

**CITY OF MARYSVILLE, CALIFORNIA**

Audited Financial Statements and Supplemental Information

June 30, 2023

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CITY OF MARYSVILLE, CALIFORNIA

Audited Financial Statements and Supplemental Information

June 30, 2023

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
Marysville, California

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marysville, California as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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

To the City Council  
City of Marysville, California

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison for the General Fund, Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical 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

To the City Council  
City of Marysville, California

opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Richardson & Company, LLP*

March 18, 2024

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# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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This section of the City of Marysville's Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year that ended June 30, 2023. 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 City of Marysville's assets exceeded liabilities by \$36.70 million (net position), an increase of \$2.60 million from the balance of \$34.10 million reported in the prior fiscal year. The City has an unrestricted deficit of \$4.91 million, \$6.30 million restricted for specific purposes such as loan programs, street projects, and other community development, and \$35.32 million in net investment in capital assets.
- The City's change in net position for the current year was an increase of \$2.60 million.
- The General Fund has a fund surplus of \$10.13 million as of June 30, 2023.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of this report consists of six parts:

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

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

#### *GOVERNMENT-WIDE FINANCIAL STATEMENTS:*

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

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

The Statement of Activities (page 17) shows how the government-wide 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 government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue – "governmental activities" from other functions intended to recover all or a significant portion of their costs through user's fees – "business-type activities." The government activities of the City of Marysville include general government, public safety, streets, public works, and parks. The business-type activity of the City is the wastewater system.

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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### *FUND FINANCIAL STATEMENTS*

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

- Governmental Funds
- Proprietary Funds; and
- Fiduciary Funds.

Governmental Funds account for the 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 and balances of spendable resources available at the end of the fiscal year. This information may help evaluate a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, comparing the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements is beneficial. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. The governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Marysville maintains several individual government funds organized according to their type (special revenue, capital projects, etc.). The fund financial statements provide detailed information about each of the City’s most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the details of these non-major funds. Major funds present the major activities of the City for the year and may change from year to year due to changes in the pattern or the City’s activities. Information is presented separately in the governmental fund's balance sheet and in the governmental fund's statements of revenues expenditures and changes in fund balances for the following major fund (found starting on page 18):

- General Fund

Data from the remaining non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for these non-major governmental funds is provided as “combining statements,” starting on page 62.

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

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

# **CITY OF MARYSVILLE, CALIFORNIA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

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

### *NOTES TO FINANCIAL STATEMENTS*

The notes provide additional information essential to fully understanding the data provided in the government-wide and fund financial statements. The Notes on the Financial Statements can be found on pages 27-58 of this report.

### *COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES*

This section of the report includes additional detailed information about Non-Major Governmental, Proprietary and Fiduciary Funds and can be found beginning on page 62.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The fiscal year ended June 30, 2023, is the nineteenth 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*. This report includes a comparative analysis of government-wide data.

### *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 be a valuable indicator of a government's financial position. For the City, assets exceeded liabilities by \$36.70 million. The City reported positive balances in the investment in capital assets and restricted categories of net position in both the governmental and business-type activities. The unrestricted net position was deficits in government and positive for business-type activities.

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The Summary of Net Position is as follows:

**TABLE 1**  
**SUMMARY OF NET POSITION**  
**AS OF JUNE 30**

	Governmental Activities		Business-type Activities		TOTALS	
	2023	2022	2023	2022	2023	2022
<b>ASSETS:</b>						
Current and Other asset	\$ 18,055,932	\$ 24,342,305	\$ 7,352,877	\$ 6,333,644	\$ 25,408,809	\$ 30,675,949
Capital Assets, Net	24,243,673	21,838,793	34,531,891	30,862,989	58,775,564	52,701,782
<b>TOTAL ASSETS</b>	<b>\$ 42,299,605</b>	<b>\$ 46,181,098</b>	<b>\$ 41,884,768</b>	<b>\$ 37,196,633</b>	<b>\$ 84,184,373</b>	<b>\$ 83,377,731</b>
<b>DEFERRED OUTFLOWS</b>						
<b>OF RESOURCES</b>	<b>\$ 6,780,580</b>	<b>\$ 6,511,415</b>	<b>\$ 841,438</b>	<b>\$ 850,274</b>	<b>\$ 7,622,018</b>	<b>\$ 7,361,689</b>
<b>LIABILITIES:</b>						
Liabilities due						
after one year	24,655,979	22,728,806	16,618,982	17,060,463	41,274,961	39,789,269
Current Liabilities	4,977,313	5,188,649	1,934,537	1,014,819	6,911,850	6,203,468
<b>TOTAL LIABILITIES</b>	<b>\$ 29,633,292</b>	<b>\$ 27,917,455</b>	<b>\$ 18,553,519</b>	<b>\$ 18,075,282</b>	<b>\$ 48,186,811</b>	<b>\$ 45,992,737</b>
<b>DEFERRED INFLOWS</b>						
<b>OF RESOURCES</b>	<b>\$ 6,594,820</b>	<b>\$ 10,117,552</b>	<b>\$ 325,255</b>	<b>\$ 534,129</b>	<b>\$ 6,920,075</b>	<b>\$ 10,651,681</b>
<b>NET POSITION:</b>						
Investment in						
Capital assets	14,907,412	12,744,839	20,410,794	16,246,592	35,318,206	28,991,431
Restricted	3,376,705	3,295,932	2,918,999	2,993,619	6,295,704	6,289,551
Unrestricted	(5,432,044)	(1,383,265)	517,639	197,285	(4,914,405)	(1,185,980)
<b>TOTAL NET POSITION</b>	<b>\$ 12,852,073</b>	<b>\$ 14,657,506</b>	<b>\$ 23,847,432</b>	<b>\$ 19,437,496</b>	<b>\$ 36,699,505</b>	<b>\$ 34,095,002</b>

- Total Net Position increased by \$2.60 million from 2022 to 2023.
- \$35.32 million (96.24% of Total Net Position) investment in capital assets (e.g., land, buildings, other improvements, construction in progress, and equipment), less any outstanding related debt used to acquire these assets. The City uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.
- \$6.30 million (17.15% of Total Net Position) in restricted net position are earmarked and represent resources subject to external restrictions on how they may be used. The increase in this figure from 2022 to 2023 can be found in the Restricted Net position in the Governmental Activities.
- The remaining unrestricted deficit is \$4.91 million.

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

### CHANGES IN NET POSITION

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

**TABLE 2**  
**CHANGE IN NET POSITION**  
**AS OF JUNE 30**

	Governmental Activities		Business-type Activities		TOTALS	
	2023	2022	2023	2022	2023	2022
<b>PROGRAM REVENUES:</b>						
Charges for Services	\$1,680,331	\$1,751,517	\$4,222,858	\$4,115,297	\$5,903,189	\$5,866,814
Operating Grants and Contributions	3,503,396	2,709,334	-	-	3,503,396	2,709,334
Capital Grants and Contributions	706,162	2,860,764	3,917,545	394,491	4,623,707	3,255,255
<b>GENERAL REVENUES:</b>						
Sales and Use Taxes	6,360,492	6,868,032	-	-	6,360,492	6,868,032
Property Taxes	1,846,903	1,568,069	-	-	1,846,903	1,568,069
Transient Occupancy Tax	95,392	215,493	-	-	95,392	215,493
Franchise Fees	644,078	617,470	-	-	644,078	617,470
Gas Taxes	372,143	341,951	-	-	372,143	341,951
Other Taxes	800,837	816,562	-	-	800,837	816,562
Motor Vehicle In-Lieu	1,307,298	1,078,341	-	-	1,307,298	1,078,341
Investment Income	232,548	(60,125)	119,316	(14,412)	351,864	(74,537)
Rental Income	220,506	186,699	-	-	220,506	186,699
Miscellaneous Revenues	129,774	114,749	33,207	16,676	162,981	131,425
Gain(Loss) on Sale of Fixed Assets	(20,212)	(12,612)	-	-	(20,212)	(12,612)
Transfers	73,093	(878,288)	(73,093)	878,288	-	-
<b>TOTAL REVENUES</b>	<b>\$17,952,741</b>	<b>\$18,177,956</b>	<b>\$8,219,833</b>	<b>\$5,390,340</b>	<b>\$26,172,574</b>	<b>\$23,568,296</b>
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>TOTALS</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>EXPENSES:</b>						
Governmental Activities:						
General Government	\$ 5,155,246	\$ (1,556,423)	\$ -	\$ -	\$ 5,155,246	\$ (1,556,423)
Public Safety	11,180,552	(3,318,720)	-	-	11,180,552	(3,318,720)
Streets and Public Works	1,725,204	1,341,551	-	-	1,725,204	1,341,551
Parks and Recreation	835,970	899,171	-	-	835,970	899,171
Interest on Long-Term Debt	861,202	903,427	-	-	861,202	903,427
Business-Type Activities						
Wastewater	-	-	3,374,825	1,718,846	3,374,825	1,718,846
Interest on Long-Term Debt	-	-	435,072	1,135,021	435,072	1,135,021
<b>TOTAL EXPENSES</b>	<b>19,758,174</b>	<b>(1,730,994)</b>	<b>3,809,897</b>	<b>2,853,867</b>	<b>23,568,071</b>	<b>1,122,873</b>
<b>CHANGE IN NET POSITION</b>	<b>(1,805,433)</b>	<b>19,908,950</b>	<b>4,409,936</b>	<b>2,536,473</b>	<b>2,604,503</b>	<b>22,445,423</b>
NET POSITION, JULY 1:	14,657,506	(5,251,444)	19,437,496	16,901,023	34,095,002	11,649,579
<b>NET POSITION, JUNE 30</b>	<b>\$ 12,852,073</b>	<b>\$ 14,657,506</b>	<b>\$ 23,847,432</b>	<b>\$ 19,437,496</b>	<b>\$ 36,699,505</b>	<b>\$ 34,095,002</b>

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Governmental Activities decreased the City's net position by \$1.81 million, and Business-type Activities increased the City's net position by \$4.41 million, respectively.

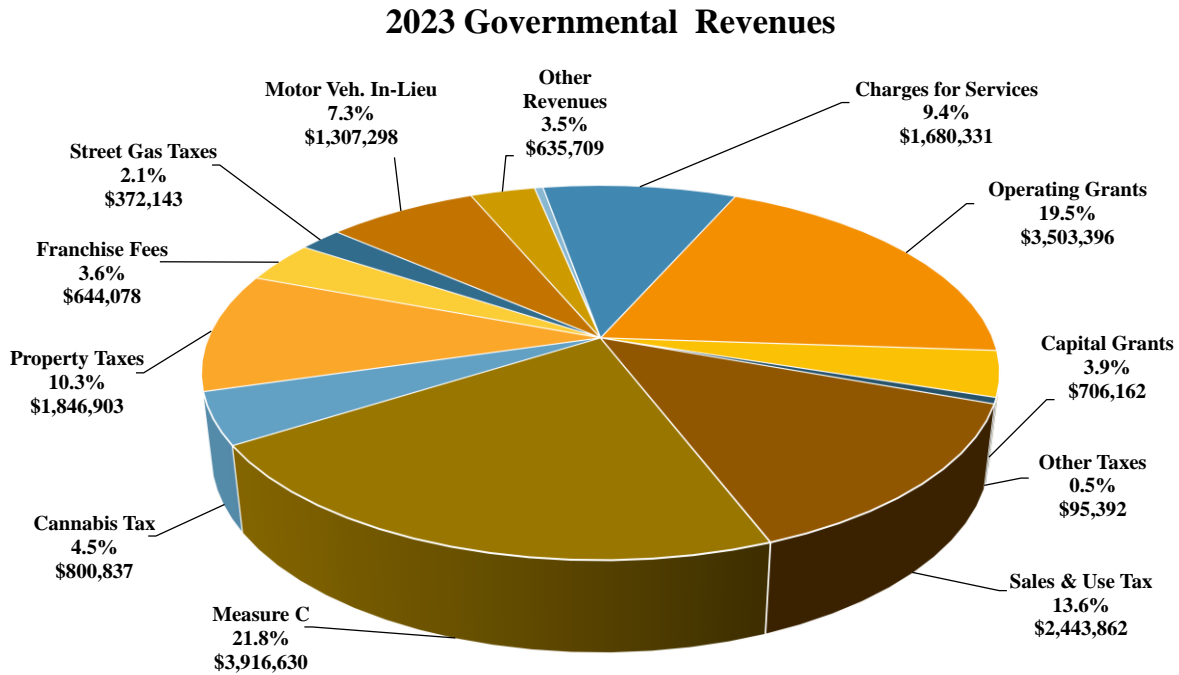
### REVENUES

For the year ended June 30, 2023, total revenues for governmental activities were \$17.95 million, and business-type activity revenues were \$8.22 million. This represented a total increase of \$2.60 million from 2022. This revenue increase was attributed primarily to an increase in operating and capital grants of \$2.20 million and an increase in interest income of \$0.43 million from the prior year.

Program revenues include charges for services, grants, and contributions. Program revenues provided \$5.89 million (32.81% of total revenues) for governmental activities and approximately \$8.14 million for business-type activities.

General revenues include taxes, assessments, and intergovernmental revenues. They provided \$12.06 million (67.19% of total revenues). Most general revenues came from property, sales, and use taxes.

The fiscal year ended June 30, 2023; revenues are reflected graphically as follows:

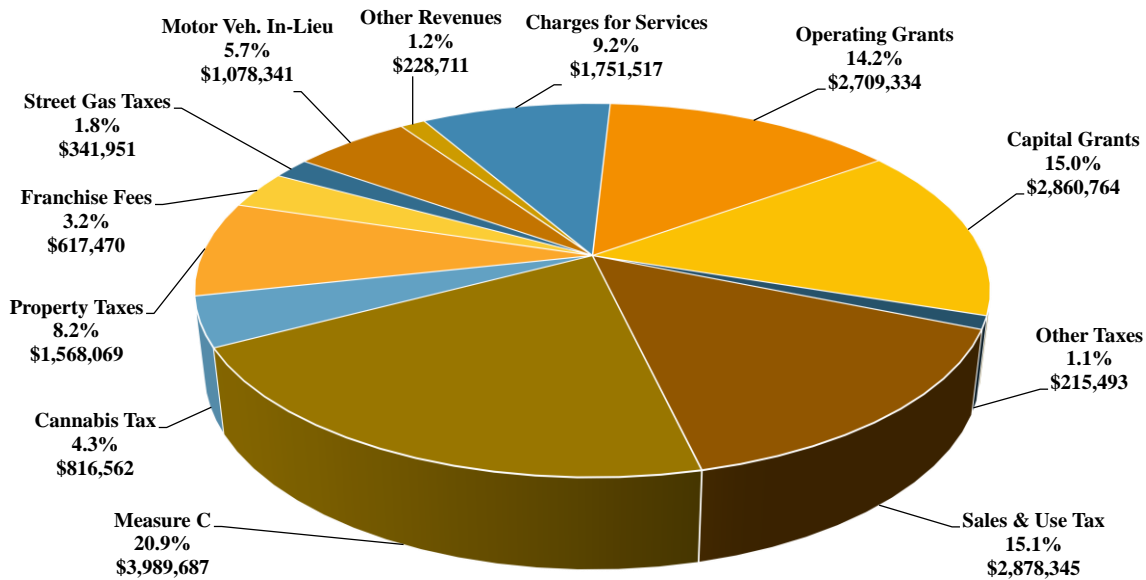


# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

### 2022 Governmental Revenues



### EXPENSES

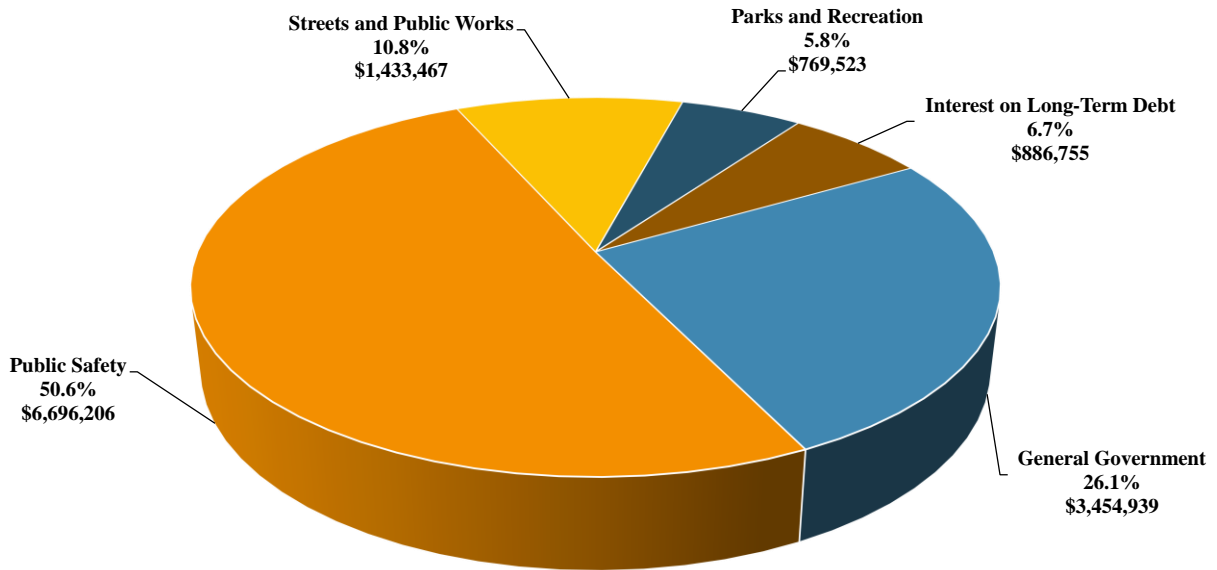
Expenses for the City totaled \$23.57 million, which included \$6.52 million in GASB 34 pension and depreciations adjustments. Without this adjustment, governmental activities incurred \$13.24 million in expenses, as reflected in the chart on the next page, and business-type activities incurred \$3.81 million in expenses during the year. Governmental activities expenses were 44.48% funded by program revenues, fees, grants, and contributions. The remainder of the funding came from general revenues. On the other hand, business-type activities expenses were 100% funded by program revenues, except interest and investment earnings.

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

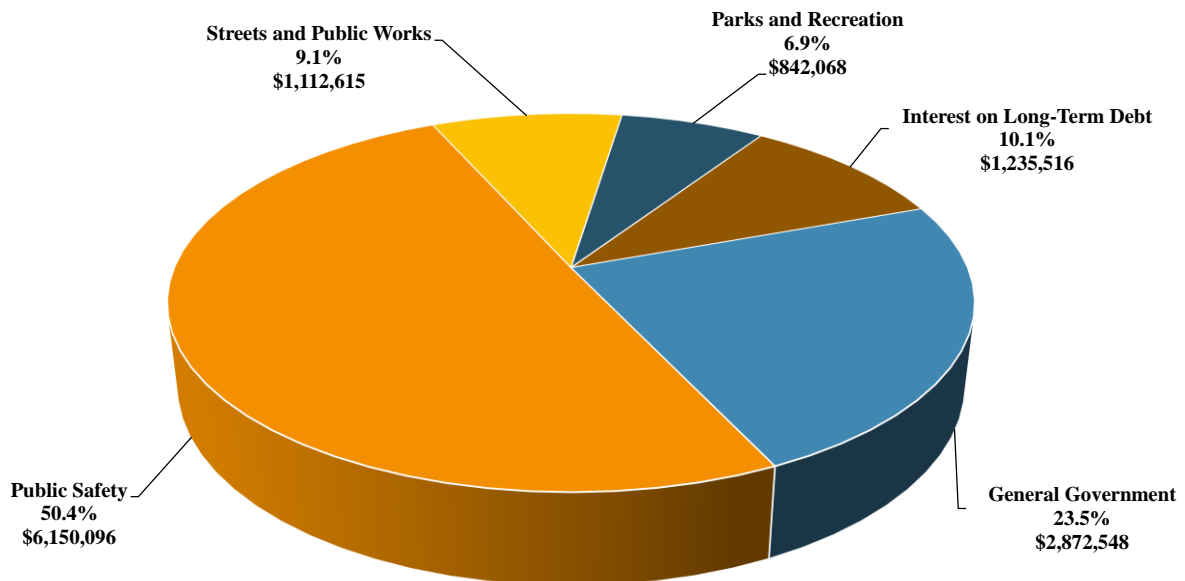
The fiscal year ended June 30, 2023; expenditures are reflected graphically as follows:

### 2023 Governmental Expenditures (excluding pension adjustment)



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

### 2022 Governmental Expenditures (excluding pension adjustment)





# **CITY OF MARYSVILLE, CALIFORNIA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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### **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 available to provide services and capital project construction. Unreserved fund balance may be a valuable measure of a government's net spendable resources.

At the end of FY 2022-23, the City's governmental funds reported a combined fund balance of \$13.47 million. The City has an unassigned fund balance of \$10.10 million. The remainder of the governmental ending fund balance of \$3.37 million is non-spendable, committed, or restricted. 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 information found in the government-wide financial statements but in more detail.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

General Fund revenue was \$506,642 lower than the amended budget estimate during the fiscal year. This was primarily due to budgeted grant funded projects not completed and reimbursed in the fiscal year. Two other noteworthy items were a decrease in sales and use tax due to a slight slowdown in the economy that was largely offset by an increase in property taxes and motor vehicle in lieu tax.

The General Fund expense budget was \$795,496 lower than the amended budget estimate, primarily due to several capital projects in progress that completion dates were extended into FY 2023-24.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### *CAPITAL ASSETS*

The City's investment in capital assets, net of depreciation, as of June 30, 2023, totaled \$58.78 million and consists of the coverage:

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Capital assets, not being depreciated:						
Intangible Asset - Right to Capacity \$	-	-	\$ 12,300,000	\$ 12,300,000	\$ 12,300,000	\$ 12,300,000
Construction in Progress	1,658,531	3,016,231	4,529,148	667,192	6,187,679	3,683,423
Land	6,057,051	6,057,051	-	-	6,057,051	6,057,051
Depreciable capital assets, net:						
Sewer Plant	-	-	17,123,317	17,505,854	17,123,317	17,505,854
Infrastructure	9,582,252	6,179,986	-	-	9,582,252	6,179,986
Buildings	2,516,342	2,312,385	13,819	16,449	2,530,161	2,328,834
Machinery and Equipment	1,112,614	1,180,103	179,732	124,080	1,292,346	1,304,183
Vehicles	3,316,883	3,093,037	191,464	36,151	3,508,347	3,129,188
Equipment Under Capital Lease	-	-	194,411	213,263	194,411	213,263
<b>TOTAL</b>	<b>\$ 24,243,673</b>	<b>\$ 21,838,793</b>	<b>\$ 34,531,891</b>	<b>\$ 30,862,989</b>	<b>\$ 58,775,564</b>	<b>\$ 52,701,782</b>

This investment in capital assets includes land, buildings, improvements other than buildings, and equipment. The City's investment in capital assets had a net increase from FY 2021-22 of \$6.07 million. The increase principally resulted from the current fiscal year's construction in progress in business-type activities of \$3.93 million for the wastewater treatment plant pond closure project and the completion of the 5<sup>th</sup> Street improvement project increasing infrastructure in governmental activities. Infrastructure acquired before FY 2003-04 has not been recorded. The City is not required to record those infrastructure costs expended in those previous fiscal years.

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

### *DEBT ADMINISTRATION*

At the end of FY 2022-23, the City of Marysville had long-term liabilities of \$25.97 million and \$17.18 million for governmental activities and business-type activities, respectively. Additional information about the City's long-term obligations can be found in Note G in the Notes to Basic Financial Statements.

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Pension Obligation Bond	\$ 13,280,000	\$ 13,760,000	\$ -	\$ -	\$ 13,280,000	\$ 13,760,000
BBT Lease 2019	5,823,000	6,153,000	-	-	5,823,000	6,153,000
Cert of Participation, 2017 Series A	1,024,778	1,027,762	-	-	1,024,778	1,027,762
PNC Equipment Lease 2020	770,931	832,569	-	-	770,931	832,569
Digital Encryption Lease	632,109	-	-	-	632,109	-
FNB Wildland Engine Lease	473,493	525,696	-	-	473,493	525,696
GM Tahoe Lease 2023	319,466	-	-	-	319,466	-
Cert of Participation, 2017 Series B	162,069	168,302	-	-	162,069	168,302
Enterprise Lease May 2018	65,361	109,981	-	-	65,361	109,981
Ford Lease 2020	29,122	56,529	-	-	29,122	56,529
GM Tahoe Lease 2020	25,962	38,100	-	-	25,962	38,100
GM Silverado Lease 2020	9,970	19,514	-	-	9,970	19,514
Ford Lease 2019	-	10,377	-	-	-	10,377
GM Silverado Lease 2020	-	9,962	-	-	-	9,962
GM Colorado Lease 2020	-	7,251	-	-	-	7,251
Compensated Absences	451,426	397,495	8,478	5,458	459,904	402,953
Net Pension Liability	2,268,655	-	137,187	-	2,405,842	-
OPEB Liability	13,392	16,122	-	-	13,392	16,122
Enterprise Lease May 2018	-	-	21,807	36,816	21,807	36,816
Sewer Revenue Bonds, 2021 Series A	-	-	12,145,000	12,560,000	12,145,000	12,560,000
Sewer Revenue Bonds, 2021 Series B	-	-	4,505,000	4,630,000	4,505,000	4,630,000
Add: Unamortized Bond Premium	621,267	650,504	367,232	383,199	988,499	1,033,703
<b>TOTAL</b>	<b>\$ 25,971,001</b>	<b>\$ 23,783,164</b>	<b>\$ 17,184,704</b>	<b>\$ 17,615,473</b>	<b>\$ 43,155,705</b>	<b>\$ 41,398,637</b>

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

The City's General Fund reserves have continued to increase, with a fund balance as of June 30, 2023, of \$10,133,774 compared to the prior year at \$8,953,182, an increase of \$1,180,592. The reserve balance comprises one-time revenue of \$2,492,461 from remaining ARPA funds and onetime sales of City property and \$7,149,202 from ongoing funds.

The property assessed valuations decreased slightly from 5.23% in FY 2020-21 to 4.77% in FY 2021-22, with an increase of 6.94% in FY 2022-23. This overall increase over the three years indicates that property values continue to slow slightly but are still strong, as reflected in the City's overall economy.

The voters passed Measure C in June 2016, which called for a 1% transaction and use tax, which took effect on October 1, 2016. The sales tax was estimated to be between \$1.60 million and \$1.70 million each full fiscal year for ten years. Actual Measure C revenue received in FY 2022-23 was \$3,916,630. This new revenue source has helped rebuild deteriorated infrastructure, fund public safety, offset debt service payments, increase financial reserve funds to above the 20% Council approved minimum, and help rebuild services in all areas of City services provided to the residents.

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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The voters passed Measure F in November 2016, which called for a cannabis business tax on medical marijuana dispensaries. Measure F had the potential to generate approximately \$650,000 a year for the General Fund, which would help pay for general City services. With the addition of adult-use sales, the City generated \$800,837 in FY 2022-23.

The City has or will be awarded approximately \$11.46 million in grant funds in FY 2022-23 and FY 2023-24 to be used for street improvements, public safety personnel and equipment, specific and zoning plans, park improvements, and the decommissioning of the wastewater treatment plant sewer ponds which will be completed by the end of FY 2023-24. The City will continue aggressively pursuing grant funding to offset personnel costs and for much-needed projects.

Moody's Investor Service currently lists the City's credit rating with a stable outlook based on our financial rebuilding strategy, which has increased fund balance reserves. The stability in the City's credit rating also signals that the financial markets have confidence in the City's policies and continued improved financial future.

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

### **REQUESTS FOR INFORMATION**

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



## **BASIC FINANCIAL STATEMENTS**

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CITY OF MARYSVILLE, CALIFORNIA

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 12,014,440	\$ 3,157,266	\$ 15,171,706
Accounts receivable	494,106	294,380	788,486
Interest receivable	57,713	13,710	71,423
Loans receivable	2,351,496		2,351,496
Leases receivable, current	133,999		133,999
Due from other governments	2,220,289	968,522	3,188,811
Restricted cash	2	2,918,999	2,919,001
Total current assets	<u>17,272,045</u>	<u>7,352,877</u>	<u>24,624,922</u>
Noncurrent assets:			
Leases receivable, noncurrent	783,887		783,887
Capital assets, net of accumulated depreciation			
Non-depreciable	7,715,582	16,829,148	24,544,730
Depreciable	16,528,091	17,702,743	34,230,834
Total capital assets, net of accumulated depreciation	<u>24,243,673</u>	<u>34,531,891</u>	<u>58,775,564</u>
Total noncurrent assets	<u>25,027,560</u>	<u>34,531,891</u>	<u>59,559,451</u>
Total assets	<u>42,299,605</u>	<u>41,884,768</u>	<u>84,184,373</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding		326,633	326,633
Pension	6,780,580	514,805	7,295,385
Total deferred outflows of resources	<u>6,780,580</u>	<u>841,438</u>	<u>7,622,018</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	689,165	1,211,955	1,901,120
Salaries and benefits payable	590,404	11,281	601,685
Deposits and other payables	142,813		142,813
Interest payable	93,984	145,579	239,563
Deferred revenue	2,145,925		2,145,925
Long-term debt, due within one year	1,315,022	565,722	1,880,744
Total current liabilities	<u>4,977,313</u>	<u>1,934,537</u>	<u>6,911,850</u>
Long-term liabilities:			
Long-term debt, due after one year	21,922,506	16,473,317	38,395,823
Long-term compensated absences	451,426	8,478	459,904
Net pension liability	2,268,655	137,187	2,405,842
Other post employment benefits payable	13,392		13,392
Total long-term liabilities	<u>24,655,979</u>	<u>16,618,982</u>	<u>41,274,961</u>
Total liabilities	<u>29,633,292</u>	<u>18,553,519</u>	<u>48,186,811</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Leases	893,954		893,954
Pension	5,700,866	325,255	6,026,121
Total deferred inflows of resources	<u>6,594,820</u>	<u>325,255</u>	<u>6,920,075</u>
<b>NET POSITION</b>			
Net investment in capital assets	14,907,412	20,410,794	35,318,206
Restricted net position	3,376,705	2,918,999	6,295,704
Unrestricted net position	<u>(5,432,044)</u>	<u>517,639</u>	<u>(4,914,405)</u>
Total net position	<u>\$ 12,852,073</u>	<u>\$ 23,847,432</u>	<u>\$ 36,699,505</u>

The accompanying notes are an integral part of these financial statements

CITY OF MARYSVILLE, CALIFORNIA

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

	Program Revenues			Governmental Activities	Business-type Activities	Total
	Expenses	Charges for Services	Operating Grants and Contributions			
<b>Governmental Activities:</b>						
General government	\$ 5,155,246	\$ 982,485	\$ 1,009,131	\$ (3,163,630)		\$ (3,163,630)
Public safety	11,180,552	245,053	1,647,627	\$ 316,129	(8,971,743)	(8,971,743)
Streets and public works	1,725,204	332,860	846,638	351,763	(193,943)	(193,943)
Parks and recreation	835,970	119,933		38,270	(677,767)	(677,767)
Interest on long-term debt and issuance	861,202			(861,202)		(861,202)
<b>Total governmental activities</b>	<b>19,758,174</b>	<b>1,680,331</b>	<b>3,503,396</b>	<b>706,162</b>	<b>(13,868,285)</b>	<b>(13,868,285)</b>
<b>Business-type activities:</b>						
Wastewater	3,374,825	4,222,858		3,917,545	\$ 4,765,578	4,765,578
Interest on long-term debt	435,072				(435,072)	(435,072)
<b>Total business-type activities</b>	<b>3,809,897</b>	<b>4,222,858</b>		<b>3,917,545</b>	<b>4,330,506</b>	<b>4,330,506</b>
<b>Total government</b>	<b>\$ 23,568,071</b>	<b>\$ 5,903,189</b>	<b>\$ 3,503,396</b>	<b>\$ 4,623,707</b>	<b>(13,868,285)</b>	<b>4,330,506</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Sales and use taxes				6,360,492		6,360,492
Property taxes				1,846,903		1,846,903
Transient occupancy tax				95,392		95,392
Franchise fees				644,078		644,078
Gas taxes				372,143		372,143
Other taxes				800,837		800,837
Motor vehicle in-lieu				1,307,298		1,307,298
Investment income				232,548	119,316	351,864
Rental income				220,506		220,506
Miscellaneous revenues				129,774	33,207	162,981
Loss on sale of fixed assets				(20,212)		(20,212)
<b>Transfers:</b>						
Transfers				73,093	(73,093)	
<b>Total general revenues</b>				<b>12,062,852</b>	<b>79,430</b>	<b>12,142,282</b>
Changes in net position				(1,805,433)	4,409,936	2,604,503
Net position, beginning of year				14,657,506	19,437,496	34,095,002
Net position, end of year				<b>\$12,852,073</b>	<b>\$23,847,432</b>	<b>\$36,699,505</b>

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



CITY OF MARYSVILLE, CALIFORNIA

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2023

	General Fund	Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and investments	\$ 11,039,125	\$ 975,315	\$ 12,014,440
Accounts receivable, net	459,930	34,176	494,106
Interest receivable	52,909	4,804	57,713
Loans receivable	2,829	2,348,667	2,351,496
Leases receivable	917,886		917,886
Due from other governments	1,911,683	308,606	2,220,289
Due from other funds	34,435		34,435
Restricted cash	2		2
	<u>2</u>		<u>2</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 14,418,799</u></u>	<u><u>\$ 3,671,568</u></u>	<u><u>\$ 18,090,367</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 545,083	\$ 144,082	\$ 689,165
Accrued payroll liabilities	557,250	33,154	590,404
Deposits and other payables	142,813		142,813
Due to other funds		34,435	34,435
Deferred revenue	2,145,925		2,145,925
Total liabilities	<u>3,391,071</u>	<u>211,671</u>	<u>3,602,742</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue		118,865	118,865
Leases	893,954		893,954
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>893,954</u>	<u>118,865</u>	<u>1,012,819</u>
<b>Fund balances:</b>			
Nonspendable	2,829	2,348,667	2,351,496
Restricted	2	1,028,036	1,028,038
Unassigned	10,130,943	(35,671)	10,095,272
<b>TOTAL FUND BALANCE</b>	<u>10,133,774</u>	<u>3,341,032</u>	<u>13,474,806</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<u><u>\$ 14,418,799</u></u>	<u><u>\$ 3,671,568</u></u>	<u><u>\$ 18,090,367</u></u>

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

CITY OF MARYSVILLE, CALIFORNIA

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

June 30, 2023

Total Governmental Fund Balances	\$ 13,474,806
Amounts reported for governmental activities in the statement of net position are different because:	
Pension contributions subsequent to the valuation measurement date and other items will reduce the pension liability in the future and are reported as deferred outflows of resources on the statement of net position.	6,780,580
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,243,673
Certain receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds	118,865
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	
Long-term debt	(23,237,528)
Compensated absences	(451,426)
OPEB payable	(13,392)
Net pension liability	(2,268,655)
Employee pension differences to be recognized in the future as pension expense are reported as deferred inflows of resources on the statement of net position.	(5,700,866)
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>(93,984)</u>
Net Position of Governmental Activities	<u><u>\$ 12,852,073</u></u>

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

CITY OF MARYSVILLE, CALIFORNIA

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

For the Year Ended June 30, 2023

	General Fund	Nonmajor Governmental Funds	Totals
<b>REVENUES:</b>			
Taxes and assessments	\$ 2,743,132		\$ 2,743,132
Sales and use taxes	6,360,492		6,360,492
Motor vehicle in lieu tax	1,307,298		1,307,298
Franchise tax	644,078		644,078
Licenses, permits and fees	982,152		982,152
Intergovernmental revenues	2,268,105	\$ 1,246,220	3,514,325
Reimbursements	660,671	132,034	792,705
Charges for services	631,680	294,346	926,026
Use of money and property	457,359	17,938	475,297
Program income		35,074	35,074
Other revenues	145,077		145,077
Insurance proceeds	115,365		115,365
Total revenues	<u>16,315,409</u>	<u>1,725,612</u>	<u>18,041,021</u>
<b>EXPENDITURES:</b>			
Current:			
General government	3,251,384	203,554	3,454,938
Public safety	6,391,895	304,311	6,696,206
Streets and public works	886,343	547,124	1,433,467
Parks and recreation	769,523		769,523
Debt Service:			
Principal retirement	1,799,190	148,392	1,947,582
Interest and fiscal charges	841,892	44,863	886,755
Capital outlay	1,142,384	2,299,304	3,441,688
Total expenditures	<u>15,082,611</u>	<u>3,547,548</u>	<u>18,630,159</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,232,798</u>	<u>(1,821,936)</u>	<u>(589,138)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of long-term debt	413,236	1,431,564	1,844,800
Transfers in	221,852	993,430	1,215,282
Transfers out	(687,294)	(454,895)	(1,142,189)
Total other financing sources (uses)	<u>(52,206)</u>	<u>1,970,099</u>	<u>1,917,893</u>
Excess of revenues and other sources over expenditures and other uses	1,180,592	148,163	1,328,755
Fund balance - beginning of year	<u>8,953,182</u>	<u>3,192,869</u>	<u>12,146,051</u>
Fund balance - end of year	<u>\$ 10,133,774</u>	<u>\$ 3,341,032</u>	<u>\$ 13,474,806</u>

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

CITY OF MARYSVILLE, CALIFORNIA

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

For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 1,328,755
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	
Capital outlay	3,441,688
Depreciation expense	(1,016,596)
Governmental funds report proceeds from disposal of capital assets as revenues. However, in the government-wide statement of activities, only the gain or (loss) on the sale of capital assets is reported. This is the difference between the gain or (loss) and proceeds.	
Loss on sale of capital assets	(20,212)
Some receivables are deferred in the governmental funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the statement of activities. Deferred receivables in the governmental funds are recognized once received in the subsequent period, but will not be accrued again in the statement of activities.	
Deferred revenue recognized	(141,161)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-wide Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These are the amounts by which proceeds exceeded repayments.	
Principal repayment	1,947,582
Amortization of premium	29,236
Issuance of debt	(1,844,800)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not expenditures in the governmental funds.	
Change in other post employment benefits payable	2,730
Change in long-term interest payable	(3,683)
Change in pension liability	(5,475,041)
Change in compensated absences	(53,931)
Change in Net Position of Governmental Activities	<u>\$ (1,805,433)</u>

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

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

June 30, 2023

ASSETS:

Current Assets:

Cash and investments	\$ 3,157,266
Accounts receivable, net	294,380
Interest receivable	13,710
Due from other governments	968,522
Restricted cash	<u>2,918,999</u>
Total current assets	<u>7,352,877</u>

Noncurrent Assets:

Capital assets:

Nondepreciable	16,829,148
Depreciable	<u>17,702,743</u>
Total capital assets, net of accumulated depreciation	<u>34,531,891</u>

Total assets	<u>41,884,768</u>
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DEFERRED OUTFLOWS OF RESOURCES:

Deferred loss on refunding	326,633
Deferred outflows related to pensions	<u>514,805</u>
Total deferred outflows of resources	<u>841,438</u>

LIABILITIES:

Current Liabilities:

Accounts payable	1,211,955
Salaries and benefits payable	11,281
Interest payable	145,579
Long-term debt, due within one year	<u>565,722</u>
Total current liabilities	<u>1,934,537</u>

Long-term Liabilities:

Long-term debt, due after one year, net	16,473,317
Net pension liability	137,187
Long-term compensated absences	8,478
Total long-term liabilities	<u>16,618,982</u>
Total liabilities	<u>18,553,519</u>

DEFERRED INFLOWS OF RESOURCES:

Deferred inflows related to pensions	<u>325,255</u>
--------------------------------------	----------------

NET POSITION:

Invested in capital assets, net of related debt	20,410,794
Restricted for capital projects	2,918,999
Unrestricted	<u>517,639</u>
Total net position	<u>\$ 23,847,432</u>

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

CITY OF MARYSVILLE, CALIFORNIA

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

For the Year Ended June 30, 2023

Operating revenues:	
Service charges	\$ 4,222,858
Other revenues	33,207
Total operating revenues	<u>4,256,065</u>
Operating expenses:	
Salaries and related expenses	802,385
Operations and maintenance	1,945,727
Other operating expense	
Depreciation and amortization expense	626,713
Total operating expenses	<u>3,374,825</u>
Income from operations	<u>881,240</u>
Non-operating revenues (expenses):	
Intergovernmental revenue	3,917,545
Interest income	119,316
Interest expense	(435,072)
Total nonoperating expenses	<u>3,601,789</u>
Income before transfers	4,483,029
Other financing uses:	
Transfers in	(73,093)
Total other financing uses	<u>(73,093)</u>
Change in net position	4,409,936
Net position, beginning of year	<u>19,437,496</u>
Net position, end of year	<u><u>\$ 23,847,432</u></u>

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

CITY OF MARYSVILLE, CALIFORNIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - WASTEWATER FUND  
For the Year Ended June 30, 2023

Cash Flows from Operating Activities	
Cash received from customers	\$ 4,234,524
Cash paid to suppliers	(1,080,086)
Cash paid to employees and related benefits	(973,177)
Cash provided by operating activities	<u>2,181,261</u>
Cash Flows from Noncapital Financing Activities	
Debt principal paid	(505,000)
Grant proceeds received	3,917,545
Transfers	(73,093)
Cash provided by noncapital financing activities	<u>3,339,452</u>
Cash Flows from Capital and Related Financing Activities	
Capital expenditures	(4,295,615)
Capital debt principal paid	(50,008)
Interest paid	(423,361)
Cash used for capital and related financing activities	<u>(4,768,984)</u>
Cash Flows from Investing Activities	
Interest received	<u>136,935</u>
Cash provided by investing activities	<u>136,935</u>
Increase in cash and cash equivalents	888,664
Cash and cash equivalents, beginning of year	<u>5,187,601</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,076,265</u></u>
Reconciliation of cash and cash equivalents to the statement of net position:	
Cash and investments	\$ 3,157,266
Restricted cash and investments	<u>2,918,999</u>
Cash and cash equivalents	<u><u>\$ 6,076,265</u></u>
Reconciliation of operating income from operations to cash provided by operating activities:	
Operating income	\$ 881,240
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation and amortization	626,713
Amortization of premiums on debt	(15,967)
Unrealized losses	
(Increase) decrease in assets:	
Accounts receivable	(21,541)
Due from other governments	(557,630)
(Decrease) increase in liabilities:	
Accounts payable	910,076
Salaries and benefits payable	1,420
Accrued compensated absences	3,020
Deferred outflows	(5,366)
Pension liability	596,638
Deferred inflows	(208,874)
Cash provided by operating activities	<u><u>\$ 2,209,729</u></u>

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

CITY OF MARYSVILLE, CALIFORNIA  
STATEMENT OF FIDUCIARY NET POSITION

June 30, 2023

	Redevelopment Successor Agency Private-Purpose Trust Fund	Custodial Funds	Total
<b>ASSETS</b>			
Cash and investments	\$ 555,406	\$ 1,016,359	\$ 1,571,765
Receivables:			
Accounts receivable		2,800	2,800
Interest receivable		3,272	3,272
Due from other governments	50,874	28,575	79,449
Capital assets, net of accumulated depreciation			
Non-depreciable	28,449	4,507,708	4,536,157
Depreciable	9,733	54,787	64,520
<b>TOTAL ASSETS</b>	<b>644,462</b>	<b>5,613,501</b>	<b>6,257,963</b>
<b>LIABILITIES</b>			
Accounts payable		35,195	35,195
Salaries and benefits payable		7,786	7,786
Interest payable, due after one year		899,980	899,980
Note payable, due after one year		2,404,981	2,404,981
<b>TOTAL LIABILITIES</b>		<b>3,347,942</b>	<b>3,347,942</b>
<b>NET POSITION</b>			
Net investment in capital assets	38,182	1,257,534	1,295,716
Restricted for other organizations	606,280	1,008,025	1,614,305
<b>TOTAL NET POSITION</b>	<b>\$ 644,462</b>	<b>\$ 2,265,559</b>	<b>\$ 2,910,021</b>

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



CITY OF MARYSVILLE, CALIFORNIA

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

June 30, 2023

	Redevelopment Successor Agency Private-Purpose Trust Fund	Custodial Funds
	<u>                    </u>	<u>                    </u>
ADDITIONS		
Property taxes	\$ 116,144	\$ 455,630
Intergovernmental revenue		215,272
Other revenue		33,118
Use of money and property	<u>6,500</u>	<u>9,467</u>
TOTAL ADDITIONS	<u>122,644</u>	<u>713,487</u>
DEDUCTIONS		
Personnel costs		110,643
Operations and maintenance		336,760
Depreciation expense	1,622	8,181
Interest expense		<u>119,844</u>
TOTAL DEDUCTIONS	<u>1,622</u>	<u>575,428</u>
CHANGE IN NET POSITION	121,022	138,059
Net position, beginning of year	<u>523,440</u>	<u>2,127,500</u>
NET POSITION, END OF YEAR	<u><u>\$ 644,462</u></u>	<u><u>\$ 2,265,559</u></u>

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

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

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# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

### 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), streets, sewer, culture-recreation, public improvements, planning and zoning, and general administration. The voters of the City of Marysville, California, give authority and responsibility for operations to the City Council. The City Council has the authority to employ administrative and support personnel to carry out its directives. The primary method used to monitor the performance of the City’s management is the financial budget, which is adopted annually by the City Council.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. In addition, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements related to its proprietary operations. The more significant of these accounting policies are described below.

Reporting Entity: The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City’s main funding sources include property taxes, sales taxes, other inter-governmental revenue from state and federal sources, user fees, and federal and state financial assistance.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and either (a) the City has the ability to impose its will on the organization or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

These basic financial statements present the financial status of the City and its component units, which are included in the City’s reporting entity because of the significance of their operational or financial relationship with the City. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government. The City’s reporting entity includes the following component units:

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 to 180 days of the end of the current fiscal period, depending on the revenue source. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

The City reports the following major governmental funds:

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

The City reports the following major enterprise fund:

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

Additionally, the City reports the following fund types:

*GOVERNMENTAL FUNDS*

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

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

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

*PROPRIETARY FUNDS*

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*FIDUCIARY FUNDS*

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

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

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

Cash and Cash Equivalents: The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including the City's investment in California Local Agency Investment Fund (LAIF). Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost.

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

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

The City has provided an allowance for doubtful accounts of \$150,207 at June 30, 2023 related to its wastewater operations estimated by the City to be uncollectible. The City estimated \$136,304 of grant revenue recognized in the prior period was now deemed uncollectible and the receivable was written off as of June 30, 2023.

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



CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

Lease Receivable: The City is a lessor for noncancellable leases for property for property and telecommunications facilities. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expended to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lease.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Unused vacation is paid to employees upon termination after one year of service. The maximum accrual for all employees for vacation varies depending on the position but varies from 250 to 454 hours. There is no limit as to the accrual of sick leave. Sick leave is not payable upon termination, but may be converted to service credits under the City's defined benefit pension plan.

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

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

Deferred Outflows and Inflows of Resources: In addition to liabilities, the statement of financial position reports a separate section for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(expenditure/expense) or an inflow of resources (revenue) until the earnings process is complete. The governmental funds report unavailable revenues for grants and other revenues when the amounts meet the asset recognition criteria and were accrued as receivables, but the amounts were not received in the availability period. Deferred outflows and inflows of resources include amounts deferred related to the City's pension plan under GASB 68 as described in Note I and related to leases receivable as described in Note C.

Pensions: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's California Public Employee's Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

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

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

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

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

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

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Budgetary Information: The City Council annually adopts the budget resolution for all operating funds of the City. Budgetary control is legally maintained at the fund level. Department heads submit budget requests to the City Manager. The Administrator prepares an estimate of revenues and prepares recommendations for the next year’s budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30.

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

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

Fund	Appropriations	Total Expenditures and Transfers Out	Excess Expenditures
Nonmajor Special Revenue Funds:			
Traffic Grant	\$ 29,718	\$ 45,358	\$ 15,640
Cannabis Tax Grant Fund	-	80,474	80,474
Community Development Block Grant (CDBG)	5,000	23,402	18,402
2015 Community Development Block Grant	-	9,915	9,915

The CDBG Fund is over budget due to interfund transfer out. The Traffic Grant fund is over budget due to salaries overtime paid for DUI and traffic checkpoints. The Public Safety Augmentation and 2015 CDBG Funds are not budgeted.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements: In June 2022, the GASB issued Statement No. 101, Compensated Absences. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.

The City is currently analyzing the impact of the required implementation of this new statement.

NOTE B – CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. Cash represents cash on hand, demand deposits in the bank and amounts invested in the State of California Local Agency Investment Fund (LAIF). Cash and investments at June 30, 2023 are classified in the accompanying financial statements as follows:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 12,014,440	\$ 3,157,266	\$ 1,571,765	\$ 16,743,471
Restricted cash	2	2,918,999		2,919,001
	<u>\$ 12,014,442</u>	<u>\$ 6,076,265</u>	<u>\$ 1,571,765</u>	<u>\$ 19,662,472</u>

As of June 30, 2023, the City's cash and investments consisted of the following:

Cash on hand	\$ 900
Deposits in financial institutions	3,803,675
Total cash	<u>3,804,575</u>
California Local Agency Investment Fund	6,905,709
Treasury Securities	5,071,338
Yuba County investment pool	953,470
Money market mutual fund	8,379
Held by bond trustee:	
Money market mutual fund	2,919,001
Total investments	<u>15,857,897</u>
Total cash and investments	<u>\$ 19,662,472</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE B – CASH AND INVESTMENTS (Continued)

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

	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
U.S Instrumentalities	5 years	30%	None
Registered state warrants	5 years	None	None
Local agency bonds	5 years	None	None
Mortgage-back securities	5 years	20%	None
Bankers acceptances	180 days	40%	None
High grade commercial paper FDIC insured or fully collateralized	270 days	25%	10%
time certificates of deposit	2 years	5%	None
Negotiable certificates of deposit	5 years	30%	None
LAIF	None	None	None
Medium term corporate notes	5 years	30%	None
Money market fund	None	20%	10%
Yuba county treasurer's investment pool	None	25%	None

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

Investments Authorized by Debt Agreements: Investment of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The Pension Obligation Bond debt agreement contains certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

	Maximum Maturity	Maximum Percentage Of Portfolio*	Maximum Investment In One Issuer
Federal securities	5 years	None	None
U.S. government agency obligations	5 years	None	None
Municipal obligations	None	None	10%
Bankers acceptances	365 days	40%	30%
Commercial paper	270 days	25%	10%
Certificates of deposit	365 days	None	None
Money market funds	5 years	30%	5%
Local Agency Investment Fund	365 days	20%	None

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE B – CASH AND INVESTMENTS (Continued)

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

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

	Remaining Maturity (in months)			
	Total	12 Months or Less	13-24 Months	More Than 60 Months
LAIF	\$ 6,905,709	\$ 6,905,709		
Treasury Securities	5,071,338	5,071,338		
Cash in Yuba County pool	953,470	953,470		
Money market mutual fund Held by bond trustee:				
Money market mutual funds	2,919,001	2,919,001		
<b>Total</b>	<b>\$ 15,857,897</b>	<b>\$ 15,857,897</b>	<b>\$ -</b>	<b>\$ -</b>

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

**Concentration of Credit Risk:** The investment policy of the City contains no limitations on the amount that can be invested with any one issuer beyond that stipulated by the California Government Code. As of June 20, 2023, no investments represented more than 5% of the total investments (other than mutual funds and external investment pools) in any one issuer.

**Custodial Credit Risk:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Governmental Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2023, the carrying amount of the City’s deposits was \$3,803,675 and the balance in financial institutions was \$3,557,912. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$3,307,912 was covered by the pledging financial institution with assets held in a common pool for the City and other governmental agencies.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE B – CASH AND INVESTMENTS (Continued)

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$177,045,532,802 managed by the State Treasurer. Of that amount, 2.78% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. At June 30, 2023, these investments matured in an average of 260 days.

Investment in the County of Yuba Investment Pool: The City has cash in the County of Yuba Treasury. The County maintains an investment pool and allocates interest to the various funds based upon the average daily cash balances. Investments held in the County's investment pool are available on demand to the City and are stated at cost, which approximates fair value. Information regarding fair value measurements of the County pool may be found in the notes to the County of Yuba financial statements at [www.yuba.gov/auditor-controller](http://www.yuba.gov/auditor-controller). As of June 30, 2023, the weighted average maturity of investments contained in the County of Yuba investment pool was approximately 214 days.

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

NOTE C – LEASES RECEIVABLE

The City records a lease receivable and deferred inflow for the present value of the future payments received under agreements for leases of property. The City leases property under a lease agreement that expires August 31, 2027 for a monthly rent of \$5,000 with an option to extend another 5 years with a 3% increase. The City also has five leases of space on the City's cellular towers that contain multiple three to five year extensions and provide for increases in rent ranging from 3% to 20%. These leases expire from June 30, 2023 through May 31, 2032. For purposes of discounting future payments on the lease, the City used a discount rate of 4.75%. The deferred inflow is being amortized over 1 year to 9.92 years, the remaining terms of the leases. For the year ended June 30, 2023, the City reported leases receivable of \$917,886 and deferred inflows of resources of \$893,954. The City recognized \$7,442 of interest revenue during the year ended June 30, 2023 under these leases.



CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE D – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2023 were as follows:

<u>Due to Other Funds</u>	<u>Due from Other Funds General Fund</u>
Nonmajor Funds:	
Tobacco Grant Fund	\$ 11,067
Traffic Grant Fund	12,313
Cannabis Tax Fund	11,055
	<u>\$ 34,435</u>

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

Transfers during the year ended June 30, 2023 were as follows:

<u>Transfers out</u>	<u>Transfers In</u>					<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Gas Tax</u>	<u>Nonmajor Code Enforcement</u>	<u>Nonmajor CDBG Grant</u>	<u>Nonmajor Capital Projects</u>	
Major Governmental Funds:						
General		\$ 289,769	\$ 37,437		\$ 360,088	\$ 687,294
Nonmajor Governmental Funds:						
Gas Tax					303,011	303,011
Tobacco Grant Fund	\$ 4,120					4,120
CDBG Grant Fund	18,639					18,639
COPS/SLESF Grant	126,000					126,000
Capital Projects Fund				\$ 3,125		3,125
Enterprise Fund:						
Wastewater	73,093					73,093
	<u>\$ 221,852</u>	<u>\$ 289,769</u>	<u>\$ 37,437</u>	<u>\$ 3,125</u>	<u>\$ 663,099</u>	<u>\$ 1,215,282</u>

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

The following is a summary of the various types of loans receivable outstanding as of June 30, 2023:

General Fund – The City made loans to small businesses under the Small Business Emergency Economic Relief Fund through the Yuba-Sutter Economic Development Corporation to mitigate the impact of COVID-19. These loans are zero interest, secured loans with repayment to begin within 90 days of the lifting of the Stay-At-Home order or receipt of an SBA financial award and will be repaid over three years. The City made loans to its employees for computer purchases. These loans have an interest rate of 6% and varying due dates.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE E – LOANS RECEIVABLE

CDBG Principal and Interest Special Revenue Fund – The City participates in a CDBG Revolving Loan program. The program is federally funded and provides assistance with single family rehabilitation programs. Funds received from payoffs are deposited in a CDBG Program Income Account to be used for future qualifying CDBG projects to benefit 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 5%.

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

Activity in loans receivable for the year ended June 30, 2023 is as follows:

	<u>Balance at July 1, 2022</u>	<u>Additions</u>	<u>Payments Received</u>	<u>Adjustments</u>	<u>Balance at June 30, 2023</u>
Major Governmental Fund:					
General:					
Small Business Emergency					
Economic Relief	\$ 35,605		\$ (18,310)	\$ (14,844)	\$ 2,451
Employees - computers		\$ 743	(365)		378
Nonmajor Governmental Funds:					
CDBG Principal and Interest:					
Block grant principal	872,804		(5,040)		867,764
Block grant interest	505,318	27,119	(4,344)		528,093
HOME Program Income:					
HOME loans principal	824,019				824,019
HOME loans interest	121,313		7,478		128,791
Total Loans Receivable	<u>\$ 2,359,059</u>	<u>\$ 27,862</u>	<u>\$ (20,581)</u>	<u>\$ (14,844)</u>	<u>\$ 2,351,496</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE F – CAPITAL ASSETS

Governmental capital assets activity for the year ended June 30, 2023 was as follows:

	Balance at June 30, 2022	Additions	Retirements	Transfers	Balance at June 30, 2023
Capital assets, not being depreciated:					
Land	\$ 6,057,051				\$ 6,057,051
Construction in progress	3,016,231	\$ 2,239,673		\$ (3,597,373)	1,658,531
Total capital assets, not being depreciated	9,073,282	2,239,673	-	(3,597,373)	7,715,582
Capital assets, being depreciated:					
Infrastructure	7,082,226			3,597,373	10,679,599
Buildings	4,965,501	316,338			5,281,839
Machinery and equipment	3,119,012	123,507	\$ (461,481)		2,781,038
Vehicles	6,009,112	762,170	(301,427)		6,469,855
Total capital assets, being depreciated	21,175,851	1,202,015	(762,908)	3,597,373	25,212,331
Less accumulated depreciation for:					
Infrastructure	(902,240)	(195,107)			(1,097,347)
Buildings	(2,653,116)	(112,381)			(2,765,497)
Machinery and equipment	(1,938,909)	(186,096)	456,581		(1,668,424)
Vehicles	(2,916,075)	(523,012)	286,115		(3,152,972)
Total accumulated depreciation	(8,410,340)	(1,016,596)	742,696	-	(8,684,240)
Capital assets being depreciated, net	12,765,511	185,419	(20,212)	3,597,373	16,528,091
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 21,838,793	\$ 2,425,092	\$ (20,212)	\$ -	\$ 24,243,673

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

General government	\$ 106,162
Public safety	552,250
Streets and public works	291,737
Parks and recreation	66,447
Total governmental activities depreciation expense	<u>\$ 1,016,596</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE F – CAPITAL ASSETS (Continued)

Business-type capital assets activities for the year ended June 30, 2023 was as follows:

	Balance at June 30, 2022	Additions	Retirements	Transfers	Balance at June 30, 2023
Capital assets, not being depreciated:					
Intangible asset - Right to Capacity	\$ 12,300,000				\$ 12,300,000
Construction in progress	667,192	\$ 3,923,870		\$ (61,914)	4,529,148
Total capital assets, not being depreciated	<u>12,967,192</u>	<u>3,923,870</u>		<u>(61,914)</u>	<u>16,829,148</u>
Capital assets, being depreciated:					
Sewer plant	23,281,901	174,553			23,456,454
Buildings	1,483,400				1,483,400
Machinery and equipment	863,966	27,217		61,914	953,097
Vehicles	383,408	169,975	\$ (238,547)		314,836
Equipment under capital lease	570,426				570,426
Total capital assets, being depreciated	<u>26,583,101</u>	<u>371,745</u>	<u>(238,547)</u>	<u>61,914</u>	<u>26,778,213</u>
Less accumulated depreciation for:					
Sewer plant	(5,776,047)	(557,090)			(6,333,137)
Buildings	(1,466,951)	(2,630)			(1,469,581)
Machinery and equipment	(739,886)	(33,479)			(773,365)
Vehicles	(347,257)	(14,662)	238,547		(123,372)
Equipment under capital lease	(357,163)	(18,852)			(376,015)
Total accumulated depreciation	<u>(8,687,304)</u>	<u>(626,713)</u>	<u>238,547</u>		<u>(9,075,470)</u>
Capital assets being depreciated, net	<u>17,895,797</u>	<u>(254,968)</u>		<u>61,914</u>	<u>17,702,743</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 30,862,989</u>	<u>\$ 3,668,902</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,531,891</u>

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

Wastewater	<u>\$ 626,713</u>
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CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE G– LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Payments	Adjustments	Balance June 30, 2023	Due Within One Year
<b>Governmental Activities:</b>						
Pension Obligation Bonds	\$ 13,760,000		\$ (480,000)		\$ 13,280,000	\$ 565,000
BBT Lease 2019	6,153,000		(330,000)		5,823,000	340,000
Cert of Participation 2017 Series A	1,027,762		(2,984)		1,024,778	4,984
PNC Equipment Lease 2020	832,569		(61,638)		770,931	63,672
Digital Encryption Lease		\$ 1,431,564	(799,455)		632,109	96,664
FNB Wildland Engine Lease 2020	525,696		(52,203)		473,493	53,657
GM Tahoes Lease 2023		413,236	(93,770)		319,466	72,227
Cert of Participation 2017 Series B	168,302		(6,233)		162,069	20,254
Enterprise Leases May 2018	109,981		(44,620)		65,361	46,780
Ford Lease 2020	56,529		(27,407)		29,122	29,122
GM Tahoe Lease 2020	38,100		(12,138)		25,962	12,692
GM Silverado Lease 2020	19,514		(9,544)		9,970	9,970
Ford Lease 2019	10,377		(10,377)		-	-
GM Silverado Lease 2020	9,962		(9,962)		-	-
GM Colorado Lease 2020	7,251		(7,251)		-	-
	<u>22,719,043</u>	<u>1,844,800</u>	<u>(1,947,582)</u>	<u>-</u>	<u>22,616,261</u>	<u>1,315,022</u>
Add: unamortized bond premium	650,504		(29,237)		621,267	
	<u>23,369,547</u>	<u>1,844,800</u>	<u>(1,976,819)</u>	<u>-</u>	<u>23,237,528</u>	<u>1,315,022</u>
Compensated absences	397,495	53,931			451,426	
Net pension liability	-	2,268,655			2,268,655	
OPEB liability	16,122		(2,730)		13,392	
Governmental activities long-term liabilities	<u>\$ 23,783,164</u>	<u>\$ 4,167,386</u>	<u>\$ (1,979,549)</u>	<u>\$ -</u>	<u>\$ 25,971,001</u>	<u>\$ 1,315,022</u>
<b>Business-Type Activities:</b>						
Sewer revenue bonds, 2021 Series A	\$ 12,560,000		\$ (415,000)		\$ 12,145,000	\$ 415,000
Sewer revenue bonds, 2021 Series B	4,630,000		(125,000)		4,505,000	135,000
Enterprise Lease May 2018	36,816		(15,009)		21,807	15,722
	<u>17,226,816</u>	<u>-</u>	<u>(555,009)</u>	<u>-</u>	<u>16,671,807</u>	<u>565,722</u>
Add: unamortized bond premium	383,199		(15,967)		367,232	
Total long-term debt	<u>17,610,015</u>	<u>-</u>	<u>(570,976)</u>	<u>-</u>	<u>17,039,039</u>	<u>565,722</u>
Compensated absences	5,458	\$ 3,020			8,478	
Net pension liability		137,187			137,187	
Business-type activities long-term liabilities	<u>\$ 17,615,473</u>	<u>\$ 140,207</u>	<u>\$ (570,976)</u>	<u>\$ -</u>	<u>\$ 17,184,704</u>	<u>\$ 565,722</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE G – LONG-TERM LIABILITIES (Continued)

Long-term debt of the City’s governmental activities consists of the following as of June 30, 2023, all of which is direct debt:

2019 Pension Obligation Bond:

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

\$ 13,280,000

Obligation under site and facility leases:

The City entered into a lease agreement with the Marysville Public Financing Authority to refund prior 2011 Taxable Certificates of Participation. The interest component of the lease will be calculated based on the Taxable Rate. Principal payments ranging from \$293,000 to \$506,000 are due annually beginning October 1, 2020 through October 1, 2036 and interest payments ranging from \$7,792 to \$104,820 are due semi-annually on April 1 and October 1 beginning on April 1, 2020 through October 1, 2036. To provide for repayment of the lease, the City intends to lease, on a long-term basis, the business park and a development project. Should the City default on lease payments or any covenants of the lease agreement, the trustee could re-let the property and terminate the lease agreement.

5,823,000

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

1,024,778

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE G – LONG-TERM LIABILITIES (Continued)

Obligation under finance lease:

The City entered into a purchase option lease agreement with PNC Equipment Finance, LLC dated December 4, 2019 for the acquisition of one 2020 Pierce Enforcer 1500 Pumper and one Ford Type 6 F550 fire engine. Due in annual installments of \$89,112 through December 4, 2034, including interest at 3.3%. The cost of the assets were \$967,948 and accumulated depreciation was \$226,378 at June 30, 2023. Should the City default on lease payments or any covenants of the lease agreement, the Lessor can demand full payment of the outstanding lease payments or retake possession of equipment or require the City to return property, with the City being responsible for a loss on resale or re-lease of equipment.

\$ 770,931

Obligation under finance lease:

The City entered into a purchase option lease agreement with Motorola Solutions, Inc dated February 3, 2023 for equipment, software, extended warranties, and other support for digital encryption for the Police Department. With an initial first year payment of \$800,000 including interest, the equipment lease is due in annual installments of \$104,046 beginning August 1, 2023 and ending August 1, 2029, including interest at 4.57%. The cost of the asset was \$1,431,564 and had no accumulated depreciation was at June 30, 2023. See default terms above.

632,109

Obligation under finance lease:

The City entered into a purchase option lease agreement with Community First National Bank dated December 1, 2020 for the acquisition of one Type 3 Wildland Engine. Due in annual installments of \$66,839 through December 10, 2030, including interest at 2.78%. The cost of the asset was \$576,485 and accumulated depreciation was \$99,284 at June 30, 2023. See default terms above.

473,493

Obligation under finance lease:

The City entered into a purchase option lease agreement with GM Financial dated December 16, 2022 for the acquisition of five 2023 Chevrolet Tahoe police vehicles. Due in annual installments of \$93,770 through December 16, 2026, including interest at 6.74%. The cost of the assets were \$413,236 and accumulated depreciation was \$27,549 at June 30, 2023. See default terms above.

319,466

\$168,302 Clean Renewable Energy Bonds (CREB), Series B:

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

162,069

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE G – LONG-TERM LIABILITIES (Continued)

Obligation under finance lease:

The City entered into a master equity lease agreement with Enterprise FM Trust, dated October 4, 2018 for the lease of vehicles from time to time as deemed necessary by the City. On February 6, 2019 through December 16, 2019 the City leased ten vehicles. Four of those vehicles were returned to Enterprise in April and June of 2021. The cost of the remaining assets were \$218,013 and accumulated depreciation was \$150,549 as of June 30, 2023. See default terms above.

\$ 65,361

Obligation under finance lease:

The City entered into a purchase option lease agreement with Altec Capital Services, LLC dated April 1, 2020 for the acquisition of one 2019 Ford F550 Altec Bucket vehicle. Due in annual installments of \$30,945 through April 1, 2024, including interest at 7.5%. The cost of the asset was \$137,539 and accumulated depreciation was \$49,285 as of June 30, 2023. See default terms above.

29,122

Obligation under finance lease:

The City entered into a purchase option lease agreement with GM Financial dated May 20, 2021 for the acquisition of one 2020 Chevy Tahoe police vehicle. Due in annual installments of \$13,875 through May 20, 2024, including interest at 4.56%. The cost of the asset was \$63,585 and accumulated depreciation was \$26,494 at June 30, 2023. See default terms above.

25,962

Obligation under finance lease:

The City entered into a purchase option lease agreement with GM Financial dated September 10, 2020 for the acquisition of one 2020 Chevy Silverado police vehicle. Due in annual installments of \$10,414 through September 10, 2023, including interest at 4.46%. The cost of the asset was \$38,923 and accumulated depreciation was \$22,056 at June 30, 2023. See default terms above.

9,970

Obligation under finance lease:

The City entered into a purchase option lease agreement with Ford Motor Credit Company, LLC dated May 23, 2019 for the acquisition of one 2019 Ford Explorer police vehicle. Due in annual installments of \$11,155 through May 23, 2023, including interest at 7.5%. The cost of the asset was \$48,518 and accumulated depreciation was \$39,614 at June 30, 2023. See default terms above. The remaining debt obligation was paid as of June 30, 2023.

Obligation under finance lease:

The City entered into a purchase option lease agreement with GM Financial dated April 8, 2020 for the acquisition of one 2020 Chevrolet Silverado 1500 vehicle. Due in annual installments of \$10,472 through April 8, 2023, including interest at 5.13%. The cost of the asset was \$38,923 and accumulated depreciation was \$25,300 as of June 30, 2023. See default terms above. The remaining debt obligation was paid as of June 30, 2023.



CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE G – LONG-TERM LIABILITIES (Continued)

Obligation under finance lease:

The City entered into a purchase option lease agreement with GM Financial dated April 8, 2020 for the acquisition of one 2020 Chevrolet Colorado vehicle. Due in annual installments of \$7,608 through April 8, 2023, including interest at 7.5%. The cost of the asset was \$28,354 and accumulated depreciation was \$18,430 as of June 30, 2023. See default terms above. The remaining debt obligation was paid as of June 30, 2023.

\$ 22,616,261

Long-term debt of the City's business-type activities consists of the following as of June 30, 2023, all of which is direct debt:

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

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

\$ 12,145,000

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

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

4,505,000

Obligation under finance lease:

The City entered into a master equity lease agreement with Enterprise FM Trust, dated October 4, 2018 for the lease of vehicles from time to time as deemed necessary by the City. On October 31, 2019 the City leased two 2019 Ford F250 vehicles. The cost of the asset was \$73,307 and accumulated depreciation was \$51,818 as of June 30, 2023. Should the City default on lease payments or any covenants of the lease agreement, the Lessor can demand full payment of the outstanding lease payments or retake possession of equipment or require the City to return property, with the City being responsible for a loss on resale or re-lease of equipment.

21,807

\$ 16,671,807

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE G – LONG-TERM LIABILITIES (Continued)

Principal and interest payments on debt are due as follows:

Year Ending June 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 1,315,022	\$ 878,671	\$ 565,722	\$ 441,153
2025	1,308,723	854,938	561,085	432,431
2026	1,363,465	811,126	565,000	422,858
2027	1,468,682	748,888	575,000	412,004
2028	1,479,788	659,107	585,000	401,318
2029-2033	8,371,705	2,252,928	3,140,000	1,804,531
2034-2038	6,763,911	664,870	3,630,000	1,312,358
2039-2043	529,965	36,959	4,210,000	736,170
2044-2048	15,000	312	2,840,000	128,034
Totals	<u>\$ 22,616,261</u>	<u>\$ 6,907,799</u>	<u>\$ 16,671,807</u>	<u>\$ 6,090,857</u>

The Wastewater Fund has pledged a portion of its net revenue to repay \$17,695,000 for the Sewer Revenue Bonds to finance certain sewer system improvements. Total principal and interest remaining on the bonds through 2045 is \$22,740,113. For fiscal year 2023, the principal and interest paid by the Wastewater fund for these loans was \$987,537. The City was in compliance with its debt coverage related to the Sewer Revenue Bond for the year ending June 30, 2023.

NOTE H – NET POSITION/FUND BALANCE

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

	Governmental Activities	Business-Type Activities
Public safety	\$ 75,276	
Public works		
Capital projects		\$ 2,918,999
Other	903,541	
Debt service	2	
Community development	2,397,886	
	<u>\$ 3,376,705</u>	<u>\$ 2,918,999</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE H – NET POSITION/FUND BALANCE (Continued)

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:			
Nonspendable:			
Loans receivable	\$ 2,829	\$ 2,348,667	\$ 2,351,496
Total Nonspendable	<u>2,829</u>	<u>2,348,667</u>	<u>2,351,496</u>
Restricted for:			
Public safety		75,276	75,276
Public works		903,541	903,541
Debt service	2		2
Community development		49,219	49,219
Total Restricted	<u>2</u>	<u>1,028,036</u>	<u>1,028,038</u>
Unassigned/Unrestricted	10,130,943	(35,671)	10,095,272
Total Unassigned	<u>10,130,943</u>	<u>(35,671)</u>	<u>10,095,272</u>
Total fund balances	<u>\$ 10,133,774</u>	<u>\$ 3,341,032</u>	<u>\$ 13,474,806</u>

NOTE I – PENSION PLANS

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

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

Although one pension plan exists, CalPERS provides the information separately for the Miscellaneous and Safety Risk Pools and the information is presented separately where available. Benefit provisions under the Plan is established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE I – PENSION PLANS (Continued)

**Benefits Provided:** CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (62 for PEPRAs Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2 Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<b>City Miscellaneous Classic Tier 1</b>	<b>City Miscellaneous Classic Tier 2</b>	<b>City Miscellaneous PEPRA Tier 3</b>
	<b>Prior to January 1, 1982</b>	<b>On or after January 1, 1982</b>	<b>On or after January 1, 2013</b>
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Final average compensation period	One Year	Three Year	Three Year
Retirement age	50 - 63	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	0.00%	7.00%	6.75%
Required employer contribution rates	0.00%	10.32%	7.47%

	<b>Safety Police Classic</b>	<b>Safety Police PEPRA</b>	<b>Safety Fire Classic</b>	<b>Safety Fire PEPRA</b>
	<b>Prior to January 1, 2013</b>	<b>On or after January 1, 2013</b>	<b>Prior to January 1, 2013</b>	<b>On or after January 1, 2013</b>
Benefit formula (at full retirement)	3.0% @ 50	2.7% @ 57	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Final average compensation period	Three Year	Three Year	Three Year	Three Year
Retirement age	50	50 - 57	50 - 55	50-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	9.00%	13.00%	9.00%	13.00%
Required employer contribution rates	22.47%	12.78%	18.17%	12.78%

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE I – PENSION PLANS (Continued)

Contributions: Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2023, the employer contributions made to the Plan were as follows for the year ended June 30, 2023:

	Normal Cost	UAL Amortization	Total
City Miscellaneous Risk Pool	\$ 168,019	\$ 30,519	\$ 198,538
Safety Risk Pool	362,957	56,256	419,213
	<u>\$ 530,976</u>	<u>\$ 86,775</u>	<u>\$ 617,751</u>

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: As of June 30, 2023, the City reported a net pension liability for its proportionate share of the net pension liability as follows:

	Proportionate Share of Net Pension Liability
City Miscellaneous Risk Pool	\$ 779,027
Safety Risk Pool	1,626,815
Total Net Pension Liability	<u>\$ 2,405,842</u>

The City’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2023 and 2022 was as follows:

	Miscellaneous Plan	Safety Plan
Proportion - June 30, 2022	-0.13740%	-0.13417%
Proportion - June 30, 2023	0.01665%	0.02367%
Change - Increase (Decrease)	0.15405%	0.15784%

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE I – PENSION PLANS (Continued)

For the year ended June 30, 2023, the City recognized pension expense of \$2,370,022 for the Miscellaneous Plan and \$4,105,170 for its Safety Plan. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to the Plan combined from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>City Miscellaneous Risk Pool</u>		
Pension contributions subsequent to measurement date	\$ 198,538	
Change in assumptions	79,828	
Net differences between projected and actual earnings on plan investments	142,697	
Difference between employer's and proportionate share of contributions		\$ (947,599)
Difference between expected and actual experience	15,644	(10,478)
Change in employer's proportion	2,486,658	(888,916)
Total	\$ 2,923,365	\$ (1,846,993)
<u>Safety Risk Pool</u>		
Pension contributions subsequent to measurement date	\$ 419,213	
Change in assumptions	164,032	
Net differences between projected and actual earnings on plan investments	256,897	
Difference between employer's and proportionate share of contributions		\$ (2,254,631)
Difference between expected and actual experience	67,328	(17,666)
Change in Employer's Proportion	3,464,550	(1,906,831)
Total	\$ 4,372,020	\$ (4,179,128)
Total - all risk pools	\$ 7,295,385	\$ (6,026,121)

The \$617,751 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as pension expense as follows:

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE I – PENSION PLANS (Continued)

Fiscal Year Ended June 30	City		Total
	Miscellaneous Risk Pool	Safety Risk Pool	
2024	\$ (320,610)	\$ (1,416,544)	\$ (1,737,154)
2025	650,876	586,438	1,237,314
2026	460,290	447,075	907,365
2027	87,278	156,710	243,988
	<u>\$ 877,834</u>	<u>\$ (226,321)</u>	<u>\$ 651,513</u>

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

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by entry age and service
Mortality	Derived using CalPERS Membership Data for all Funds

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

Discount Rate: The discount rate used to measure the total pension liability was 6.90% for the Plan, which decreased from the rate of 7.15% for the year ended June 30, 2022. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE I – PENSION PLANS (Continued)

fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class for the Plan. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 <sup>1,2</sup>
Global Equity - cap-weighted	30.0%	4.45%
Global Equity non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	(5.0%)	(0.59%)

<sup>1</sup> An expected inflation of 2.30% used for this period.

<sup>2</sup> Figures are based on the 2021-22 Asset Liability Management study.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the City’s proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	City Miscellaneous Risk Pool	Safety Risk Pool	Total
1% Decrease	5.90%	5.90%	5.90%
Net Pension Liability	\$ 3,243,381	\$ 6,525,348	\$ 9,768,729
Current Discount Rate	6.90%	6.90%	6.90%
Net Pension Liability	\$ 779,027	\$ 1,626,815	\$ 2,405,842
1% Increase	7.90%	7.90%	7.90%
Net Pension (Asset)	\$ (1,248,525)	\$ (2,376,629)	\$ (3,625,154)

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



CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE J – POST EMPLOYMENT HEALTH CARE BENEFITS

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

Total OPEB Liability: The City’s total OPEB liability of \$13,392 was measured using the Alternative Measurement Method as of June 30, 2023. Changes in the total OPEB liability are as follows:

Annual required contribution	\$ 2,168
Interest on net OPEB obligation	98
Benefit payments	<u>(4,996)</u>
Decrease in net OPEB obligation	(2,730)
Total OPEB liability, July 1	<u>16,122</u>
Total OPEB liability, June 30	<u><u>\$ 13,392</u></u>

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

Discount rate	4.50 percent
Healthcare trend rate	3 percent per year
Retirees' share of benefit-related costs	None
Remaining life expectancy	7 years

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

NOTE K – INSURANCE

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE K – INSURANCE (Continued)

Coverage	NCCSIF	Excess	Banking Layer/ Deductible
Liability	\$ 750,000	\$ -	\$ 50,000
Employers liability	500,000	4,500,000	100,000
Property	1,000,000,000	-	25,000
Boiler and machinery	100,000,000	-	5,000
Mobile equipment	6,793,254	-	2,000
Workers Compensation liability	500,000	-	100,000
Cyber Excess	3,000,000	4,000,000	-
Crime	3,000,000	-	5,000
Deadly Weapon Response Program	500,000	-	-
Flood	15,000,000-17,000,000		100,000-250,000

The NCCSIF establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not reported. Because actual claims costs depend on various factors, the claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors.

A provision of inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

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

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

Amount	Coverage Provider	Payment Source
<i>LIABILITY CLAIMS:</i>		
\$0 - 50,000	Self-insured	Banking layer
50,001 - 750,000	Northern California Cities Self-Insurance Fund	Shared risk pool
<i>WORKERS' COMPENSATION:</i>		
\$0 - 100,000	Self-insured	Banking layer
100,001 - 500,000	Northern California Cities Self-Insurance Fund	Shared risk pool
500,001	Staturory PRISM	Shared risk pool

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE L – COMMITMENTS AND CONTINGENCIES

The City participates in various federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. The audits by the grantors for the year ended June 30, 2023, have not yet been conducted. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

The City has a contract in the amount of \$3,717,478 for the 2023 Measure C/SB1 Pavement project. As of June 30, 2023, \$3,632,364 of the unexpended contracted amount remains outstanding.

The City has a contract in the amount of \$278,000 for the Gavin Park project. As of June 30, 2023, \$186,931 of the unexpended contracted amount remains outstanding.

The City has a contract in the amount of \$3,684,276 with Gateway Pacific Contractors, Inc. for the construction of the WWTP Ponds Closure Project using State Water Resources Capital Board Clean Water State Revolving Fund grant funds. As of June 30, 2023, \$168,441 of the unexpended contracted amount remains outstanding.

NOTE M – SUCCESSOR AGENCY TRUST FOR FORMER MARYSVILLE

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

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

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

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

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

Redevelopment Agency, including paying debt service payments of existing Redevelopment Agency debt agreements. Currently, the last of the obligations of the former Redevelopment Agency terminated in 2022.

The following disclosures of the Successor Agency as of June 30, 2023 are required by debt continuing disclosure requirements.

Successor agency capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	Balance at June 30, 2022	Additions	Retirements	Balance at June 30, 2023
Capital assets, not being depreciated:				
Land	\$ 28,449			\$ 28,449
Capital assets, being depreciated:				
Buildings	48,663			48,663
Less: accumulated depreciation				
Buildings	(37,308)	\$ (1,622)		(38,930)
<b>FIDUCIARY CAPITAL ASSETS, NET</b>	<b>\$ 39,804</b>	<b>\$ (1,622)</b>	<b>\$ -</b>	<b>\$ 38,182</b>

Lease Revenue Bonds, 2001 Series A: As previously described, these bonds were issued to refinance the Marysville Community Agency 1992 Tax Allocation Refunding Bonds, along with the City's 1992 Certificates of Participation. These bonds were paid off during 2022.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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CITY OF MARYSVILLE, CALIFORNIA

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

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes and assessments	\$ 2,609,103	\$ 2,515,103	\$ 2,743,132	\$ 228,029
Sales and use taxes	6,593,057	6,883,057	6,360,492	(522,565)
Motor vehicle in lieu tax	1,142,677	1,167,677	1,307,298	139,621
Franchise tax	619,500	619,500	644,078	24,578
Licenses, fees and permits	633,510	802,510	982,152	179,642
Intergovernmental revenues	3,217,230	3,095,535	2,268,105	(827,430)
Reimbursements	598,440	583,440	660,671	77,231
Charges for services	647,750	647,750	631,680	(16,070)
Use of money and property	185,656	269,656	457,359	187,703
Other revenue	113,050	138,050	145,077	7,027
Proceeds from insurance recovery		99,773	115,365	15,592
Total revenues	<u>16,359,973</u>	<u>16,822,051</u>	<u>16,315,409</u>	<u>(506,642)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	3,487,185	3,506,226	3,251,384	254,842
Public safety	6,419,781	6,707,425	6,391,895	315,530
Streets and public works	1,339,842	1,359,502	886,343	473,159
Parks and recreation	796,701	889,448	769,523	119,925
<b>Debt Service:</b>				
Principal retirement	972,731	1,772,731	1,799,190	(26,459)
Interest and other charges	886,970	886,970	841,892	45,078
Capital outlay	240,000	755,745	1,142,384	(386,639)
Total expenditures	<u>14,143,210</u>	<u>15,878,047</u>	<u>15,082,611</u>	<u>795,436</u>
Excess (deficiency) of revenues over expenditures	2,216,763	944,004	1,232,798	288,794
<b>Other financing sources (uses):</b>				
Issuance of long term debt			413,236	413,236
Transfers in	199,093	199,093	221,852	22,759
Transfers out	(2,469,733)	(1,669,733)	(687,294)	982,439
Total other financing sources	<u>(2,270,640)</u>	<u>(1,470,640)</u>	<u>(52,206)</u>	<u>1,418,434</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(53,877)	(526,636)	1,180,592	1,707,228
Fund balances - beginning of year	<u>8,953,182</u>	<u>8,953,182</u>	<u>8,953,182</u>	
Fund balances - end of year	<u>\$ 8,899,305</u>	<u>\$ 8,426,546</u>	<u>\$ 10,133,774</u>	<u>\$ 1,707,228</u>

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

CITY OF MARYSVILLE, CALIFORNIA  
REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2023

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.01665%	-0.13740%	0.00373%	0.11786%	0.11472%	0.11082%	0.10814%	0.10273%	0.08314%
Proportionate share of the net pension liability (asset)	\$ 779,027	\$ (2,609,034)	\$ 157,312	\$ 4,719,585	\$ 4,323,365	\$ 4,368,711	\$ 3,756,736	\$ 2,818,412	\$ 2,724,272
Covered payroll - measurement period	\$ 1,611,947	\$ 1,517,815	\$ 1,398,175	\$ 1,330,077	\$ 1,217,647	\$ 1,209,884	\$ 1,172,974	\$ 1,228,822	\$ 1,243,549
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	48.33%	-171.89%	11.25%	354.84%	355.06%	361.09%	320.27%	229.36%	219.07%
Plan fiduciary net position as a percentage of the total pension liability	95.69%	114.28%	99.13%	73.56%	74.82%	74.10%	76.05%	81.56%	82.70%

Notes to Schedule:

Reporting valuation date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Reporting measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Discount rate	6.90%	7.15%	7.15%	7.15%	7.65%	7.65%	7.50%	7.50%	7.50%

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

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

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

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 198,538	\$ 151,186	\$ 123,368	\$ 406,932	\$ 327,447	\$ 269,762	\$ 247,565	\$ 209,655	\$ 130,826
Contributions in relation to the actuarially determined contributions	(198,538)	(151,186)	(123,368)	(5,155,280)	(327,447)	(269,762)	(247,565)	(209,655)	(130,826)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (4,748,348)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - fiscal year	\$ 2,115,456	\$ 1,611,947	\$ 1,517,815	\$ 1,398,175	\$ 1,330,077	\$ 1,217,647	\$ 1,209,884	\$ 1,172,974	\$ 1,228,822
Contributions as a percentage of covered payroll	9.39%	9.38%	8.13%	368.71%	24.62%	22.15%	20.46%	17.87%	10.65%
Valuation date:	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal								
Amortized method	Level percentage of payroll, closed								
Remaining amortization period	Varies, not more than 30 years								
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Inflation	2.50%	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by Entry Age and Service								
Payroll growth	2.75%	2.75%	2.75%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.00% <sup>(1)</sup>	7.00% <sup>(1)</sup>	7.00% <sup>(1)</sup>	7.25% <sup>(1)</sup>	7.375% <sup>(1)</sup>	7.50% <sup>(1)</sup>	7.50% <sup>(1)</sup>	7.50% <sup>(1)</sup>	7.50% <sup>(1)</sup>
Mortality	(4)	(4)	(4)	(3)	(3)	(3)	(2)	(2)	(2)

Notes to Schedule:

- <sup>(1)</sup> Net of administrative expenses, includes inflation.
- <sup>(2)</sup> Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007.
- <sup>(3)</sup> Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.
- <sup>(4)</sup> Probabilities of retirement and mortality are based on CalPERS' 2017 Experience Study for the period from 1997 to 2015.

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



CITY OF MARYSVILLE, CALIFORNIA  
REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2023

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.02367%	-0.13417%	0.01277%	0.16958%	0.17282%	0.16880%	0.17725%	0.18427%	0.14064%
Proportionate share of the net pension liability (asset)	\$ 1,626,815	\$ (4,708,824)	\$ 850,990	\$ 10,586,186	\$ 10,140,138	\$ 10,086,254	\$ 9,180,407	\$ 7,592,673	\$ 6,728,712
Covered payroll - measurement period	\$ 2,204,559	\$ 2,110,027	\$ 1,994,870	\$ 1,641,904	\$ 1,485,180	\$ 1,395,874	\$ 1,366,046	\$ 1,011,871	\$ 996,792
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	73.79%	-223.16%	42.66%	644.75%	682.75%	722.58%	672.04%	750.36%	675.04%
Plan fiduciary net position as a percentage of the total pension liability	95.41%	114.01%	97.37%	66.47%	66.78%	65.97%	68.30%	73.23%	76.23%

Notes to Schedule:

Reporting valuation date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Reporting measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Discount rate	6.90%	7.15%	7.15%	7.15%	7.65%	7.65%	7.50%	7.50%	7.50%

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

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

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

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 419,213	\$ 370,612	\$ 340,014	\$ 1,191,731	\$ 1,013,415	\$ 852,710	\$ 657,260	\$ 663,213	\$ 322,800
Contributions in relation to the actuarially determined contributions	(419,213)	(370,612)	(340,014)	(10,006,650)	(1,013,415)	(852,710)	(657,260)	(663,213)	(322,800)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (8,814,919)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - fiscal year	\$ 2,395,265	\$ 2,204,559	\$ 2,110,027	\$ 1,994,870	\$ 1,641,904	\$ 1,485,180	\$ 1,395,874	\$ 1,366,046	\$ 1,011,871
Contributions as a percentage of covered payroll	17.50%	16.81%	16.11%	501.62%	61.72%	57.41%	47.09%	48.55%	31.90%
Valuation date:	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Actuarial cost method									
Amortized method									
Remaining amortization period									
Asset valuation method									
Inflation	2.50%	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases									
Payroll growth	2.75%	2.75%	2.75%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.00% <sup>(1)</sup>	7.00% <sup>(1)</sup>	7.00% <sup>(1)</sup>	7.25% <sup>(1)</sup>	7.375% <sup>(1)</sup>	7.50% <sup>(1)</sup>	7.50% <sup>(1)</sup>	7.50% <sup>(1)</sup>	7.50% <sup>(1)</sup>
Mortality	(4)	(4)	(4)	(3)	(3)	(3)	(2)	(2)	(2)

Notes to Schedule:

- (1) Net of administrative expenses, includes inflation.
- (2) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007.
- (3) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.
- (4) Probabilities of retirement and mortality are based on CalPERS' 2017 Experience Study for the period from 1997 to 2015.

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

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**COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS**

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2023

	Special Revenue					Code Enforcement Nuisance Abatement Fund
	Gas Tax Fund	Narcotics Enforcement Fund	Asset Seizure Fund	Sidewalk Fund	Transportation and Transit Fund	
ASSETS						
Cash and investments	\$ 749,968	\$ 1,235	\$ 1,097	\$ 13,954		\$ 37,827
Receivables:						
Accounts receivable				1,528	\$ 32,244	
Interest receivable	3,685	5	5	56		152
Loans receivable						
Lease receivable						
Due from other governments	121,402					
<b>TOTAL ASSETS</b>	<b>\$ 875,055</b>	<b>\$ 1,240</b>	<b>\$ 1,102</b>	<b>\$ 15,538</b>	<b>\$ 32,244</b>	<b>\$ 37,979</b>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 4,992					
Accrued payroll liabilities	20,039					
Due to other funds						
<b>TOTAL LIABILITIES</b>	<b>25,031</b>					
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue					\$ 32,244	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>					<b>32,244</b>	
Fund balances:						
Nonspendable						
Restricted	850,024	\$ 1,240	\$ 1,102	\$ 15,538		\$ 37,979
Unassigned						
<b>TOTAL FUND BALANCES</b>	<b>850,024</b>	<b>1,240</b>	<b>1,102</b>	<b>15,538</b>		<b>37,979</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>	<b>\$ 875,055</b>	<b>\$ 1,240</b>	<b>\$ 1,102</b>	<b>\$ 15,538</b>	<b>\$ 32,244</b>	<b>\$ 37,979</b>

Special Revenue

Tobacco Grant Fund	Revolving Loan Funds			Law Enforcement Grants			Capital Project Fund	Totals
	CDBG Principal and Interest Fund	HOME Program Income Fund	2015 CDBG Fund	COPS/SLESF Grant Fund	Traffic Grant	Cannabis Tax Grant Fund		
	\$ 5,178	\$ 28,619	\$ 24,601	\$ 72,026			\$ 40,810	\$ 975,315
	404							34,176
	184	148		569				4,804
	1,395,857	952,810						2,348,667
<u>\$ 14,188</u>				86,621	\$ 12,652	\$ 18,986	54,757	308,606
<u>\$ 14,188</u>	<u>\$ 1,401,623</u>	<u>\$ 981,577</u>	<u>\$ 24,601</u>	<u>\$ 159,216</u>	<u>\$ 12,652</u>	<u>\$ 18,986</u>	<u>\$ 95,567</u>	<u>\$ 3,671,568</u>
			\$ 9,915			\$ 7,931	\$ 129,175	\$ 144,082
\$ 5,184						11,055		33,154
11,067					\$ 12,313			34,435
<u>16,251</u>			<u>9,915</u>		<u>12,313</u>	<u>18,986</u>	<u>129,175</u>	<u>211,671</u>
				\$ 86,621				118,865
				86,621				118,865
	\$ 1,395,857	\$ 952,810						2,348,667
	5,766	28,767	14,686	72,595	339			1,028,036
(2,063)							(33,608)	(35,671)
<u>(2,063)</u>	<u>1,401,623</u>	<u>981,577</u>	<u>14,686</u>	<u>72,595</u>	<u>339</u>	<u>-</u>	<u>(33,608)</u>	<u>3,341,032</u>
<u>\$ 14,188</u>	<u>\$ 1,401,623</u>	<u>\$ 981,577</u>	<u>\$ 24,601</u>	<u>\$ 159,216</u>	<u>\$ 12,652</u>	<u>\$ 18,986</u>	<u>\$ 95,567</u>	<u>\$ 3,671,568</u>

CITY OF MARYSVILLE, CALIFORNIA

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

For the Year Ended June 30, 2023

	Special Revenue					Code Enforcement Nuisance Abatement Fund
	Gas Tax Fund	Narcotics Enforcement Fund	Asset Seizure Fund	Sidewalk Fund	Transportation and Transit Fund	
REVENUES						
Intergovernmental revenue	\$ 372,143					
Reimbursements						
Charges for services	294,346					
Use of money and property	11,370	\$ 18	\$ 17	\$ 198		\$ 542
Program income						
<b>TOTAL REVENUES</b>	<b>677,859</b>	<b>18</b>	<b>17</b>	<b>198</b>		<b>542</b>
EXPENDITURES						
Current:						
General government						
Public safety						
Streets and public works	547,124					
Debt Service:						
Principal retirement	15,045					
Interest and other charges	1,372					
Capital outlay	20,407					
<b>TOTAL EXPENDITURES</b>	<b>583,948</b>					
REVENUES OVER (UNDER)						
EXPENDITURES	93,911	18	17	198		542
OTHER FINANCING SOURCES (USES)						
Issuance of debt						
Transfers in	289,769					37,437
Transfers out	(303,011)					
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<b>(13,242)</b>					<b>37,437</b>
NET CHANGE IN FUND BALANCES	80,669	18	17	198	-	37,979
Beginning of year	769,355	1,222	1,085	15,340	-	-
End of year	\$ 850,024	\$ 1,240	\$ 1,102	\$ 15,538	\$ -	\$ 37,979

Special Revenue

Tobacco Grant Fund	Revolving Loan Funds			Law Enforcement Grants			Capital Project Fund	Totals
	CDBG Principal and Interest Fund	HOME Program Income Fund	2015 CDBG Fund	COPS/SLESF Grant Fund	Traffic Grant	Cannabis Tax Grant Fund		
\$ 39,299	\$ 18,193			\$ 165,807	\$ 45,359	\$ 80,474	\$ 524,945 132,034	\$ 1,246,220 132,034 294,346 17,938 35,074
	3,074 27,596	\$ 725 7,478		1,994				
<u>39,299</u>	<u>48,863</u>	<u>8,203</u>		<u>167,801</u>	<u>45,359</u>	<u>80,474</u>	<u>656,979</u>	<u>1,725,612</u>
36,752 490	7,888	10,329	\$ 9,915	72,440	45,358	41,249	138,670 144,774	203,554 304,311 547,124
				19,506 1,381			113,841 42,110	148,392 44,863
						39,225	2,239,672	2,299,304
<u>37,242</u>	<u>7,888</u>	<u>10,329</u>	<u>9,915</u>	<u>93,327</u>	<u>45,358</u>	<u>80,474</u>	<u>2,679,067</u>	<u>3,547,548</u>
2,057	40,975	(2,126)	(9,915)	74,474	1		(2,022,088)	(1,821,936)
							1,431,564 663,099	1,431,564 993,430
(4,120)	3,125 (18,639)			(126,000)			(3,125)	(454,895)
(4,120)	(15,514)			(126,000)			2,091,538	1,970,099
(2,063)	25,461	(2,126)	(9,915)	(51,526)	1	-	69,450	148,163
-	1,376,162	983,703	24,601	124,121	338	-	(103,058)	3,192,869
<u>\$ (2,063)</u>	<u>\$ 1,401,623</u>	<u>\$ 981,577</u>	<u>\$ 14,686</u>	<u>\$ 72,595</u>	<u>\$ 339</u>	<u>\$ -</u>	<u>\$ (33,608)</u>	<u>\$ 3,341,032</u>

CITY OF MARYSVILLE, CALIFORNIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUNDS

June 30, 2023

	Levee Commission Fund	Mary Aaron Museum Fund	Total
ASSETS			
Cash and investments	\$ 997,711	\$ 18,648	\$ 1,016,359
Receivables:			
Accounts receivable	2,800		2,800
Interest receivable	3,198	74	3,272
Due from other governments	28,575		28,575
Capital assets, net of accumulated depreciation			
Non-depreciable	4,507,708		4,507,708
Depreciable	54,787		54,787
	<u>5,594,779</u>	<u>18,722</u>	<u>5,613,501</u>
TOTAL ASSETS			
LIABILITIES			
Accounts payable	20,499	14,696	35,195
Salaries and benefits payable	7,786		7,786
Interest payable, due after one year	899,980		899,980
Note payable, due after one year	2,404,981		2,404,981
	<u>3,333,246</u>	<u>14,696</u>	<u>3,347,942</u>
TOTAL LIABILITIES			
Net investment in capital assets	1,257,534		1,257,534
Restricted for other organizations	1,003,999	4,026	1,008,025
	<u>\$ 2,261,533</u>	<u>\$ 4,026</u>	<u>\$ 2,265,559</u>
TOTAL NET POSITION			



CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUNDS

June 30, 2023

	Levee Commission Fund	Mary Aaron Museum Fund	Total
<b>ADDITIONS</b>			
Property taxes	\$ 455,630		\$ 455,630
Intergovernmental revenue	215,272		215,272
Other revenue	22,318	\$ 10,800	33,118
Use of money and property	9,212	255	9,467
<b>TOTAL ADDITIONS</b>	<b>702,432</b>	<b>11,055</b>	<b>713,487</b>
<b>DEDUCTIONS</b>			
Personnel costs	110,643		110,643
Operations and maintenance	312,202	24,558	336,760
Depreciation expense	8,181		8,181
Interest expense	119,844		119,844
<b>TOTAL DEDUCTIONS</b>	<b>550,870</b>	<b>24,558</b>	<b>575,428</b>
<b>CHANGE IN NET POSITION</b>	<b>151,562</b>	<b>(13,503)</b>	<b>138,059</b>
Net position, beginning of year	2,109,971	17,529	2,127,500
<b>NET POSITION, END OF YEAR</b>	<b>\$ 2,261,533</b>	<b>\$ 4,026</b>	<b>\$ 2,265,559</b>

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

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**CITY OF MARYSVILLE, CALIFORNIA**

**COMPLIANCE REPORTS**

**June 30, 2023**

CITY OF MARYSVILLE, CALIFORNIA

COMPLIANCE REPORTS

June 30, 2023

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

To the City Council  
Marysville, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marysville, California (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 18, 2024.

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2023-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

To the City Council  
City of Marysville, California

Report on Compliance and Other Matters

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

City of Marysville's Response to Findings

*Government Auditing Standards* requires the auditors to perform limited procedures on the City of Marysville's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Marysville's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

*Richardson & Company, LLP*

March 18, 2024



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

City Council  
City of Marysville, California  
Marysville, California

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

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

We have audited the City of Marysville, California (the City's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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

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

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

***Responsibilities of Management for Compliance***

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

To the City Council  
City of Marysville, California

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

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

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in*



To the City Council  
City of Marysville, California

*internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

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

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

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the City of Marysville as of and for the year ended June 30, 2023, and have issued our report thereon dated March 18, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

*Richardson & Company, LLP*

March 18, 2024

CITY OF MARYSVILLE, CALIFORNIA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- |  |            |
|--|------------|
| 1. Type of auditor's report issued:  | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weaknesses identified?   | Yes        |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Noncompliance material to financial statements noted?                         | No         |

Federal Awards

- |  |   |
|--|---|
| 1. Internal control over major programs:   |   |
| a. Material weaknesses identified?   | No  |
| b. Significant deficiencies identified not considered to be material weaknesses?                               | Yes   |
| 2. Type of auditor's report issued on compliance for major programs:   | Unmodified  |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)? | Yes   |
| 4. Identification of major programs:   |   |
| <u>AL Number</u>   | <u>Name of Federal Program</u>                              |
| 21.027   | Coronavirus State and Local Fiscal Recovery Funds           |
| 66.458   | Capitalization Grants for Clean Water State Revolving Funds |
| 5. Dollar Threshold used to distinguish between Type A and Type B programs?                                    | \$750,000   |
| 6. Auditee qualified as a low-risk auditee under 2 CFR, Section 200.516(a)?                                    | No  |

CITY OF MARYSVILLE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2023

B. CURRENT YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2023-001 – Capital Asset Accounting – Material Weakness

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

- The three properties acquired from the Redevelopment Agency need to be recorded at their fair value at the acquisition date. These properties are currently reflected with a zero value.
- The City has recorded land with a value of \$4.5 million in the general ledger that is not listed on the capital asset list, so it is not clear what parcels of land the City owns that makes up this amount.
- City Hall is reported as acquired in 1939 for a cost of \$1.2 million, which appears high. Any remodel work should be shown on a separate line item and depreciated starting with the date the remodel was completed over the estimated life of the improvements.

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

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

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

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

**City’s Response:** See Corrective Action Plan.

C. COMPLIANCE AND OTHER MATTERS

None.

D. CURRENT YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM

INTERNAL CONTROL OVER COMPLIANCE

Finding 2023-002 – Schedule of Expenditures of Federal Awards (SEFA) – Significant Deficiency

**Program:** All Federal Programs

**Compliance Requirement:** Reporting

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

CITY OF MARYSVILLE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2023

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

**Cause:** Expenditures for three grants were overstated due to the amounts being reconciled to revenue and amounts received rather than actual qualifying expenditures, and also because non-federally funded portions of the grant were included. The SEFA did not include federal awards that were passed through from the County and also a CARES Act grant.

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

**Context:** The City excluded two federal awards from the U.S. Department of Homeland Security as these awards were passed through from Yuba County, and one federal award from the U.S. Department of Housing and Urban Development that was funded from the CARES Act. Expenditures for awards from the U.S. Department of Transportation, the U.S. Department of Treasury, and the U.S. Environmental Protection Agency were overstated by a total of \$3.5 million due to the City reconciling the SEFA to the nonfederal balances or originally reporting on the modified accrual basis.

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

**City's Response:** See Corrective Action Plan.

E. STATUS OF PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 2022-001 – Capital Asset Accounting – Material Weakness

See Finding 2023-001 for current status.

F. STATUS OF PRIOR YEAR FINDINGS - MAJOR FEDERAL AWARD PROGRAM

INTERNAL CONTROL OVER COMPLIANCE

Finding 2022-002 – Tracking of Equipment – Material Weakness

**Program:** Highway Planning and Construction

**AL No.:** 20.205

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

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

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

CITY OF MARYSVILLE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2023

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

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

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

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

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

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

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

**Status:** The City has performed a full inventory as of December 2023 and reviewed all equipment and real property on hand for items purchased with federal funds. The funding source has been added to the assets listings. This finding is considered resolved.

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

See Finding 2023-002 for current status.

CITY OF MARYSVILLE, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing (AL) Number	Pass-Through Grantors' Number	Expenditures
<b>MAJOR PROGRAMS</b>			
<u>U.S. Department of Treasury:</u>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	CSLFRF	\$ 985,609
<u>U.S. Environmental Protection Agency:</u>			
Passed through California State Water Resources Control Board			
Capitalization Grants for Clean Water State Revolving Funds	66.458	D2101034 C-06-8557-110	1,030,226
TOTAL MAJOR PROGRAMS			<u>2,015,835</u>
<b>NON-MAJOR PROGRAMS</b>			
<u>U.S. Department of Agricultural Forest Service:</u>			
Passed through California Department of Forestry and Fire Protection			
Volunteer Fire Capacity Program	10.664	7GF22056	9,581
<u>U.S. Department of Housing and Urban Development:</u>			
Passed through California Department of Housing and Community Development			
COVID-19-Community Development Block Grants/ State's program and Non-Entitlement Grants in Hawaii	14.228	20-CDBG-CV2-3-00004	96,823
Community Development Block Grants/ State's program and Non-Entitlement Grants in Hawaii	14.228	20-CDBG-12085	20,548
COVID-19-Emergency Solutions Grants	14.231	ESG-CV 2	3,487
<u>U.S. Department of Transportation, Federal Highway Administration:</u>			
Passed through California State Transportation Agency, Department of Transportation			
Highway Planning and Construction	20.205	STPL-5009(030)	351,763
<u>U.S. Department of Transportation:</u>			
Passed through the State of California Office of Traffic Safety			
State and Community Highway Safety	20.600	PT22028	8,609
State and Community Highway Safety	20.600	PT23130	13,633
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT22028	9,594
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT23130	13,523
<u>U.S. Department of Homeland Security</u>			
Passed through Yuba County Office of Emergency Services			
Homeland Security Grant Program	97.067	2022-HSG	31,674
Homeland Security Grant Program	97.067	2023-HSG	7,600
<u>U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA):</u>			
Assistance to Firefighters Grant	97.044	EMW-2018-FO-05820	11,302
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2018-FF-00463	63,588
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2018-FF-00350	240
TOTAL NON-MAJOR PROGRAMS			<u>641,965</u>
<b>TOTAL FEDERAL AWARDS</b>			<u><u>\$ 2,657,800</u></u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City of Marysville, California (the City) under programs of the federal government for year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the City's operations, it is not intended to be and does not present the financial position, changes in financial position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – PROGRAM COSTS/MATCHING CONTRIBUTIONS

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

NOTE D – INDIRECT COST ALLOCATION PLAN

The City did not charge indirect costs to federal programs during the year ended June 30, 2023.

NOTE E – LOAN PROGRAMS

The outstanding balances of loan programs were as follows:

<u>Federal Program</u>	<u>Federal AL Number</u>	<u>Outstanding Loan Balance</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 1,395,857
Home Investment Partnerships Program	14.239	952,810

NOTE F – SUBRECIPIENTS

Amounts passed-through to subrecipients included \$89,660 under Assistance Listing 14.228 that was passed-through to the FREED Center for Independent Living during the year ended June 30, 2023.

NOTE G – CLUSTERS OF PROGRAMS

There were no clusters of the City's federal programs during the year ended June 30, 2023.



## CITY OF MARYSVILLE

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City of Marysville  
Schedule of Finding Responses – Corrective Action Plan  
June 30, 2023

### CURRENT YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

#### Finding 2023-001 – Capital Asset Accounting – Material Weakness

The three conditions listed will take further time to research through records to find the timeline and backup as prior City records are not in electronic form and the items go back several years. Some of this research was completed in FY 2021-22 but additional records still need to be found. The City will work with an appraiser to get fair market values at their acquisition date for both the Redevelopment Agency properties and City Hall. Processes have been added to the year-end to include adding and removing assets to our master capital asset workbook, comparing to added capital assets for the year, and making sure that assets are being depreciated according to our Capital Asset Policy.

### CURRENT YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM

#### Finding 2023-002 – Schedule of Expenditures of Federal Award (SEFA) – Significant Deficiency

At this time, a draft Grant Accounting Policy is being reviewed and it is set to be finalized and distributed by June 30, 2024, that will put the proper procedures in place. As grants are accepted and reviewed, each individual grant is set up with a unique tracking summary which will indicate the source of grant, whether federal, state, or other, all assistance listing numbers will be added as needed and identified, and our master grant tracking summary has been updated to include the source. When completing the SEFA, it will be prepared at the same time as the master grant tracking summary for comparison.