenues to be earned	-	-	-	13,661	-	13,661
FUND BALANCE:						
Restricted for:						
Road improvements and repairs	-	-	-	-	44,353	44,353
Parks and recreation	-	-	35,682	-	-	35,682
Public buildings	-	-	-	17,205	-	17,205
TOTAL FUND BALANCE	-	-	35,682	17,205	44,353	97,240
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$ 270,718	\$ 6	\$ 35,699	\$ 38,859	\$ 44,353	\$ 389,635

CITY OF MARYSVILLE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NON-MAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Capital Projects Fund	Low/Moder- ate Income Housing Fund	Parks and Recreation Fund	Public Buildings Fund	Transport- ation and Transit Fund	TOTALS
REVENUES:						
Intergovernmental revenues	\$ 206,226	\$ -	\$ 17,139	\$ 100,644	\$ -	\$ 324,009
Use of money and property	-	-	-	39	57	96
Other revenue	-	-	-	-	-	-
TOTAL REVENUES	<u>206,226</u>	<u>-</u>	<u>17,139</u>	<u>100,683</u>	<u>57</u>	<u>324,105</u>
EXPENDITURES:						
Current:						
Streets and public works	-	-	-	7,993	-	7,993
Debt service:						
Interest and other charges	-	-	110	-	-	110
Capital outlay	1,306,668	-	-	97,948	-	1,404,616
TOTAL EXPENDITURES	<u>1,306,668</u>	<u>-</u>	<u>110</u>	<u>105,941</u>	<u>-</u>	<u>1,412,719</u>
EXCESS (DEFICIENCY) OF REV- ENUES OVER EXPENDITURES	(1,100,442)	-	17,029	(5,258)	57	(1,088,614)
OTHER FINANCING SOURCES:						
Transfers in	1,100,442	-	-	-	-	1,100,442
NET CHANGE IN FUND BALANCE	-	-	17,029	(5,258)	57	11,828
FUND BALANCE, JULY 1	-	-	18,653	22,463	44,296	85,412
FUND BALANCE, JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,682</u>	<u>\$ 17,205</u>	<u>\$ 44,353</u>	<u>\$ 97,240</u>

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - AGENCY FUNDS

AS OF JUNE 30, 2013

	Levee Commission Fund	Mary Aaron Museum Fund	Parks and Recreation Fondation Fund	TOTALS
ASSETS:				
Cash and investments	\$ -	\$ 10,946	\$ 1,711	\$ 12,657
Receivables:				
Interest receivable	-	3	-	3
Prepaid costs	6,199	-	-	6,199
Due from other governments	17,926	-	-	17,926
Due from other agencies	24,056	-	-	24,056
TOTAL ASSETS	\$ 48,181	\$ 10,949	\$ 1,711	\$ 60,841
 LIABILITIES:				
Accounts payable	\$ 3,479	\$ 5,352	\$ -	\$ 8,831
Accrued payroll liabilities	6,169	-	-	6,169
Interest payable	5,470	-	-	5,470
Due to other funds	33,063	-	-	33,063
Due to other agencies	-	5,597	1,711	7,308
TOTAL LIABILITIES	\$ 48,181	\$ 10,949	\$ 1,711	\$ 60,841

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - AGENCY FUNDS AS OF JUNE 30, 2013

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
<u>LEVEE COMMISSION FUND:</u>				
ASSETS:				
Cash and investments	\$ 213,096	\$ 384,222	\$ (597,318)	\$ -
Interest receivable	184	311	(495)	-
Prepaid costs	6,025	6,198	(6,024)	6,199
Due from other governments	10,677	17,926	(10,677)	17,926
Due from other agencies	-	24,056	-	24,056
TOTAL ASSETS	\$ 229,982	\$ 432,713	\$ (614,514)	\$ 48,181
LIABILITIES:				
Accounts payable	\$ 26,234	\$ 530,607	\$ (553,362)	\$ 3,479
Accrued payroll liabilities	7,000	79,757	(80,588)	6,169
Interest payable	5,435	5,470	(5,435)	5,470
Due to other funds	-	33,063	-	33,063
Due to other agencies	191,313	872,342	(1,063,655)	-
	\$ 229,982	\$ 1,521,239	\$ (1,703,040)	\$ 48,181
 <u>MARY AARON MUSEUM FUND:</u>				
ASSETS:				
Cash and investments	\$ 3,083	\$ 9,744	\$ (1,881)	\$ 10,946
Interest receivable	3	9	(9)	3
TOTAL ASSETS	\$ 3,086	\$ 9,753	\$ (1,890)	\$ 10,949
LIABILITIES:				
Accounts payable	\$ 571	\$ 9,538	\$ (4,757)	\$ 5,352
Due to other agencies	2,515	12,620	(9,538)	5,597
	\$ 3,086	\$ 22,158	\$ (14,295)	\$ 10,949
 <u>PARKS AND RECREATION FOUNDATION FUND:</u>				
ASSETS:				
Cash and investments	\$ 1,711	\$ -	\$ -	\$ 1,711
LIABILITIES:				
Due to other agencies	\$ 1,711	\$ -	\$ -	\$ 1,711

(continued)

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - AGENCY FUNDS (Continued) AS OF JUNE 30, 2013

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
<u>TOTAL AGENCY FUNDS</u>				
ASSETS:				
Cash and investments	\$ 217,890	\$ 393,966	\$ (599,199)	\$ 12,657
Receivables:				
Interest receivable	187	320	(504)	3
Prepaid costs	6,025	6,198	(6,024)	6,199
Due from other governments	10,677	17,926	(10,677)	17,926
Due from other agencies	-	24,056	-	24,056
TOTAL ASSETS	\$ 234,779	\$ 442,466	\$ (616,404)	\$ 60,841
LIABILITIES:				
Accounts payable	\$ 26,805	\$ 540,145	\$ (558,119)	\$ 8,831
Accrued payroll liabilities	7,000	79,757	(80,588)	6,169
Interest payable	5,435	5,470	(5,435)	5,470
Due to other funds	-	33,063	-	33,063
Due to other agencies	195,539	884,962	(1,073,193)	7,308
	\$ 234,779	\$ 1,543,397	\$ (1,717,335)	\$ 60,841

SINGLE AUDIT



BOLER & ASSOCIATES

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

City Council
City of Marysville, California
Marysville, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marysville, California as of and for the fiscal year ended June 30, 2013, which collectively comprise the City of Marysville, California's basic financial statements and have issued our report thereon dated November 7, 2013.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost that we consider to be significant deficiencies. (13-1: Accounting for Bonded Debt and Capital Assets Transactions).

Compliance and other matters

As part of obtaining reasonable assurance about whether City of Marysville, California's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Marysville's Responses to Findings

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 it.

Purpose of this Report

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



November 7, 2013

BOLER & ASSOCIATES

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City Council
City of Marysville, California
Marysville, California

Report on Compliance for Each Major Federal Program

We have audited the City of Marysville, California's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Marysville, California's major federal programs for the year ended June 30, 2013. The City of Marysville, California's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Marysville, California's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Marysville, California's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Marysville, California's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Marysville, California, complied, in all material respects, with the 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, 2013.

Report on Internal Control Over Compliance

Management of the City of Marysville, California, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Marysville, California's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Marysville, California's internal control over compliance.

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 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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



November 7, 2013

CITY OF MARYSVILLE, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantors' Number</u>	<u>Disburse- ments or Expenditures</u>
<u>DIRECT PROGRAMS:</u>			
Federal Emergency Management Agency			
Assistance to Firefighters Grant Program	* 97.044	EMV-2010-FH-00110	\$ 250,212
Firefighters Grant	* 97.044	EMV-2011-FO-00110	105,941
U.S. Department of Justice			
Community Oriented Policing Services	* 16.710	2009RKWX0176	48,086
<u>INDIRECT PROGRAMS:</u>			
U.S. Department of Housing and Urban Development:			
<i>Passed through State of California,</i>			
<i>California Energy Commission</i>			
ARRA - Energy Efficiency and Conservation Block Grant	81.128	CBG-11-002	66,405
U.S. Department of Transportation			
<i>Passed through the State</i>			
<i>Department of Transportation</i>			
ARRA - Highway Planning and Construction	20.205	ESPLSTP 5009(028)	820,437
National Highway Traffic Safety Administration	20.608	20303	26,838
		AL1328	39,774
State and Community Highway Safety	20.600	DD1310	11,115
National Highway Traffic Safety Administration	20.600	20263	13,521
		PT1323	29,252
TOTAL FEDERAL AWARDS			<u>\$ 1,411,581</u>

* Major program

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the City of Marysville, California for the fiscal year ended June 30, 2013. The City of Marysville, California reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which recognizes revenue when they are measurable and available and expenditures are recognized when they are incurred.

CITY OF MARYSVILLE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Section I – Summary of Auditors’ Results

FINANCIAL STATEMENTS:

Type of auditors’ report issued:

Unqualified

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness? Yes reported
- Non-compliance material to financial statements noted? Yes No

FEDERAL AWARDS:

Internal control over major programs:

- Material weakness (es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness? Yes reported

Type of auditor’s report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular –133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.044	Assistance to Firefighters Grant Program (SAFER)
97.044	Firefighters Grant
16.710	Community Oriented Policing Services

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee? Yes No

CITY OF MARYSVILLE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION II. FINDINGS RELATED TO FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Finding 13-01 – Accounting for Bonded Debt and Capital Assets Transactions

Criteria:

Generally accepted accounting principles require that all financial transactions of the City be recorded and reflected in the accounting records.

Statement of Condition:

It was noted in our procedures that certain significant transactions related to the accounting of the City's bonded debt and capture and recording of the capital assets were not recorded for the fiscal year. Specifically it was noted that audit adjustments were required to record the following transactions:

Description	Amount
BONDED DEBT:	
Issuance of the 2012 Sewer Revenue Bonds:	
Related cash with fiscal agent accounts	\$13,540,708
Bond issuance costs and discount	684,749
Bond premium	1,090,457
Bonds payable issued	13,135,000
Current year drawdown on loan from Yuba County Water Agency	396,000
Current year fiscal agent transactions for the 2011 COP Bonds	446,301
CAPITAL ASSETS:	
Capitalization of related levee ring project costs not financed	589,719
Sale of fire engine to the Town of Paradise	175,000
Current year depreciation expense:	
General fixed assets	258,547
Sewer fund capital assets	275,147

Cause and Effect:

The bonded debt and capital assets transaction are non-routine occurrences for which City staff are uncertain and unfamiliar. There is reliance on the audit process to reconcile and adjust the accounting records to record those transactions.

Recommendations:

The City should record the transactions of the bonded debt and capital assets in a timely manner to insure completeness of the accounting records.

Plan for Corrective Action:

The City will record the transactions of the bonded debt and capital assets as they occur throughout the year, as opposed to at year-end, enabling more time for proper maintenance of accounting records.

CITY OF MARYSVILLE, CALIFORNIA

**STATUS OF PRIOR YEAR'S FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(No findings noted for the prior fiscal year.)