

CITY OF MARYSVILLE, CALIFORNIA

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2014**



CITY OF MARYSVILLE, CALIFORNIA

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CITY OF MARYSVILLE, CALIFORNIA

CITY OFFICIALS
AS OF JUNE 30, 2014

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
- *Leigh Keicher* Interim Administrative Services Director
- *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, 2014, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014, 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 17, 2014

CITY OF MARYSVILLE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014. 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 \$15.44 million (net position). Of this amount, the City has an unrestricted deficit of \$10.35 million (due to the issuance of the Sewer Fund Series 2012 Revenue Bonds), \$13.54 million is restricted for specific purposes such as loan programs, street projects, and other community development, and \$12.25 million is invested in capital assets, net of related debt.
- The City's total net position increased by \$102,701.
- The General Fund's fund balance is \$0.77 million as of June 30, 2014.

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
- 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 (pages 15 and 16) 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 YEAR ENDED JUNE 30, 2014

The Statement of Activities (pages 17 and 18) presents information showing how the government's net position changed during the past year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (accrual basis of accounting). 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 Redevelopment Successor Agency Private-Purpose Trust Fund. 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 as a fiduciary type fund. Please refer to the fiduciary statements (pages 28 and 29).

FUND FINANCIAL STATEMENTS

A “fund” is a group of related accounts that is used to maintain control over resources that that have been segregated for specific activities or objectives. The City of Marysville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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 YEAR ENDED JUNE 30, 2014

each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern or the City's activities. Information is presented separately in the governmental funds balance sheet and in the governmental funds statements of revenues expenditures and changes in fund balances for the following major funds (found starting on page 19):

- General Fund

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 (pages 15-16) and the remaining debt service issues are combined into the governmental activities column of that report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements.

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 YEAR ENDED JUNE 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year ended June 30, 2014 is the tenth 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 \$15.44 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	
	2014	2013	2014	2013	2014	2013
ASSETS:						
Current and other assets	\$ 4,829,768	\$ 5,851,809	\$ 13,616,839	\$ 15,216,661	\$ 18,446,607	\$ 21,068,470
Capital assets, net	12,428,204	7,843,681	18,359,979	8,725,543	30,788,183	16,569,224
TOTAL ASSETS	\$ 17,257,972	\$ 13,695,490	\$ 31,976,818	\$ 23,942,204	\$ 49,234,790	\$ 37,637,694
DEFERRED OUTFLOWS OF RESOURCES						
	\$ 436,738	\$ 456,293	\$ 664,322	\$ 686,625	\$ 1,101,060	\$ 1,142,918
LIABILITIES:						
Liabilities due after one year	\$ 7,061,351	\$ 7,000,000	\$ 24,969,456	\$ 13,904,635	\$ 32,030,807	\$ 20,904,635
Other liabilities	751,941	1,238,617	1,024,865	539,475	1,776,806	1,778,092
TOTAL LIABILITIES	\$ 7,813,292	\$ 8,238,617	\$ 25,994,321	\$ 14,444,110	\$ 33,807,613	\$ 22,682,727
DEFERRED INFLOWS OF RESOURCES						
	\$ 54,582	\$ 48,926	\$ 1,038,137	\$ 1,071,181	\$ 1,092,719	\$ 1,120,107
NET POSITION:						
Investment in capital assets	\$ 5,722,142	\$ 1,299,974	\$ 6,525,523	\$ 8,034,579	\$ 12,247,665	\$ 9,334,553
Restricted	1,476,170	1,887,674	12,059,038	13,673,936	13,535,208	15,561,610
Unrestricted	2,628,524	2,676,592	(12,975,879)	(12,594,977)	(10,347,355)	(9,918,385)
TOTAL NET POSITION	\$ 9,826,836	\$ 5,864,240	\$ 5,608,682	\$ 9,113,538	\$ 15,435,518	\$ 14,977,778

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

- Total Net Position increased by \$102,701 from 2013 to 2014.
- \$12.25 million (79.36%) 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.
- \$13.54 million (87.69%) 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 2013 to 2014 can be found in the Restricted Net position in the Governmental Activities.
- The remaining unrestricted deficit is \$10.35 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	
	2014	2013	2014	2013	2014	2013
PROGRAM REVENUES:						
Charges for services	\$ 1,281,681	\$ 1,746,547	\$ 2,530,181	\$ 2,300,998	\$ 3,811,862	\$ 4,047,545
Operating grants	526,838	696,362	-	93,126	526,838	789,488
Capital grants	521,790	1,520,336	346,513	-	868,303	1,520,336
GENERAL REVENUES:						
Property taxes	1,042,696	1,021,412	-	-	1,042,696	1,021,412
Sales and use taxes	2,041,350	1,800,686	-	-	2,041,350	1,800,686
Motor vehicle in-lieu	814,473	1,103,910	-	-	814,473	1,103,910
Franchise fees	375,946	367,508	-	-	375,946	367,508
Transient occupancy tax	93,906	60,575	-	-	93,906	60,575
Business license tax	134,216	142,809	-	-	134,216	142,809
Reimbursements	206,461	283,112	40,523	39,373	246,984	322,485
Proceeds from insurance	-	2,575	-	-	-	2,575
Miscellaneous sales	11,798	69,163	-	-	11,798	69,163
Debt forgiven by County	23,434	200,147	-	-	23,434	200,147
Loss on disposition of asset	(122,389)	(53,807)	-	-	(122,389)	(53,807)
Other revenues	27,786	3,869	-	-	27,786	3,869
Investment income	119,884	159,987	3,496	9,365	123,380	169,352
TOTAL REVENUES	7,099,870	9,125,191	2,920,713	2,442,862	10,020,583	11,568,053

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Governmental Activities		Business-type Activities		TOTALS	
	2014	2013	2014	2013	2014	2013
EXPENSES:						
Governmental activities:						
General government	\$ 1,284,619	\$ 1,210,608	\$ -	\$ -	\$ 1,284,619	\$ 1,210,608
Public safety	4,544,656	4,983,611	-	-	4,544,656	4,983,611
Streets and public works	1,503,469	1,700,016	-	-	1,503,469	1,700,016
Parks and recreation	370,840	533,536	-	-	370,840	533,536
Interest on long-term debt	503,713	501,886	-	-	503,713	501,886
Business-type activities:						
Public financing	-	-	4,658	-	4,658	-
Sewer	-	-	963,225	1,504,736	963,225	1,504,736
Interest on long-term debt	-	-	797,038	801,700	797,038	801,700
TOTAL EXPENSES	8,207,297	8,929,657	1,764,921	2,306,436	9,972,218	11,236,093
EXCESS OF REVENUES OVER EXPENDITURES						
	(1,107,427)	195,534	1,155,792	136,426	48,365	331,960
Fiduciary fund transfers	54,336	65,990	-	-	54,336	65,990
Capital assets transferred	4,562,003	-	(4,562,003)	-	-	-
Transfers in (out)	270,384	135,000	(270,384)	(135,000)	-	-
CHANGE IN NET POSITION	3,779,296	396,524	(3,676,595)	1,426	102,701	397,950
NET POSITION, JULY 1	6,047,540	5,467,716	9,285,277	9,113,538	15,332,817	14,579,828
Prior period adjustment	-	183,300	-	171,739	-	355,039
As restated	6,047,540	5,651,016	9,285,277	9,285,277	15,332,817	14,934,867
NET POSITION, JUNE 30	\$ 9,826,836	\$ 6,047,540	\$ 5,608,682	\$ 9,286,703	\$ 15,435,518	\$ 15,332,817

Governmental Activities and Business-type Activities increased the City's net position by \$3,779,296 and \$(3,676,595), respectively. The change principally resulted from the transfer of the Public Financing Authority Fund's land of \$4,562,003 to the Governmental Activities.

REVENUES

The Governmental Activities total revenues were \$7.10 million and Business-Type Activity revenues were \$2.92 million for the year ended June 30, 2014. This represented a total decrease of \$1,547,470 from 2013. This decrease in revenues was attributed to three sources: \$914,483 (approximately 60%) to the decrease in operating and capital grants; \$235,683 (about 15%) to the decrease in charges for services, and \$176,713 (about 10%) to the loss of one-time debt reduction by Yuba County in FY 2012-13.

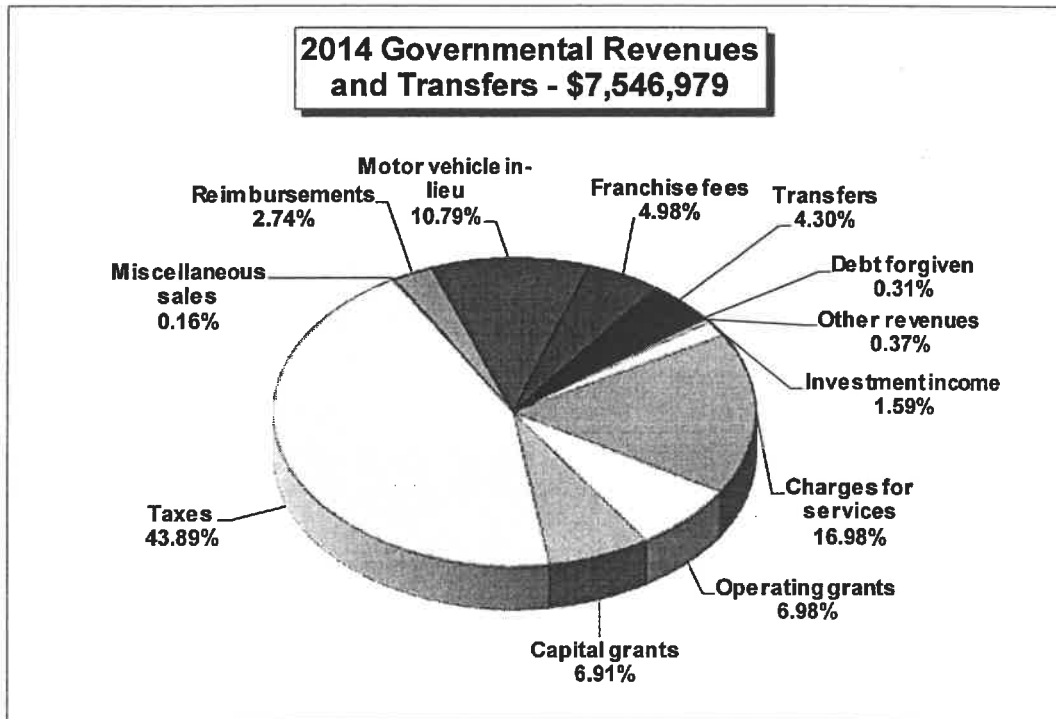
Program revenues include charges for services and grants and contributions. Program revenues provided \$2.33 million (32.82% of total revenues) for governmental activities and approximately \$2.88 million for business-type activities.

General revenues include, among other things, taxes, assessments and intergovernmental revenues. General revenues provided \$4.77 million (67.18% of total revenues). The majority of general revenues came from property, sales and other taxes.

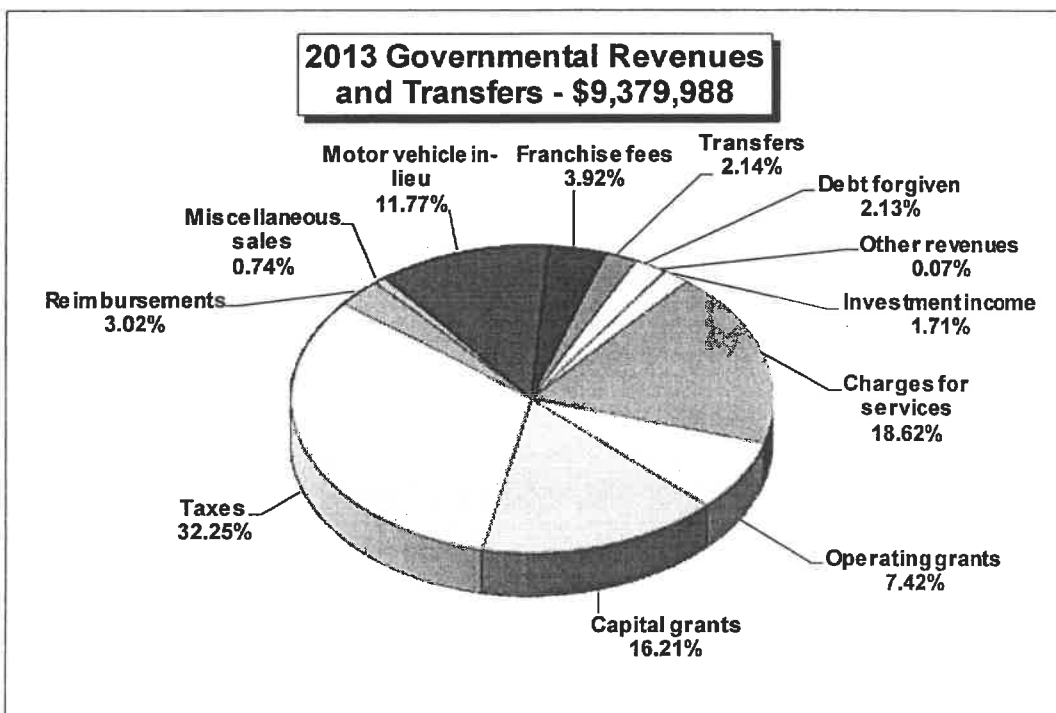
CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The fiscal year ended June 30, 2014 revenues are reflected graphically as follows:



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



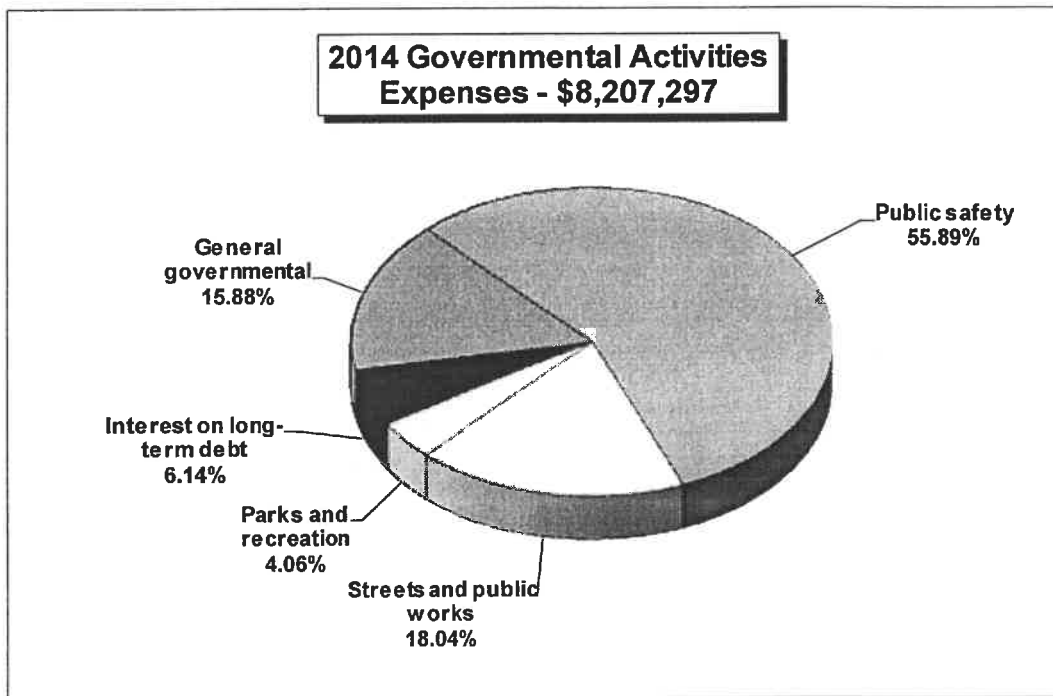
CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

EXPENSES

Expenses for the City totaled \$9.97 million. Governmental activities incurred \$8.21 million in expenses and business-type activities incurred \$1.76 million in expenses during the year. Governmental activities expenses were 28.39% 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 61.35% funded by program revenues, with the exception of interest and investment earnings. The major decrease in business-type expenses is the completion in fiscal year 2012-13 of required studies needed to determine what changes would have been necessary at the City's sewer treatment facility to comply with the State of California's discharge requirements. Based, in part, upon these studies, the City has entered into a long-term agreement with the Linda County Water District to provide sewer treatment services.

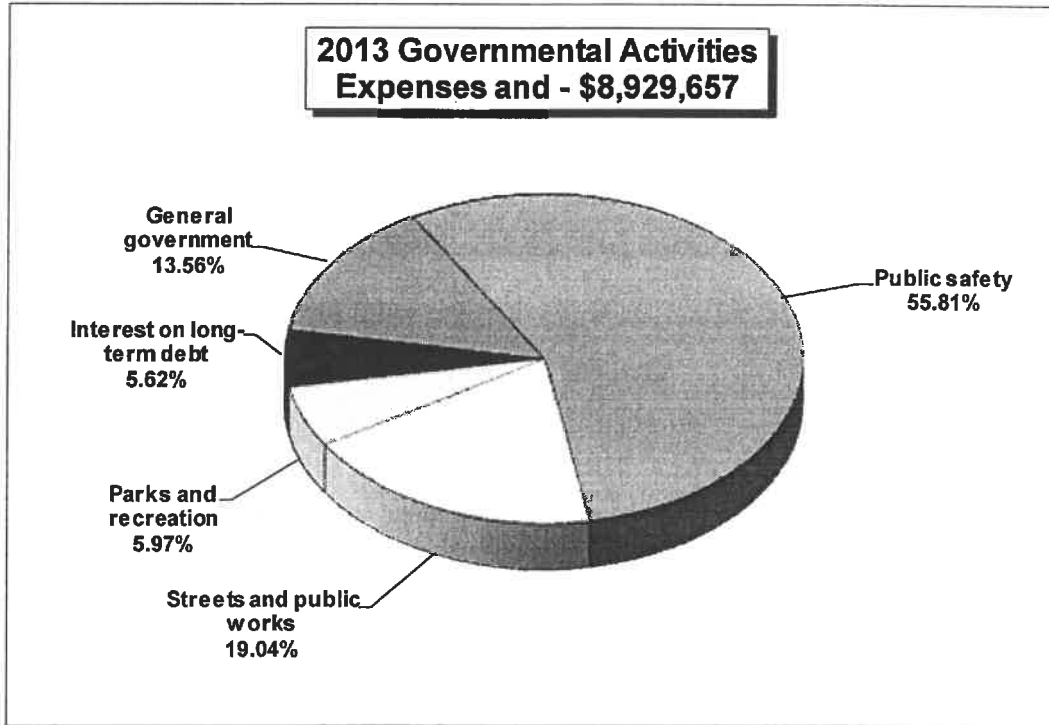
The fiscal year ended June 30, 2014 expenses are reflected graphically as follows:



CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The fiscal year ended June 30, 2013 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 2013-14, the City's governmental funds reported combined fund balances of \$4.48 million. The City has an unassigned fund balance of \$457,191. The remainder of the governmental ending fund balance of \$4.02 million is non-spendable, committed, or restricted to indicate that it is not available for new spending because it has been designated to pay for prior year commitments and other specific requirements.

PROPRIETARY FUNDS

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

CITY OF MARYSVILLE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year General Fund revenue was \$1,619,682 lower than the amended budget estimate, which was primarily due to the reduction in state police-related grant funds, including COPS, OTS, and Avoid the 9 grants. Another primary reduction was in fines, especially traffic fines cited by the use of traffic light cameras due to the CalTrans construction on state highways 20 and 70.

The General Fund expense budget was \$1,619,682 lower than the amended budget estimate, which was primarily due to the reduction in police services as a result, in part, to the loss of state grant funds and, in part, to numerous positions remaining vacant because of the long recruitment periods

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		Fiduciary Activities	
	2014	2013	2014	2013	2014	2013
Capital assets, not being depreciated:						
Construction in progress	\$ -	\$ -	\$ 1,336,239	\$ -	\$ -	\$ -
Land	6,057,051	1,495,048	-	4,562,003	79,203	79,203
Depreciable capital assets, net:						
Sewer plant	-	-	3,256,533	3,468,578	-	-
Intangible asset	-	-	12,300,000	-	-	-
Infrastructure	2,568,277	2,603,582	-	-	-	-
Buildings	1,752,857	1,810,650	352,281	370,825	24,332	25,954
Machinery and equipment	550,828	556,140	553,116	234,400	-	-
Vehicles	1,356,391	1,378,262	78,273	89,737	-	-
TOTAL	\$12,285,404	\$ 7,843,682	\$ 17,876,442	\$ 8,725,543	\$ 103,535	\$ 105,157

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, was \$30.16 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 from FY 2012-13 of \$13,592,621. The increase principally resulted from the capitalization of the intangible asset for sewer system capacity of \$12,300,000. 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.

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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.

DEBT ADMINISTRATION

At the end of FY 2013-14, the City of Marysville had long-term liabilities of \$6.76 million and \$26.20 million for governmental activities and business-type activities, respectively. Also, the fiduciary activities' long-term liabilities were \$485,705. 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	
	2014	2013	2014	2013	2014	2013
Sewer Revenue Bonds, 2012 Series A	\$ -	\$ -	\$ 12,920,000	\$ 13,135,000	\$ -	\$ -
Certificates of participation, 2011	7,000,000	7,000,000	-	-	-	-
Lease revenue bonds, 2001 Series A	-	-	274,294	346,478	485,705	613,522
Repayment agreement	-	-	-	-	-	-
Obligations under capital lease	-	-	344,640	-	-	-
Linda County Water District State Water Resources Loan	-	-	11,596,397	-	-	-
Add: Bond premium, net	-	-	667,031	821,826	-	-
Less: Bond discount, net	(436,738)	(456,293)	1,038,137	1,071,181	-	-
Less: Issuance costs, net	-	-	(12,427)	(13,981)	-	-
Less: Issuance costs, net	-	-	(651,895)	(672,644)	-	-
Compensated absences	191,978	237,237	23,841	24,453	-	-
TOTALS	\$ 6,755,240	\$ 6,780,944	\$ 26,200,018	\$ 14,712,313	\$ 485,705	\$ 613,522

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.

CITY OF MARYSVILLE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For the first time since the recession began in 2008, the economic climate in the City of Marysville shows encouraging signs of improvement. Both property assessed valuations and sales tax revenues have increased in fiscal year 2013-14. And for the first time since 2008, the City's General fund budget for fiscal year 2014-15 was balanced without using reserves.

During the fiscal year ended June 30, 2014, the City launched two economic strategies introduced in last year's Management's Discussion and Analysis. The Bounce Back initiative is designed to stimulate economic activity through city-wide land redevelopment. The consultant hired to develop a planning and implementation document, City Design Collective, is scheduled to present it to the City Council early in 2015.

Since land redevelopment generally occurs over time, the second strategy was to place a tax measure before the electorate in November 2014 authorizing a one-percent sales tax add-on. Measure W provided for certain enhanced services as well as funding to restore and maintain fiscal soundness. This ten-year authority would fill the funding gap until the impact of Bounce Back takes over. Unfortunately, the measure was defeated by seventy-five votes.

With the defeat of Measure W, it now falls upon the City's existing resources to continuing balancing the budget. Management will continue to seek the necessary cost efficiencies and reductions.

REQUESTS FOR INFORMATION

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



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CITY OF MARYSVILLE, CALIFORNIA

GOVERNMENT-WIDE STATEMENT OF NET POSITION AS OF JUNE 30, 2014

	Governmental Activities	Business-type Activities	TOTALS
ASSETS:			
CURRENT ASSETS:			
Cash and investments	\$ 1,132,510	\$ 1,266,712	\$ 2,399,222
Receivables:			
Accounts receivable	106,046	232,090	338,136
Interest receivable	236	414	650
Taxes receivable	154,333	-	154,333
Loans receivable	2,093,508	-	2,093,508
Due from other governments	676,954	-	676,954
Internal balances	(58,585)	58,585	-
Restricted cash with fiscal agent	724,766	12,059,038	12,783,804
	4,829,768	13,616,839	18,446,607
NONCURRENT ASSETS:			
Due from fiduciary funds	142,800	483,537	626,337
Nondepreciable capital assets	6,057,052	1,336,239	7,393,291
Depreciable capital assets, net	6,228,352	16,540,203	22,768,555
	12,428,204	18,359,979	30,788,183
DEFERRED OUTFLOWS OF RESOURCES:			
Unamortized bond issuance costs and discounts	436,738	664,322	1,101,060
	\$ 17,694,710	\$ 32,641,140	\$ 50,335,850

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>TOTALS</u>
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	\$ 150,409	\$ 29,408	\$ 179,817
Accrued payroll liabilities	284,766	69	284,835
Interest payable	120,469	138,641	259,110
Deposits payable	4,319	-	4,319
Compensated absences	191,978	23,841	215,819
Obligation under capital lease, due within one year	-	68,934	68,934
Long-term debt, due within one year	-	763,972	763,972
TOTAL CURRENT LIABILITIES	751,941	1,024,865	1,776,806
NONCURRENT LIABILITIES:			
Other post employment benefits payable	61,351	-	61,351
Obligation under capital lease, due within one year	-	275,706	275,706
Long-term debt, due after one year	7,000,000	24,693,750	31,693,750
TOTAL LIABILITIES	\$ 7,813,292	\$ 25,994,321	\$ 33,807,613
DEFERRED INFLOWS OF RESOURCES:			
Business license fees to be earned	\$ 33,185	\$ -	\$ 33,185
Grant revenues to be earned	16,961	-	16,961
Unamortized bond premium	-	1,038,137	1,038,137
Other deferred inflows	4,436	-	4,436
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 54,582	\$ 1,038,137	\$ 1,092,719
NET POSITION			
Invested in capital assets, net of related debt	\$ 5,722,142	\$ 6,525,523	\$ 12,247,665
Restricted	1,476,170	12,059,038	13,535,208
Unrestricted	2,628,524	(12,975,879)	(10,347,355)
TOTAL NET POSITION	\$ 9,826,836	\$ 5,608,682	\$ 15,435,518

CITY OF MARYSVILLE, CALIFORNIA

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Functions/Programs	Operating Expenses	Charges for Services	Program Revenues	
			Operating	Grants and other contributions Capital
GOVERNMENTAL ACTIVITIES:				
General government	\$ 1,284,619	\$ 601,677	\$ 42,522	\$ -
Public safety	4,544,656	457,074	484,316	58,998
Streets and public works	1,503,469	117,721	-	435,413
Parks and recreation	370,840	105,209	-	27,379
Interest on long-term debt	503,713	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	8,207,297	1,281,681	526,838	521,790
BUSINESS-TYPE ACTIVITIES:				
Public financing	4,658	-	-	-
Sewer	963,225	2,530,181	-	346,513
Interest on long-term debt	797,038	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	1,764,921	2,530,181	-	346,513
TOTAL GOVERNMENT	\$ 9,972,218	\$ 3,811,862	\$ 526,838	\$ 868,303

GENERAL REVENUES:

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

TRANSFERS:

- Transfers from private-purpose trust fund
- Transfers from agency fund
- Capital assets transferred
- Transfers

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

Net position, July 1, as restated

NET POSITION, JUNE 30

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	TOTALS
\$ (640,420)	\$ -	\$ (640,420)
(3,544,268)	-	(3,544,268)
(950,335)	-	(950,335)
(238,252)	-	(238,252)
(503,713)	-	(503,713)
<u>(5,876,988)</u>	<u>-</u>	<u>(5,876,988)</u>
-	(4,658)	(4,658)
-	1,913,469	1,913,469
-	(797,038)	(797,038)
<u>-</u>	<u>1,111,773</u>	<u>1,111,773</u>
<u>(5,876,988)</u>	<u>1,111,773</u>	<u>(4,765,215)</u>
1,042,696	-	1,042,696
2,041,350	-	2,041,350
814,473	-	814,473
375,946	-	375,946
93,906	-	93,906
134,216	-	134,216
206,461	40,523	246,984
11,798	-	11,798
23,434	-	23,434
(122,389)	-	(122,389)
27,786	-	27,786
119,884	3,496	123,380
52,624	-	52,624
1,712	-	1,712
4,562,003	(4,562,003)	-
270,384	(270,384)	-
<u>9,656,284</u>	<u>(4,788,368)</u>	<u>4,867,916</u>
3,779,296	(3,676,595)	102,701
<u>6,047,540</u>	<u>9,285,277</u>	<u>15,332,817</u>
<u>\$ 9,826,836</u>	<u>\$ 5,608,682</u>	<u>\$ 15,435,518</u>

CITY OF MARYSVILLE, CALIFORNIA

BALANCE SHEET GOVERNMENTAL FUNDS AS OF JUNE 30, 2014

	General Fund	Aggregate Nonmajor Governmental Funds	TOTALS
ASSETS			
Cash and investments	\$ 272,075	\$ 860,435	\$ 1,132,510
Receivables:			
Accounts receivable, net	104,023	2,023	106,046
Interest receivable	43	193	236
Taxes receivable	154,333	-	154,333
Notes receivable	11,283	2,082,225	2,093,508
Due from other governments	567,449	109,505	676,954
Advances to other funds	142,800	-	142,800
Restricted cash with fiscal agent	-	724,766	724,766
	\$1,252,006	\$ 3,779,147	\$ 5,031,153
LIABILITIES			
Accounts payable	\$ 147,907	\$ 2,502	\$ 150,409
Accrued payroll liabilities	279,321	5,445	284,766
Deposits	4,319	-	4,319
Due to other funds	-	58,585	58,585
	431,547	66,532	498,079
DEFERRED INFLOWS OF RESOURCES			
Business license fees to be earned	36,622	-	36,622
Grant revenues to be earned	-	8,575	8,575
Other deferred inflows	9,385	-	9,385
	46,007	8,575	54,582
FUND BALANCES			
Non-spendable:			
Advances to other funds	142,800	-	142,800
Notes receivable	5,000	2,082,225	2,087,225
Committed:			
Debt service	-	794,936	794,936
Subsequent year's expenditures	197,117	117,989	315,106
Restricted:			
Loan programs	-	220,199	220,199
Road improvements and repairs	-	415,214	415,214
Parks and recreation	-	35,729	35,729
Public buildings	-	10,092	10,092
Unassigned:			
General fund	429,535	-	429,535
Special revenue funds	-	27,656	27,656
	774,452	3,704,040	4,478,492
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$1,252,006	\$ 3,779,147	\$ 5,031,153

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, 2014

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 4,478,492
<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.		12,285,404
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		436,738
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	(191,978)	
OPEB payable	<u>(61,351)</u>	(7,253,329)
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>\$ 9,826,836</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, 2014

	<u>General Fund</u>	<u>Aggregate Nonmajor Governmental Funds</u>	<u>TOTALS</u>
REVENUES:			
Tax revenues	\$ 4,502,586	\$ -	\$ 4,502,586
Intergovernmental revenues	416,908	631,721	1,048,629
Licenses, fees and permits	143,826	-	143,826
Charges for services	684,611	-	684,611
Fines, forfeitures and penalties	362,751	-	362,751
Reimbursements and refunds	198,346	8,115	206,461
Use of money and property	84,753	35,131	119,884
Program income	-	6,259	6,259
Miscellaneous sales	11,798	-	11,798
Recreation and event fees	46,455	21,724	68,179
Donations	11,055	5,000	16,055
Other revenue	27,786	-	27,786
	<u>6,490,875</u>	<u>707,950</u>	<u>7,198,825</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
General government	1,227,764	56,730	1,284,494
Public safety	4,338,691	76,163	4,414,854
Streets and public works	1,203,147	266,902	1,470,049
Parks and recreation	316,340	16,861	333,201
Debt service:			
Interest and other charges	2,077	482,081	484,158
Capital outlay	10,318	38,719	49,037
	<u>7,098,337</u>	<u>937,456</u>	<u>8,035,793</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(607,462)</u>	<u>(229,506)</u>	<u>(836,968)</u>
OTHER FINANCING SOURCES (USES):			
Repayment agreement with the county	23,434	-	23,434
Portion of interfund advance written down	(26,666)	-	(26,666)
Transfers in	649,387	331,586	980,973
Transfers out	(275,045)	(381,208)	(656,253)
	<u>371,110</u>	<u>(49,622)</u>	<u>321,488</u>
TOTAL OTHER FINANCING			
NET CHANGE IN FUND BALANCES	(236,352)	(279,128)	(515,480)
FUND BALANCES, July 1	938,804	3,983,168	4,921,972
Prior period adjustment	72,000	-	72,000
As restated	<u>1,010,804</u>	<u>3,983,168</u>	<u>4,993,972</u>
FUND BALANCES, JUNE 30	<u>\$ 774,452</u>	<u>\$3,704,040</u>	<u>\$ 4,478,492</u>

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, 2014

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (515,480)**

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	\$ 49,037	
Land contributed by business-type activities	4,562,003	
Depreciation expense	<u>(256,894)</u>	4,354,146

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 Position, only the gain or (loss) on the sale of capital assets is reported.

Book value of capital assets sold	(95,723)
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Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities:

Amortization of issuance costs and discounts	(19,555)
----------------------------------------------	----------

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 other post employment benefits payable	\$ 10,649	
Change in compensated absences	<u>45,259</u>	<u>55,908</u>

CHANGE IN NET POSITION OF GOVERNMENTAL FUNDS **\$ 3,779,296**

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CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Tax revenues	\$ 4,376,289	\$ 4,376,289	\$4,502,586	\$ 126,297
Intergovernmental revenues	397,044	1,413,062	416,908	(996,154)
Licenses, fees and permits	159,893	159,893	143,826	(16,067)
Charges for services	632,849	632,849	684,611	51,762
Fines, forfeitures and penalties	964,871	964,871	362,751	(602,120)
Reimbursements and refunds	257,081	257,081	198,346	(58,735)
Use of money and property	195,947	195,947	84,753	(111,194)
Miscellaneous sales	10,404	43,424	11,798	(31,626)
Recreation and event fees	40,033	40,033	46,455	6,422
Donations	15,193	15,193	11,055	(4,138)
Other revenue	11,915	11,915	27,786	15,871
TOTAL REVENUES	7,061,519	8,110,557	6,490,875	(1,619,682)
EXPENDITURES:				
Current:				
General government	1,356,768	1,357,268	1,227,764	129,504
Public safety	5,263,812	6,271,728	4,338,691	1,933,037
Streets and public works	938,765	955,180	1,203,147	(247,967)
Parks and recreation	282,642	297,642	316,340	(18,698)
Debt service:				
Interest and other charges	-	-	2,077	(2,077)
Capital outlay	149,975	242,975	10,318	232,657
TOTAL EXPENDITURES	7,991,962	9,124,793	7,098,337	2,026,456
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(930,443)	(1,014,236)	(607,462)	406,774
OTHER FINANCING SOURCES (USES):				
Repayment agreement with the county	-	-	23,434	23,434
Portion of interfund advance written down	-	-	(26,666)	(26,666)
Transfers in	569,951	569,951	649,387	79,436
Transfers out	(58,200)	(58,200)	(275,045)	(216,845)
TOTAL OTHER FINANCING	511,751	511,751	371,110	(140,641)
NET CHANGE IN FUND BALANCES	(418,692)	(502,485)	(236,352)	266,133
FUND BALANCES, July 1:				
As previously reported	938,804	938,804	938,804	-
Prior period adjustment	-	-	72,000	72,000
As restated	938,804	938,804	1,010,804	72,000
FUND BALANCES, JUNE 30	\$ 520,112	\$ 436,319	\$ 774,452	\$ 338,133

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

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS AS OF JUNE 30, 2014

	Public Finan- cing Author- ity Fund	Wastewater Fund	TOTALS
ASSETS:			
CURRENT ASSETS:			
Cash and investments	\$ -	\$ 1,266,712	\$ 1,266,712
Receivables, net			
Accounts receivable, net	-	232,090	232,090
Interest receivable	-	414	414
Due from other funds	-	380,665	380,665
Restricted cash with fiscal agent	-	12,059,038	12,059,038
TOTAL CURRENT ASSETS	-	13,938,919	13,938,919
NONCURRENT ASSETS:			
Advance to other funds	-	483,537	483,537
Non-depreciable capital assets	-	1,336,239	1,336,239
Depreciable capital assets, net	-	16,540,203	16,540,203
TOTAL NONCURRENT ASSETS	-	18,359,979	18,359,979
DEFERRED OUTFLOWS OF RESOURCES:			
Unamortized bond issuance costs and discounts	-	664,322	664,322
TOTAL ASSETS	\$ -	\$ 32,963,220	\$ 32,963,220
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	\$ -	\$ 29,408	\$ 29,408
Accrued payroll liabilities	-	69	69
Interest payable	-	138,641	138,641
Compensated absences	-	23,841	23,841
Due to other funds	322,080	-	322,080
Obligation under capital lease, due within one year	-	68,934	68,934
Long-term debt, due within one year	-	763,972	763,972
TOTAL CURRENT LIABILITIES	322,080	1,024,865	1,346,945
NONCURRENT LIABILITIES:			
Obligation under capital lease, due after one year	-	275,706	275,706
Long-term debt, due after one year, net	-	24,693,750	24,693,750
TOTAL LIABILITIES	322,080	25,994,321	26,316,401
DEFERRED INFLOWS OF RESOURCES:			
Unamortized bond premium	-	1,038,137	1,038,137
NET POSITION:			
Invested in capital assets, net of related debt	-	6,525,523	6,525,523
Restricted for debt service	-	12,059,038	12,059,038
Unrestricted	(322,080)	(12,653,799)	(12,975,879)
TOTAL NET POSITION	(322,080)	5,930,762	5,608,682
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ -	\$ 32,963,220	\$ 32,963,220

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, 2014

	Public Finan- cing Author- ity Fund	Wastewater Fund	TOTALS
OPERATING REVENUES:			
Utility revenue	\$ -	\$ 2,518,283	\$ 2,518,283
Other revenue	-	11,898	11,898
TOTAL OPERATING REVENUES	-	2,530,181	2,530,181
OPERATING EXPENSES:			
Salaries and benefits	-	269,598	269,598
Operations and maintenance	4,658	430,639	435,297
Depreciation and amortization expense	-	262,988	262,988
TOTAL OPERATING EXPENSES	4,658	963,225	967,883
OPERATING INCOME (LOSS)	(4,658)	1,566,956	1,562,298
NONOPERATING INCOME (EXPENSE):			
Reimbursements	-	40,523	40,523
Capital contribution	-	346,513	346,513
Interest income	-	3,496	3,496
Interest expense	-	(797,038)	(797,038)
TOTAL NONOPERATING INCOME (EXPENSE)	-	(406,506)	(406,506)
INCOME (LOSS) BEFORE TRANSFERS	(4,658)	1,160,450	1,155,792
OTHER FINANCING USES:			
Contribution of capital assets to City operations	(4,562,003)	-	(4,562,003)
Transfers out	-	(270,384)	(270,384)
TOTAL OTHER FINANCING USES	(4,562,003)	(270,384)	(4,832,387)
CHANGE IN NET POSITION	(4,566,661)	890,066	(3,676,595)
NET POSITION, JULY 1:			
As originally stated	4,244,581	4,868,957	9,113,538
Prior period adjustment	-	171,739	171,739
As restated	4,244,581	5,040,696	9,285,277
NET POSITION, JUNE 30	\$ (322,080)	\$ 5,930,762	\$ 5,608,682

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, 2014

	Public Finan- cing Author- ity Fund	Wastewater Fund	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ -	\$ 2,947,002	\$ 2,947,002
Cash paid to suppliers	(4,658)	(459,067)	(463,725)
Cash paid to employees and related benefits	-	(270,225)	(270,225)
Interfund borrowings	4,658	(63,243)	(58,585)
NET CASH PROVIDED BY OPERATING ACTIVITIES	-	2,154,467	2,154,467
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Proceeds from obligations under capital lease	-	344,640	344,640
Additions of capital assets	-	(13,986,632)	(13,986,632)
Interest paid	-	(716,831)	(716,831)
Payments on long term debt	-	(799,068)	(799,068)
Proceeds from long term debt	-	11,953,487	11,953,487
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	-	(3,204,404)	(3,204,404)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Increase in advances to other funds	-	(6,197)	(6,197)
Intergovernmental revenues	-	759,536	759,536
Transfers out	-	(270,384)	(270,384)
Reimbursements	-	40,523	40,523
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	523,478	523,478
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	-	3,082	3,082
DECREASE IN CASH AND CASH EQUIVALENTS	-	(523,377)	(523,377)
Cash and cash equivalents, July 1	-	13,849,127	13,849,127
CASH AND CASH EQUIVALENTS, JUNE 30	\$ -	\$ 13,325,750	\$ 13,325,750
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Cash and cash equivalents	\$ -	\$ 1,266,712	\$ 1,266,712
Restricted cash with fiscal agent	-	12,059,038	12,059,038
TOTAL CASH AND CASH EQUIVALENTS	\$ -	\$ 13,325,750	\$ 13,325,750

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	\$ (4,658)	\$ 1,566,956	\$ 1,562,298
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation and amortization	-	262,988	262,988
(Increase) decrease in assets:			
Accounts receivable	-	416,821	416,821
Increase (decrease) in liabilities:			
Accounts payable	-	(28,428)	(28,428)
Accrued payroll liabilities	-	(15)	(15)
Compensated absences	-	(612)	(612)
Due to other funds	4,658	(63,243)	(58,585)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ 2,154,467</u>	<u>\$ 2,154,467</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Transfer of land to governmental activities	<u>\$(4,562,003)</u>	<u>\$ -</u>	<u>\$ (4,562,003)</u>
Acquisition of equipment under capital lease	<u>\$ -</u>	<u>\$ 344,640</u>	<u>\$ 344,640</u>

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF FIDUCIARY NET POSITION AS OF JUNE 30, 2014

	Redevelopment Successor Agency Private-Purpose Trust Fund	Agency Funds
ASSETS:		
Cash and investments	\$ 42,209	\$ 263,587
Receivables:		
Interest receivable	28	-
Prepaid costs	-	5,686
Due from other governments	194,928	18,924
Restricted assets:		
Investments with fiscal agent	163,612	-
Land held for redevelopment	79,203	-
Depreciable capital assets, net	24,332	-
	<u>\$ 504,312</u>	<u>\$ 288,197</u>
LIABILITIES:		
Accounts payable	\$ -	\$ 36,347
Accrued payroll liabilities	-	5,549
Interest payable	12,673	-
Advances from other City funds	626,337	-
Due to other agencies	-	246,301
Long-term debt:		
Due within one year	54,322	-
Due after one year	431,383	-
	<u>\$ 1,124,715</u>	<u>\$ 288,197</u>
NET POSITION:		
Held in trust for other purposes	<u>\$ (620,403)</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, 2014

ADDITIONS:

Property taxes	\$ 346,999
Use of money and property	4,591
Other revenue	<u>20,824</u>

TOTAL ADDITIONS

372,414

DEDUCTIONS:

Depreciation expense	1,622
Administrative expenses	54,866
Interest and fiscal agency expenses of former redevelopment agency	<u>36,967</u>

TOTAL DEDUCTIONS

93,455

CHANGE IN NET POSITION BEFORE TRANSFERS

278,959

OTHER FINANCING SOURCES (USES):

Transfers in	12,996
Transfers out	<u>(65,621)</u>

TOTAL OTHER FINANCING

(52,625)

CHANGE IN NET POSITION

226,334

NET POSITION, JULY 1

(846,737)

NET POSITION, JUNE 30

\$ (620,403)

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, 2014

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, 2014

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:

Redevelopment Successor Agency Private-Purpose Trust Fund: The City of Marysville Community Development Agency (the Agency) was formed as a separate legal entity under the Community Redevelopment Law. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. On January 17, 2012, the City Council elected to become Successor Agency for the redevelopment agency in accordance with the bill as part of City Resolution No. 2012-02. The successor agency is reported as the Redevelopment Successor Agency Private-Purpose Trust Fund, a fiduciary 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, 2014

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.

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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014, the allowance for doubtful accounts were as follows:

	<u>Accounts receivable</u>	<u>Allowance for doubtful account</u>	<u>Accounts receivable, net</u>
Major funds:			
General fund	\$ 140,733	\$ (36,710)	\$ 104,023
Sewer enterprise fund	<u>288,808</u>	<u>(56,718)</u>	<u>232,090</u>
TOTAL	<u>\$ 429,541</u>	<u>\$ (93,428)</u>	<u>\$ 336,113</u>

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014

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, 2014, 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, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Type	Amount	Action
Major Funds:		
Wastewater Enterprise Fund	\$ 12,059,038	Imposed by debt indebture
Debt service:		
Nonmajor debt service fund	794,936	Imposed by debt indebture
Road improvements and repairs		
Nonmajor special revenue funds	385,604	Imposed by funding source
Nonmajor capital projects funds	29,610	Imposed by funding source
Parks and recreation		
Nonmajor capital projects funds	35,729	Imposed by funding source
Public buildings		
Nonmajor capital projects funds	10,092	Imposed by funding source
Loan programs		
Nonmajor special revenue funds	<u>220,199</u>	Imposed by funding source
	<u>\$ 13,535,208</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.
- 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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The non-spendable fund balance is comprised as follows:

Fund Balance Type	Amount
Advances to other funds:	
Major funds:	
General Fund	\$ 142,800
Notes receivable:	
Major funds:	
General Fund	5,000
Nonmajor special revenue fund	2,082,225
	\$ 2,230,025

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

Fund Balance Type	Amount	Action
Debt service:		
Nonmajor special revenue fund	\$ 794,936	Bond indenture
Subsequent year's expenditures:		
Major funds:		
General Fund	197,117	Council budget resolution
Nonmajor special revenue fund	117,989	Council budget resolution
TOTAL COMMITTED BALANCES	\$ 1,110,042	

The City has restricted fund balances as follows:

Fund Type	Amount	Action
Road improvements and repairs		
Nonmajor special revenue funds	\$ 385,604	Imposed by funding source
Nonmajor capital projects funds	29,610	Imposed by funding source
Parks and recreation		
Nonmajor capital projects funds	35,729	Imposed by funding source
Public buildings		
Nonmajor capital projects funds	10,092	Imposed by funding source
Loan programs		
Nonmajor special revenue funds	220,199	Imposed by funding source
	\$ 681,234	

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. 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 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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:			
Gas Tax Fund	\$ 282,832	\$ 405,121	\$ (122,289)
Economic Development Loan Fund	-	652	(652)
Community Development Block Grant Fund	17,000	29,048	(12,048)
	<u>\$ 299,832</u>	<u>\$ 434,821</u>	<u>\$ (134,989)</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014 are classified in the accompanying financial statements as follows:

	Government-wide Statement of Net Assets		Fiduciary Fund State-	Total
	Governmental Activities	Business-type Activities	ment of Net Assets	
Cash and investments	\$ 1,132,510	\$ 1,266,712	\$ 305,796	\$ 2,705,018
Restricted cash with fiscal agent	724,766	12,059,038	163,612	12,947,416
TOTAL	\$ 1,857,276	\$ 13,325,750	\$ 469,408	\$ 15,652,434

As of June 30, 2014, the City's cash and investments consisted of the following:

Cash on hand	\$ 900
Imprest claims account	17,593
Deposits in financial institutions	898,542
Add: deposits in transit	79,624
Less: outstanding checks	(24,495)
Total cash and cash equivalents	972,164
LAIF	1,732,854
Held by bond trustee:	
Money market mutual fund	12,813,916
Repurchase agreement	133,500
Total investments	14,680,270
Total cash and investments	\$ 15,652,434

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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE B - CASH AND INVESTMENTS (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio*</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
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.

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio*</u>	<u>Maximum Investment In One Issuer</u>
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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE B - CASH AND INVESTMENTS (Continued)

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

	Remaining maturity (in months)			
	Total	12 months or less	13 months to 24 months	More than 60 months
Local Agency Investment Fund	\$ 1,732,854	\$ 1,732,854	\$ -	\$ -
Held by bond trustee:				
Money market mutual funds	12,813,916	12,813,916	-	-
Repurchase agreements	133,500	-	-	133,500
TOTAL	\$14,680,270	\$14,546,770	\$ -	\$ 133,500

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, 2014, 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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE B - CASH AND INVESTMENTS (Continued)

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The 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, 2014, the carrying amount of the City's deposits was \$971,264 and the balances at the financial institutions were \$898,542. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$721,261 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, 2014, 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, 2014 invested by all public agencies in LAIF is \$64,870,214,443 managed by the State Treasurer. The investments are as follows:

	As a percent of portfolio
Structured notes and medium-term asset backed securities	1.09%
Short-term asset-backed commercial paper	0.77%
All other investments	98.14%
	<u>100.00%</u>

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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE C - INTERFUND TRANSACTIONS

Interfund long-term advances at June 30, 2014 were as follows:

Fund	Advances to Other Funds	Advances From Other Funds
General Fund	\$ 142,800	\$ -
Enterprise Funds:		
Wastewater Fund	483,537	-
Fiduciary Funds - Private-Purpose Trust:		
Redevelopment Successor Agency	-	626,337
	\$ 626,337	\$ 626,337

The changes in the interfund advances for the fiscal year ended June 30, 2014 were as follows:

	Balance at July 1, 2013	Additions	Retirement	Balance at June 30, 2014
Advance from the General Fund	\$ 169,467	\$ -	\$ (26,667)	\$ 142,800
Advance from the Wastewater Enterprise Fund	477,339	6,198	-	483,537
TOTAL ADVANCES	\$ 646,806	\$ 6,198	\$ (26,667)	\$ 626,337

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, and repayments by the Redevelopment Agency prior to dissolution (See Note L) reduced the balance to \$142,800. On December 6, 2013, the State of California approved this amount as eligible for tax revenues deposited into the Redevelopment Property Tax Trust Fund created by the State to receive all taxes due the dissolved Agency. Interest accrues at the LAIF interest rate and will be added to the advance balance annually when approved by the State. No payments were made during the fiscal year ended June 30, 2014 due to a lack of monies in the Trust Fund.

Advance from Wastewater Enterprise Fund: During the year ended June 30, 2000, the City's Wastewater Enterprise Fund advanced to the Agency \$500,000 to be used for improvements at the baseball field. On December 6, 2013, the State of California approved this amount as eligible for tax revenues deposited into the Redevelopment Property Tax Trust Fund created by the State to receive all taxes due the dissolved Agency. Interest accrues at the LAIF interest rate and will be added to the advance balance annually when approved by the State. No payments were made during the fiscal year ended June 30, 2014 due to a lack of monies in the Trust Fund.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE C - INTERFUND TRANSACTIONS (Continued)

Interfund balances at June 30, 2014 were as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Enterprise Funds:		
Public Financing Authority Fund	\$ -	\$ 322,080
Wastewater Fund	380,665	-
Nonmajor funds:		
Special revenue funds	-	55,815
Capital projects funds	-	2,770
Total	<u>\$ 380,665</u>	<u>\$ 380,665</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2014 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 649,387	\$ 275,045
Enterprise Funds:		
Wastewater Fund	-	270,384
Fiduciary Funds - Private-Purpose Trust:		
Redevelopment Successor Agency	12,996	65,621
Nonmajor funds:		
Special revenue funds	129,198	366,472
Debt service fund	157,358	-
Capital projects funds	45,030	14,736
Agency fund	-	1,711
Capital transfer:		
General Fund	4,562,003	-
Enterprise Funds:		
Public Financing Authority	-	4,562,003
Total	<u>\$ 5,555,972</u>	<u>\$ 5,555,972</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to 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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE D - NOTES RECEIVABLE

The following is a summary of the various types of notes receivable outstanding as of June 30, 2014:

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%.

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%.

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, 2014 is as follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Payments Received</u>	<u>Balance at June 30, 2014</u>
Major Governmental Funds:				
General Fund:				
Employees - computers	\$ 3,279	\$ 2,283	\$ (4,279)	\$ 1,283
Note receivable - fire truck sale	20,000	-	(10,000)	10,000
Community Development Block Grant				
Special Revenue Fund:				
Block grant loans	1,198,947	18,681	(22,511)	1,195,117
Nonmajor Governmental Funds:				
Revolving Loan Special Revenue Funds:				
Housing Revolving Loan Fund	224,131	523	(772)	223,882
Economic Development Loan Fund	92,425	-	(6,006)	86,419
Home Program Income Fund	567,069	9,738	-	576,807
TOTAL NOTES AND LOANS RECEIVABLE	<u>\$2,105,851</u>	<u>\$ 31,225</u>	<u>\$ (43,568)</u>	<u>\$2,093,508</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE E - CAPITAL ASSETS

Governmental capital asset activities for the year ended June 30, 2014 were as follows:

	Balance at July 1, 2013	Additions	Deletions	Adjustments/ Transfers	Balance at June 30, 2014
Capital assets, not being depreciated:					
Land	\$ 1,495,048	\$ -	\$ -	\$ 4,562,003	\$ 6,057,051
Capital assets being depreciated:					
Infrastructure	2,659,724	-	-	-	2,659,724
Buildings	3,702,289	-	-	-	3,702,289
Machinery and equipment	1,526,518	49,038	-	-	1,575,556
Vehicles	2,658,536	-	(526,710)	307,028	2,438,854
Less: accumulated depreciation:					
Infrastructure	(56,142)	(35,305)	-	-	(91,447)
Buildings	(1,891,639)	(57,793)	-	-	(1,949,432)
Machinery and equipment	(970,378)	(54,350)	-	-	(1,024,728)
Vehicles	(1,280,274)	(109,447)	430,986	(123,728)	(1,082,463)
Total capital assets being depreciated, net	6,348,634	(207,857)	(95,724)	183,300	6,228,353
GOVERNMENTAL ACTIVITIES					
CAPITAL ASSETS, NET	\$ 7,843,682	\$ (207,857)	\$ (95,724)	\$ 4,745,303	\$ 12,285,404

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

General government	\$ 56,033
Public safety	129,803
Streets and public works	33,420
Parks and recreation	37,639
TOTAL GOVERNMENTAL ACTIVITIES	\$ 256,895

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE E - CAPITAL ASSETS (Continued)

Business-type capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Balance at July 1, 2013	Additions	Deletions	Adjustments/ Transfers	Balance at June 30, 2014
Capital assets, not being depreciated:					
Land	\$ 4,562,003	\$ -	\$ -	\$ (4,562,003)	\$ -
Construction in progress	-	1,336,239	-	-	1,336,239
Total capital assets not being depreciated	4,562,003	1,336,239	-	(4,562,003)	1,336,239
Capital assets being depreciated:					
Sewer plant	6,696,769	5,751	-	-	6,702,520
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	344,640	-	-	570,426
Intangible asset - franchise license	-	12,300,000	-	-	12,300,000
Less: accumulated depreciation:					
Sewer plant	(3,228,191)	(217,795)	-	-	(3,445,986)
Buildings	(1,112,575)	(18,543)	-	-	(1,131,118)
Machinery and equipment	(1,217,034)	(14,635)	-	-	(1,231,669)
Vehicles	(220,364)	(11,465)	-	-	(231,829)
Equipment under capital lease	(137,041)	(11,290)	-	-	(148,331)
Total capital assets being depreciated, net	4,163,540	12,376,663	-	-	16,540,203
 BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET	\$ 8,725,543	\$ 13,712,902	\$ -	\$ (4,562,003)	\$ 17,876,442

The depreciation expense for business-type capital assets was charged to the wastewater function.

Prior to the fiscal year ended June 30, 2014, the City had capitalized interest totaling \$1,060,872 as part of land acquisitions costs for the Public Financing Enterprise fund. The total cost of \$4,562,003 was subsequently transferred to the governmental activities for the fiscal year ended June 30, 2014.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE E - CAPITAL ASSETS (Continued)

Fiduciary fund capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 79,203	\$ -	\$ -	\$ 79,203
Capital assets being depreciated:				
Buildings	48,663	-	-	48,663
Less: accumulated depreciation:				
Buildings	(22,709)	(1,622)	-	(24,331)
FIDUCIARY CAPITAL ASSETS, NET	\$ 105,157	\$ (1,622)	\$ -	\$ 103,535

NOTE F — LONG-TERM LIABILITIES

The activity of the long-term liabilities of the City for the year ended June 30, 2014 follows:

	Balance at July 1, 2013	Incurred	Retired	Balance at June 30, 2014	Due within one year
Governmental activities:					
Certificates of participation, 2011	\$ 7,000,000	\$ -	\$ -	\$ 7,000,000	-
Compensated absences	237,237	-	(45,259)	191,978	-
	7,237,237	-	(45,259)	7,191,978	-
Less: unamortized bond issuance costs and discounts	(456,293)	-	19,555	(436,738)	-
TOTAL	\$ 6,780,944	\$ -	\$ (25,704)	\$ 6,755,240	\$ -
Business-type activities:					
Lease revenue bonds, 2001 Series A	\$ 346,477	\$ -	\$ (72,183)	\$ 274,294	\$ 28,873
Sewer revenue bonds, 2012 Series A	13,135,000	-	(215,000)	12,920,000	215,000
Linda County Water District	-	11,953,487	(357,090)	11,596,397	360,661
State Water Resources loan	821,826	-	(154,795)	667,031	159,438
Obligation under capital lease	-	344,640	-	344,640	68,934
Compensated absences	24,453	-	(612)	23,841	-
	14,327,756	12,298,127	(799,680)	25,826,203	832,906
Add: unamortized bond premium	1,071,181	-	(33,044)	1,038,137	-
Less: unamortized bond issuance costs and discounts	(686,625)	-	22,303	(664,322)	-
TOTAL	\$ 14,712,312	\$ 12,298,127	\$ (810,421)	\$ 26,200,018	\$ 832,906

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE F — LONG-TERM LIABILITIES (Continued)

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

\$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: \$274,294 business-type activities and \$485,706 fiduciary activities.

760,000

\$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.

12,920,000

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE F — LONG-TERM LIABILITIES (Continued)

<p><u>Linda County Water District Agreement:</u> Dated September 19, 2012 for the City share of the added capacity resulting from the improvements to the wastewater facilities and pipeline owned and maintained by the water district. The total project costs is anticipated to be \$34,168,332 for increased capacity of 5.0 million gallons per day (MGD) of which the City was allocated 1.8 MGD and \$12,300,600 of the project costs. Annual payments of \$476,625 are due beginning January 1, 2013 through January 1, 2042, including interest at 1%.</p>	11,596,397
<p><u>State Water Resources Board Loan:</u> 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%.</p>	667,031
<p><u>Obligation under capital lease:</u> Dated June 1, 2014 for the acquisition of a vacuum truck for the Sewer Enterprise Fund. Due in annual installments of \$75,287 beginning December 1, 2014 and ending December 1, 2018, including interest at 3.627%. The value of the vehicle leased was \$344,640.</p>	344,640

The annual requirements to amortize the outstanding debt as of June 30, 2014 are as follows:

Year Ending June 30	Governmental Activities Certificates of Particip- ation, 2011
2015	\$ 481,875
2016	481,875
2017	636,875
2018	641,406
2019	640,156
2020 - 2024	3,187,969
2025 - 2029	3,170,250
2030 - 2034	3,183,663
2035 - 2039	1,907,669
	14,331,738
Less: interest	(7,331,738)
Unamortized discount	(436,738)
	6,563,262
Due within one year	-
Due after one year	\$ 6,563,262

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE F — LONG-TERM LIABILITIES (Continued)

Year Ending June 30	Business-type Activities					Total
	Lease Revenue Bonds, 2001 Series A	Sewer Revenue Bonds, 2012 Series A	State Water Resources Board Loan	Linda County Water District	Obligation under capital lease	
2015	\$ 41,874	\$ 768,419	\$ 179,450	\$ 476,625	\$ 75,288	\$ 1,541,656
2016	42,294	771,513	179,449	476,625	75,287	1,545,168
2017	40,767	774,176	179,450	476,625	75,288	1,546,306
2018	40,914	775,638	179,449	476,625	75,287	1,547,913
2019	42,768	771,038	-	476,625	75,288	1,365,719
2020 - 2024	124,335	3,908,395	-	2,383,125	-	6,415,855
2025 - 2029	-	3,917,875	-	2,383,125	-	6,301,000
2030 - 2034	-	3,922,625	-	2,383,125	-	6,305,750
2035 - 2039	-	3,926,250	-	2,383,126	-	6,309,376
2040 - 2044	-	3,916,375	-	1,438,557	-	5,354,932
2045 - 2049	-	1,570,625	-	-	-	1,570,625
	332,952	25,022,929	717,798	13,354,183	376,438	39,804,300
Add (Less): Interest	(58,658)	(12,102,929)	(50,767)	(1,757,786)	(31,798)	(14,001,938)
Unamortized discount	(12,427)	(651,895)	-	-	-	(664,322)
Unamortized premium	-	1,038,137	-	-	-	1,038,137
	261,867	13,306,242	667,031	11,596,397	344,640	26,176,177
Due within one year	(28,873)	(215,000)	(159,438)	(360,661)	(68,934)	(832,906)
Due after one year	\$ 232,994	\$ 13,091,242	\$ 507,593	\$ 11,235,736	\$ 275,706	\$ 25,343,271

Year Ending June 30	Fiduciary Activities Lease Revenue Bonds, 2001 Series A
2015	\$ 74,148
2016	74,891
2017	72,189
2018	72,448
2019	75,732
2020 - 2024	220,165
	589,573
Add (Less): Interest	(103,868)
	485,705
Due within one year	(51,127)
Due after one year	\$ 434,578

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014 are as follows:

1992 Refunding bonds payable	\$ 660,000
2006 Taxable certificates of participation	<u>4,615,000</u>
	<u><u>\$ 5,275,000</u></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			Total
	Police (2)	Admini- stration (2)	Fire (1)	
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>\$ 14,000</u>	<u>\$ 12,075</u>	<u>\$ 3,185</u>	<u>\$ 29,260</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, 2014

NOTE F — LONG-TERM LIABILITIES (Continued)

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

	<u>Amount</u>
Copier leases	\$ 10,032
Facilities rent - baseball	<u>18,000</u>
TOTAL	<u>\$ 28,032</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, 2014, conduit debt issues were as follows:

Fremont-Rideout Health Group:	
Insured Revenue Bonds, Series 2003a	\$ 5,275,000
Master lease-purchase and sublease agreement, 2011	11,207,000
Revenue Bonds, Series 2011	<u>112,460,000</u>
TOTAL	<u>\$ 128,942,000</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, 2014

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 employees' contribution rate for employees who are under the Public Employees' Pension Reform Act of 2013 (PEPRA) are 6.25% and 11.50% for miscellaneous and safety employees, respectively. 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 \$219,526. The City is required to contribute at actuarially determined rates as follows:

- safety employees, 45.955%
- miscellaneous first tier employees, 9.629%
- miscellaneous second tier employees, 14.498%

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, 2014 the City's annual pension costs of \$510,280 for PERS were equal to the City's required and actual contributions. 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 weighted average of the 10 and 30-year US Treasury yields in effect on 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>
2012	\$ 612,858	100.0%	none
2013	\$ 585,912	100.0%	none
2014	\$ 510,280	100.0%	none

The following supplementary information for was prepared using the June 30, 2012 actuarial valuation which is the latest available.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 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%
June 30, 2012	4,175,139,166	3,686,598,343	488,540,823	88.299%	757,045,663	64.533%
CITY OF MARYSVILLE:						
<i>First tier:</i>						
June 30, 2011	\$ 6,109,512	\$ 5,001,229	\$ 1,108,283	81.860%	\$ 68,544	1616.893%
June 30, 2012	5,965,793	4,605,435	1,360,358	77.197%	79,667	1707.555%
<i>Second tier:</i>						
June 30, 2011	7,428,547	5,947,539	1,481,008	80.063%	1,456,341	101.694%
June 30, 2012	7,775,632	5,914,008	1,861,624	76.058%	1,463,673	127.189%
SAFETY PLANS (PERS WIDE):						
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%
June 30, 2012	11,724,021,480	9,854,787,710	1,869,233,770	84.056%	947,734,809	197.232%
CITY OF MARYSVILLE:						
June 30, 2011	\$ 24,202,488	\$ 19,693,385	\$ 4,509,103	81.369%	\$ 1,124,739	400.902%
June 30, 2012	24,663,245	16,845,446	7,817,799	68.302%	1,045,418	747.816%

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

annually by the Council. For the fiscal year ended June 30, 2014, the City contributed \$-0- to the plan of the projected \$61,351 liability. The City paid a total of \$12,360 to the medical insurance provider during the year.

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:

Annual required contribution	\$ 1,637
Interest on net OPEB obligation	74
Payments made	<u>(12,360)</u>
Decrease in net OPEB obligation	(10,649)
Net OPEB obligation, July 1	<u>72,000</u>
Net OPEB obligation, June 30	<u>\$ 61,351</u>

The ARC was determined as part of the June 30, 2014 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, 2014, 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, 2014 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>
2012	\$ 10,032	100.00%	-
2013	10,536	100.00%	-
2014	1,637	100.00%	-

Funded Status and Funding Process

The funded status of the liability as of June 30, 2014, was as follows:

Accrued liability (AL)	\$ 41,744
Value of plan assets contributed	<u>-</u>
Unfunded accrued liability (UAL)	\$ 41,744
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>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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 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, 2014, 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 eleven 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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE J — RISK MANAGEMENT (Continued)

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

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

Amount	Coverage provider	Payment Source
<i>LIABILITY CLAIMS:</i>		
\$ 0 - 25,000	Self-insured	Banking layer
25,001 - 500,000	Northern California Cities Self-Insurance Fund	Shared risk pool
500,001 - \$ 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 – SUCCESSOR REDEVELOPMENT AGENCY TRUST

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 the redevelopment agency 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.

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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE L – SUCCESSOR REDEVELOPMENT AGENCY TRUST (Continued)

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 M – PRIOR PERIOD ADJUSTMENTS

Certain adjustments to the prior year equity balances are summarized as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
GOVERNMENTAL FUNDS:		
General Fund	Reclassification of OPEB liability to general long term debt	\$ 72,000
BUSINESS-TYPE ACTIVITIES:		
Wastewater Fund	Grant reimbursement not accrued in the prior fiscal year	171,739
GOVERNMENTAL ACTIVITIES	Adjustment of vehicles valuation to inventory balances	183,300

OPEB RECLASSIFICATION

The other post-employment benefits (OPEB) as of June 30, 2013 totaling \$72,000 were reported as a current liability of the General Fund. The amount was determined to be a long-term liability. This resulted in overstatement of liabilities by \$72,000 with a corresponding understatement of fund equity.

UNDERACCRUED GRANT REVENUE

For the fiscal year ended June 30, 2013, reimbursements for the State Water Resources Control Board project were understated by \$171,739 with a corresponding understatement of fund equity.

CAPITAL ASSETS – VEHICLES

During the fiscal year ended June 30, 2014, the City performed an inventory of the City's vehicles. This resulted in the addition of vehicles that were acquired prior to July 1, 2013 that cost \$307,028 with accumulated depreciation of \$123,728. For the fiscal year ended June 30, 2013, the governmental activities' capital assets were understated \$183,300 with a corresponding understatement of net position.



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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, 2014

	Special Revenue Funds	Debt Service 2011 Taxable Certificates of Participation Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:				
Cash and investments	\$ 702,416	\$ 70,170	\$ 87,849	\$ 860,435
Receivables:				
Accounts receivable	2,023	-	-	2,023
Interest receivable	175	-	18	193
Loans receivable	2,082,225	-	-	2,082,225
Due from other governments	109,505	-	-	109,505
Restricted cash with fiscal agent	-	724,766	-	724,766
TOTAL ASSETS	\$ 2,896,344	\$ 794,936	\$ 87,867	\$ 3,779,147
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,411	\$ -	\$ 1,091	\$ 2,502
Accrued payroll liabilities	5,445	-	-	5,445
Due to other funds	55,815	-	2,770	58,585
TOTAL LIABILITIES	62,671	-	3,861	66,532
 DEFERRED INFLOWS OF RESOURCES:				
Grant revenues to be earned	-	-	8,575	8,575
 FUND BALANCES:				
Non-spendable:				
Notes receivable	2,082,225	-	-	2,082,225
Committed:				
Debt service	-	794,936	-	794,936
Subsequent year's expenditures	117,989	-	-	117,989
Restricted:				
Loan programs	220,199	-	-	220,199
Road improvements and repairs	385,604	-	29,610	415,214
Parks and recreation	-	-	35,729	35,729
Public buildings	-	-	10,092	10,092
Unassigned	27,656	-	-	27,656
TOTAL FUND BALANCES	2,833,673	794,936	75,431	3,704,040
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 2,896,344	\$ 794,936	\$ 87,867	\$ 3,779,147

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, 2014

	Special Revenue Funds	Debt Service 2011 Taxable Certificates of Participation Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES:				
Intergovernmental revenue	\$ 533,142	\$ -	\$ 98,579	\$ 631,721
Reimbursements and refunds	8,115	-	-	8,115
Use of money and property	29,817	5,235	79	35,131
Program income	6,259	-	-	6,259
Recreation and event fees	21,724	-	-	21,724
Donations	5,000	-	-	5,000
	604,057	5,235	98,658	707,950
EXPENDITURES:				
Current:				
General government	56,730	-	-	56,730
Public safety	76,163	-	-	76,163
Streets and public works	129,895	-	137,007	266,902
Parks and recreation	16,861	-	-	16,861
Debt service:				
Interest and other charges	206	481,875	-	482,081
Capital outlay	24,965	-	13,754	38,719
	304,820	481,875	150,761	937,456
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	299,237	(476,640)	(52,103)	(229,506)
OTHER FINANCING SOURCES (USES):				
Transfers in	129,198	157,358	45,030	331,586
Transfers out	(366,472)	-	(14,736)	(381,208)
	(237,274)	157,358	30,294	(49,622)
NET CHANGE IN FUND BALANCE	61,963	(319,282)	(21,809)	(279,128)
FUND BALANCE, JULY 1	2,771,710	1,114,218	97,240	3,983,168
FUND BALANCE, JUNE 30	\$ 2,833,673	\$ 794,936	\$ 75,431	\$ 3,704,040

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS AS OF JUNE 30, 2014

	Revolving Loan Funds				
	Bok Kai Event Fund	Gas Tax Fund	Housing Revolving Loan Fund	Economic Development Loan Fund	HOME Program Income Fund
ASSETS					
Cash and investments	\$ 11,125	\$ 394,008	\$198,408	\$ 90,915	\$ -
Receivables:					
Accounts receivable	-	-	-	799	-
Interest receivable	4	94	52	25	-
Notes receivable	-	-	223,882	86,419	576,807
Due from other governments	-	39,491	-	-	-
	\$ 11,129	\$ 433,593	\$422,342	\$178,158	\$ 576,807
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
	-	-	-	-	-
FUND BALANCE:					
Non-spendable:					
Notes receivable	-	-	223,882	86,419	576,807
Committed:					
Subsequent year's expenditures	-	47,989	-	70,000	-
Restricted:					
Loan programs	-	-	198,460	21,739	-
Road improvements and repairs	-	385,604	-	-	-
Unassigned	11,129	-	-	-	-
	11,129	433,593	422,342	178,158	576,807
TOTAL FUND BALANCE	11,129	433,593	422,342	178,158	576,807
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,129	\$ 433,593	\$422,342	\$178,158	\$ 576,807

Law Enforcement Grants							
Avoid The 9 Fund	DUI Grant	Office of Traffic Safety Traffic Grant	Business Develop- ment Cen- ter Fund	Community Development Block Grant Fund	Narcotics Enforce- ment Fund	Asset Seizure Fund	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,488	\$ 4,472	\$ 702,416
-	-	-	-	1,224	-	-	2,023
-	-	-	-	-	-	-	175
-	-	-	-	1,195,117	-	-	2,082,225
9,027	-	10,350	50,637	-	-	-	109,505
<u>\$ 9,027</u>	<u>\$ -</u>	<u>\$ 10,350</u>	<u>\$ 50,637</u>	<u>\$ 1,196,341</u>	<u>\$ 3,488</u>	<u>\$ 4,472</u>	<u>\$2,896,344</u>
\$ 732	\$ -	\$ 330	\$ 349	\$ -	\$ -	\$ -	\$ 1,411
-	-	-	5,445	-	-	-	5,445
7,825	-	10,020	37,970	-	-	-	55,815
<u>8,557</u>	<u>-</u>	<u>10,350</u>	<u>43,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,671</u>
-	-	-	-	1,195,117	-	-	2,082,225
-	-	-	-	-	-	-	117,989
-	-	-	-	-	-	-	220,199
-	-	-	-	-	-	-	385,604
470	-	-	6,873	1,224	3,488	4,472	27,656
<u>470</u>	<u>-</u>	<u>-</u>	<u>6,873</u>	<u>1,196,341</u>	<u>3,488</u>	<u>4,472</u>	<u>2,833,673</u>
<u>\$ 9,027</u>	<u>\$ -</u>	<u>\$ 10,350</u>	<u>\$ 50,637</u>	<u>\$ 1,196,341</u>	<u>\$ 3,488</u>	<u>\$ 4,472</u>	<u>\$2,896,344</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, 2014

	Revolving Loan Funds				
	Bok Kai Event Fund	Gas Tax Fund	Housing Revolving Loan Fund	Economic Development Loan Fund	HOME Program Income Fund
REVENUES:					
Intergovernmental revenue	\$ -	\$ 388,002	\$ -	\$ -	\$ -
Reimbursements and refunds	-	-	-	-	-
Use of money and property	10	426	824	95	9,738
Program income	-	-	2,673	3,586	-
Recreation and event fees	21,724	-	-	-	-
Donations	-	-	-	-	-
TOTAL REVENUES	21,734	388,428	3,497	3,681	9,738
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Streets and public works	-	127,083	-	652	-
Parks and recreation	16,861	-	-	-	-
Debt service:					
Interest and other charges	-	206	-	-	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	16,861	127,289	-	652	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,873	261,139	3,497	3,029	9,738
OTHER FINANCING SOURCES (USES):					
Transfers in	-	24,600	23,720	3,168	-
Transfers out	-	(277,832)	-	-	-
TOTAL OTHER FINANCING	-	(253,232)	23,720	3,168	-
NET CHANGE IN FUND BALANCE	4,873	7,907	27,217	6,197	9,738
FUND BALANCE (DEFICIT), JULY 1	6,256	425,686	395,125	171,961	567,069
FUND BALANCE (DEFICIT), JUNE 30	\$ 11,129	\$ 433,593	\$ 422,342	\$ 178,158	\$ 576,807

Law Enforcement Grants							
Avoid The 9 Fund	DUI Grant	Office of Traffic Safety Traffic Grant	Business Develop- ment Cen- ter Fund	Community Development Block Grant Fund	Narcotics Enforce- ment Fund	Asset Seizure Fund	TOTALS
\$61,591	\$ 3,694	\$ 37,333	\$ 42,522	\$ -	\$ -	\$ -	\$ 533,142
-	-	-	8,115	-	-	-	8,115
-	-	-	-	18,724	-	-	29,817
-	-	-	-	-	-	-	6,259
-	-	-	-	-	-	-	21,724
-	-	-	5,000	-	-	-	5,000
<u>61,591</u>	<u>3,694</u>	<u>37,333</u>	<u>55,637</u>	<u>18,724</u>	<u>-</u>	<u>-</u>	<u>604,057</u>
-	-	-	56,730	-	-	-	56,730
42,936	3,694	29,533	-	-	-	-	76,163
-	-	-	-	2,160	-	-	129,895
-	-	-	-	-	-	-	16,861
-	-	-	-	-	-	-	206
<u>17,165</u>	<u>-</u>	<u>7,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,965</u>
<u>60,101</u>	<u>3,694</u>	<u>37,333</u>	<u>56,730</u>	<u>2,160</u>	<u>-</u>	<u>-</u>	<u>304,820</u>
<u>1,490</u>	<u>-</u>	<u>-</u>	<u>(1,093)</u>	<u>16,564</u>	<u>-</u>	<u>-</u>	<u>299,237</u>
-	-	-	69,750	-	3,488	4,472	129,198
-	-	-	(61,752)	(26,888)	-	-	(366,472)
-	-	-	7,998	(26,888)	3,488	4,472	(237,274)
1,490	-	-	6,905	(10,324)	3,488	4,472	61,963
<u>(1,020)</u>	<u>-</u>	<u>-</u>	<u>(32)</u>	<u>1,206,665</u>	<u>-</u>	<u>-</u>	<u>2,771,710</u>
<u>\$ 470</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,873</u>	<u>\$ 1,196,341</u>	<u>\$ 3,488</u>	<u>\$ 4,472</u>	<u>\$2,833,673</u>

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS AS OF JUNE 30, 2014

	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	\$ -	\$ -	\$ 35,719	\$ 22,522	\$ 29,608	\$ 87,849
Receivables:						
Interest receivable	-	-	10	6	2	18
TOTAL ASSETS	\$ -	\$ -	\$ 35,729	\$ 22,528	\$ 29,610	\$ 87,867
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE						
LIABILITIES:						
Accounts payable	\$ 1,091	\$ -	\$ -	\$ -	\$ -	\$ 1,091
Due to other funds	2,770	-	-	-	-	2,770
TOTAL LIABILITIES	3,861	-	-	-	-	3,861
DEFERRED INFLOWS OF RESOURCES:						
Deposits received	8,575	-	-	-	-	8,575
TOTAL DEFERRED INFLOWS	8,575	-	-	-	-	8,575
FUND BALANCE:						
Restricted for:						
Road improvements and repairs	-	-	-	-	29,610	29,610
Parks and recreation	-	-	35,729	-	-	35,729
Public buildings	(12,436)	-	-	22,528	-	10,092
TOTAL FUND BALANCE	(12,436)	-	35,729	22,528	29,610	75,431
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$ -	\$ -	\$ 35,729	\$ 22,528	\$ 29,610	\$ 87,867

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, 2014

	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	\$ 56,746	\$ -	\$ -	\$ 41,833	\$ -	\$ 98,579
Use of money and property	-	6	47	26	-	79
TOTAL REVENUES	<u>56,746</u>	<u>6</u>	<u>47</u>	<u>41,859</u>	<u>-</u>	<u>98,658</u>
EXPENDITURES:						
Current:						
Streets and public works	106,082	-	-	30,912	13	137,007
Debt service:						
Interest and other charges	-	-	-	-	-	-
Capital outlay	-	-	-	13,754	-	13,754
TOTAL EXPENDITURES	<u>106,082</u>	<u>-</u>	<u>-</u>	<u>44,666</u>	<u>13</u>	<u>150,761</u>
EXCESS (DEFICIENCY) OF REV- ENUES OVER EXPENDITURES	(49,336)	6	47	(2,807)	(13)	(52,103)
OTHER FINANCING SOURCES:						
Transfers in	36,900	-	-	8,130	-	45,030
Transfers out	-	(6)	-	-	(14,730)	(14,736)
NET CHANGE IN FUND BALANCE	(12,436)	-	47	5,323	(14,743)	(21,809)
FUND BALANCE, JULY 1	-	-	35,682	17,205	44,353	97,240
FUND BALANCE, JUNE 30	<u>\$ (12,436)</u>	<u>\$ -</u>	<u>\$ 35,729</u>	<u>\$ 22,528</u>	<u>\$ 29,610</u>	<u>\$ 75,431</u>

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - AGENCY FUNDS AS OF JUNE 30, 2014

	<u>Levee Commission Fund</u>	<u>Mary Aaron Museum Fund</u>	<u>Parks and Recreation Fondation Fund</u>	<u>TOTALS</u>
ASSETS:				
Cash and investments	\$ 252,931	\$ 10,656	\$ -	\$ 263,587
Receivables:				
Interest receivable	-	-	-	-
Prepaid costs	5,686	-	-	5,686
Due from other governments	18,924	-	-	18,924
Due from other agencies	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 277,541</u>	<u>\$ 10,656</u>	<u>\$ -</u>	<u>\$ 288,197</u>
LIABILITIES:				
Accounts payable	\$ 35,994	\$ 353	\$ -	\$ 36,347
Accrued payroll liabilities	5,549	-	-	5,549
Due to other funds	-	-	-	-
Due to other agencies	235,998	10,303	-	246,301
	<u>235,998</u>	<u>10,303</u>	<u>-</u>	<u>246,301</u>
TOTAL LIABILITIES	<u>\$ 277,541</u>	<u>\$ 10,656</u>	<u>\$ -</u>	<u>\$ 288,197</u>

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - AGENCY FUNDS AS OF JUNE 30, 2014

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
<u>LEVEE COMMISSION FUND:</u>				
ASSETS:				
Cash and investments	\$ -	\$ 490,198	\$ (237,267)	\$ 252,931
Prepaid costs	6,199	5,686	(6,199)	5,686
Due from other governments	17,926	18,924	(17,926)	18,924
Due from other agencies	24,056	-	(24,056)	-
TOTAL ASSETS	\$ 48,181	\$ 514,808	\$ (285,448)	\$ 277,541
LIABILITIES:				
Accounts payable	\$ 3,479	\$ 331,964	\$ (299,449)	\$ 35,994
Accrued payroll liabilities	6,169	5,549	(6,169)	5,549
Interest payable	5,470	-	(5,470)	-
Due to other funds	33,063	-	(33,063)	-
Due to other agencies	-	235,998	-	235,998
	\$ 48,181	\$ 573,511	\$ (344,151)	\$ 277,541
<u>MARY AARON MUSEUM FUND:</u>				
ASSETS:				
Cash and investments	\$ 10,946	\$ 7,333	\$ (7,623)	\$ 10,656
Interest receivable	3	11	(14)	-
TOTAL ASSETS	\$ 10,949	\$ 7,344	\$ (7,637)	\$ 10,656
LIABILITIES:				
Accounts payable	\$ 5,352	\$ 6,100	\$ (11,099)	\$ 353
Due to other agencies	5,597	12,659	(7,953)	10,303
	\$ 10,949	\$ 18,759	\$ (19,052)	\$ 10,656
<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, 2014

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
<u>TOTAL AGENCY FUNDS</u>				
ASSETS:				
Cash and investments	\$ 12,657	\$ 497,531	\$ (244,890)	\$ 265,298
Receivables:				
Interest receivable	3	11	(14)	-
Prepaid costs	6,199	5,686	(6,199)	5,686
Due from other governments	17,926	18,924	(17,926)	18,924
Due from other agencies	24,056	-	(24,056)	-
TOTAL ASSETS	\$ 60,841	\$ 522,152	\$ (293,085)	\$ 289,908
LIABILITIES:				
Accounts payable	\$ 8,831	\$ 338,064	\$ (310,548)	\$ 36,347
Accrued payroll liabilities	6,169	5,549	(6,169)	5,549
Interest payable	5,470	-	(5,470)	-
Due to other funds	33,063	-	(33,063)	-
Due to other agencies	7,308	248,657	(7,953)	248,012
	\$ 60,841	\$ 592,270	\$ (363,203)	\$ 289,908

OTHER REPORTS



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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, 2014, which collectively comprise the City of Marysville, California's basic financial statements and have issued our report thereon dated November 17, 2014.

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.

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

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*.

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 17, 2014

CITY OF MARYSVILLE, CALIFORNIA

STATUS OF PRIOR YEAR'S FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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:

<u>Description</u>	<u>Amount</u>
<u>BONDED DEBT:</u>	
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
<u>CAPITAL ASSETS:</u>	
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.

Current Year's Status:

Bonded debt activity was properly reconciled and recorded for the fiscal year ended June 30, 2014.

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