

CITY OF MARYSVILLE, CALIFORNIA

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

FOR THE FISCAL YEAR
ENDED JUNE 30, 2012



CITY OF MARYSVILLE, CALIFORNIA

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CITY OF MARYSVILLE, CALIFORNIA

CITY OFFICIALS

CITY COUNCIL

- *Bill Harris* Mayor
- *James Kitchen*..... Vice Mayor
- *Christina Billeci*..... Council member
- *Ricky Samayoa* Council member
- *Dale Whitmore* Council member

OTHER CITY OFFICIALS

- *Stephen Casey* City Manager
- *Brant Bordsen* City Attorney
- *Matt Michaelis* Administrative Services
Manager
- *Wallace C. Fullerton* Police Chief
- *David Lamon* City Services Director
- *Billie Fangman* City Clerk

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BOLER & ASSOCIATES

PROFESSIONAL ACCOUNTANCY CORPORATION
750 F STREET • DAVIS, CA 95616

(530) 756-1735

INDEPENDENT AUDITOR'S REPORT

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Marysville, California's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the financial position of the City of Marysville, California as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Community Development Block Grant Special Revenue Fund, for the year then ended in conformity with accounting principles in generally accepted the United States of America.

As described in Note M to the financial statements, the California Supreme Court upheld Assembly Bill X1 26 resulting in the termination of the redevelopment agencies in the State of California, including the Redevelopment Agency of the City of Marysville, California. Successor agencies have been appointed to wind down the affairs of the redevelopment agencies in accordance with the provisions of Assembly Bill X1 26. The City of Marysville, California has elected to be appointed as successor agencies for purposes of winding down the affairs of the Redevelopment Agency of the City of Marysville, California.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012, on our consideration of the City of Marysville, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marysville, California's, financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



October 26, 2012

CITY OF MARYSVILLE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL ENDED JUNE 30, 2012

This section of the City of Marysville's Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Marysville exceeded liabilities by \$14.58 million (net assets). Of this amount, the City has an unrestricted balance of \$3.39 million, \$2.89 million is restricted for specific purposes such as loan programs, street projects, and other community development, and \$8.30 million is invested in capital assets, net of related debt.
- The City's total net assets increased by \$2.60 million, including an extraordinary gain of \$1.02 million from the dissolution of the City's redevelopment agency.
- The General Fund's fund balance is \$0.97 million as of June 30, 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of five parts:

- Independent Auditor's Report;
- Management's Discussion and Analysis (this section);
- Basic Financial Statements that include:
 - Government-Wide Financial Statements;
 - Fund Financial Statements;
 - Notes to Financial Statements and
 - Budgetary Comparison Schedules for the General Fund and Community Development Block Grant Special Revenue Fund
- Combining and Individual Fund Statements and Schedules.
- Other Reports

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

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

The Statement of Net Assets (page 15) presents information on all of the City's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in net assets may serve as a useful indicator of the City's financial improvement or deterioration.

CITY OF MARYSVILLE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL ENDED JUNE 30, 2012

The Statement of Activities (page 16 and 17) presents information showing how the government's net assets changed during the past year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (accrual basis of accounting). Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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

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

FUND FINANCIAL STATEMENTS

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

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

Governmental funds are used to account for essentially the same functions reported as “governmental activities” in the government-wide financial statements. However, unlike those statements, the focus in these statements is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

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

The City of Marysville maintains several individual government funds organized according to their type (special revenue, capital projects, etc). The fund financial statements provide detailed information about

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2012

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

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

Data from the remaining nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of "combining statements" starting on page 63.

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

Enterprise funds are used to report the same functions as presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for wastewater collection and treatment and the activity of its public financing authority.

The debt service for the Wastewater system is combined into the business-type activities column of the Statement of Net Assets (page 15) and the remaining debt service issues are combined into the governmental activities column of that report.

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

NOTES TO FINANCIAL STATEMENTS

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-63 of this report.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

This section of the report includes additional detailed information about nonmajor governmental, proprietary and agency funds and can be found beginning on page 64.

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year ended June 30, 2012 is the eighth year in which the City of Marysville has presented its financial statements under the reporting model required by the Governmental Accounts Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. A comparative analysis of government-wide data is included in this report.

ANALYSIS OF NET ASSETS

With the consolidation of government-wide net assets into one statement and other changes such as the exclusion of fiduciary funds, net assets may now serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$13.49 million. The city reported positive balances in all three categories of net assets, as well as for its separate governmental and business-type activities.

The Summary of Net Assets is as follows:

TABLE 1
SUMMARY OF NET ASSETS
AS OF JUNE 30

	Governmental Activities		Business-type Activities		TOTALS	
	2012	2011	2012	2011	2012	2011
ASSETS:						
Current and other assets	\$ 6,627,756	\$ 4,506,584	\$ 1,580,716	\$ 1,502,194	\$ 8,208,472	\$ 6,008,778
Capital assets, net	6,941,163	5,325,119	9,000,690	9,276,439	15,941,853	14,601,558
TOTAL ASSETS	#####	\$ 9,831,703	\$10,581,406	\$10,778,633	\$24,150,325	\$20,610,336
LIABILITIES:						
Liabilities due after one year	\$ 6,602,873	\$ 710,454	\$ 1,152,768	\$ 6,235,075	\$ 7,755,641	\$ 6,945,529
Other liabilities	1,498,329	1,197,753	316,526	489,734	1,814,855	1,687,487
TOTAL LIABILITIES	\$ 8,101,202	\$ 1,908,207	\$ 1,469,294	\$ 6,724,809	\$ 9,570,496	\$ 8,633,016
NET ASSETS:						
Investment in capital assets	\$ 216,864	\$ 4,438,382	\$ 8,084,823	\$ 3,584,120	\$ 8,301,687	\$ 8,022,502
Restricted	2,323,692	1,614,939	565,853	759,966	2,889,545	2,374,905
Unrestricted	2,927,161	1,870,175	461,436	(290,262)	3,388,597	1,579,913
TOTAL NET ASSETS	\$ 5,467,717	\$ 7,923,496	\$ 9,112,112	\$ 4,053,824	\$14,579,829	\$11,977,320

- Total Net Assets increased by \$2.60 million from 2011 to 2012. This included an extraordinary gain of \$1.02 million resulting from the transfer of net assets in the dissolution of the redevelopment agency. Most of this change occurred in the Governmental Activities with the capitalization of capital asset purchases and an increase in liabilities.

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2012

- \$8.30 million (56.94%) in net capital assets (e.g., land, buildings, other improvements, construction in progress and equipment), less any outstanding related debt used to acquire these assets. The City uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- \$2.89 million (19.82%) in net assets are earmarked and represent resources that are subject to external restrictions on how they may be used. The increase in this figure from 2011 to 2012 can be found in the Restricted Net Assets in the Governmental Activities.
- The remaining unrestricted balance is \$3.39 million.

CHANGES IN NET ASSETS

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

TABLE 2
CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30

	Governmental Activities		Business-type Activities		TOTALS	
	2012	2011	2012	2011	2012	2011
PROGRAM REVENUES:						
Charges for services	\$ 2,749,821	\$1,819,873	\$ 1,701,363	\$ 1,678,047	\$ 4,451,184	\$ 3,497,920
Operating grants	718,136	502,947	325,275	-	1,043,411	502,947
Capital grants	1,458,978	1,162,376	-	-	1,458,978	1,162,376
GENERAL REVENUES:						
Property taxes	1,198,825	1,370,029	-	-	1,198,825	1,370,029
Sales and use taxes	2,091,459	1,678,290	-	-	2,091,459	1,678,290
Motor vehicle in-lieu	821,565	875,779	-	-	821,565	875,779
Franchise fees	393,276	339,421	-	-	393,276	339,421
Transient occupancy tax	82,803	75,409	-	-	82,803	75,409
Business license tax	137,214	138,268	-	-	137,214	138,268
Reimbursements	259,507	312,025	20,500	52,038	280,007	364,063
Proceeds from insurance	14,100	-	-	-	14,100	-
Sale of city property	-	450,000	-	-	-	450,000
Miscellaneous sales	8,691	11,775	-	-	8,691	11,775
Loss on disposition of asset	(665)	(31,177)	-	-	(665)	(31,177)
Other revenues	42,040	18,335	-	-	42,040	18,335
Investment income	202,067	244,181	10,256	10,290	212,323	254,471
TOTAL REVENUES	10,177,817	8,967,531	2,057,394	1,740,375	12,235,211	10,707,906

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2012

	Governmental Activities		Business-type Activities		TOTALS	
	2012	2011	2012	2011	2012	2011
EXPENSES:						
Governmental activities:						
General government	1,505,154	1,450,819	-	-	1,505,154	1,450,819
Public safety	5,301,071	4,835,542	-	-	5,301,071	4,835,542
Streets and public works	1,423,577	1,319,741	-	-	1,423,577	1,319,741
Parks and recreation	413,135	389,640	-	-	413,135	389,640
Interest on long-term debt	395,207	67,335	-	-	395,207	67,335
Business-type activities:						
Public financing	-	-	594	365,572	594	365,572
Sewer	-	-	1,484,428	1,098,525	1,484,428	1,098,525
Interest on long-term debt	-	-	126,837	60,909	126,837	60,909
TOTAL EXPENSES	9,038,144	8,063,077	1,611,859	1,525,006	10,650,003	9,588,083
EXCESS OF REVENUES OVER EXPENDITURES	1,139,673	904,454	445,535	215,369	1,585,208	1,119,823
Extraordinary gain on dissolution of redev- lopment agency	1,017,299	-	-	-	1,017,299	-
Transfers in (out)	(4,612,753)	100,000	4,612,753	(100,000)	-	-
CHANGE IN NET ASSETS	(2,455,781)	1,004,454	5,058,288	115,369	2,602,507	1,119,823
NET ASSETS, JULY 1	7,923,497	6,919,043	4,053,824	3,938,455	11,977,321	10,857,498
NET ASSET, JUNE 30	\$ 5,467,716	\$ 7,923,497	\$ 9,112,112	\$ 4,053,824	\$ 14,579,828	\$ 11,977,321

Governmental Activities increase the City's net assets by \$2,602,508. Increased receipts of charges for services and intergovernmental revenues contributed to the change.

REVENUES

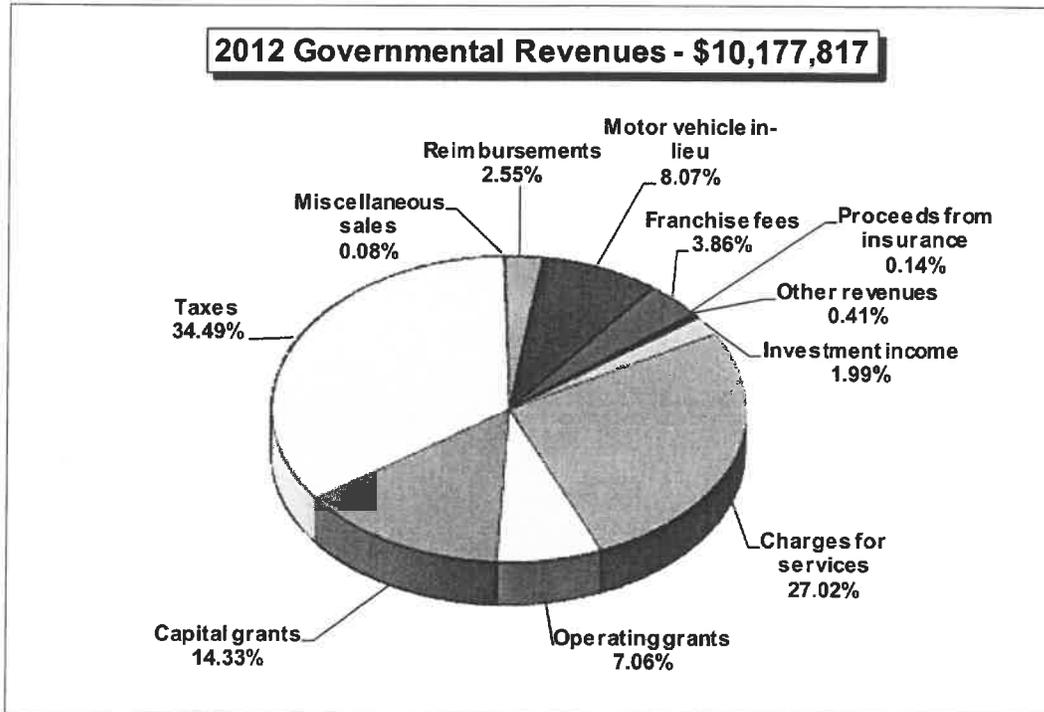
The Governmental Activities total revenues were \$10.18 million and Business-Type Activity revenues were \$2.06 million for the year ended June 30, 2012. This represented a total increase of \$1,527,306 from 2011. This increase in revenues was accomplished by the realization of increased Charges for Services in 'Aggregate Nonmajor Governmental Funds;' namely, the Gas Tax and Capital projects funds, which housed a variety of new street improvement and stimulus projects in 11-12.

Program revenues include charges for services and grants and contributions. Program revenues provided \$4.93 million (48.18% of total revenues) for governmental activities and approximately \$2.03 million for business-type activities.

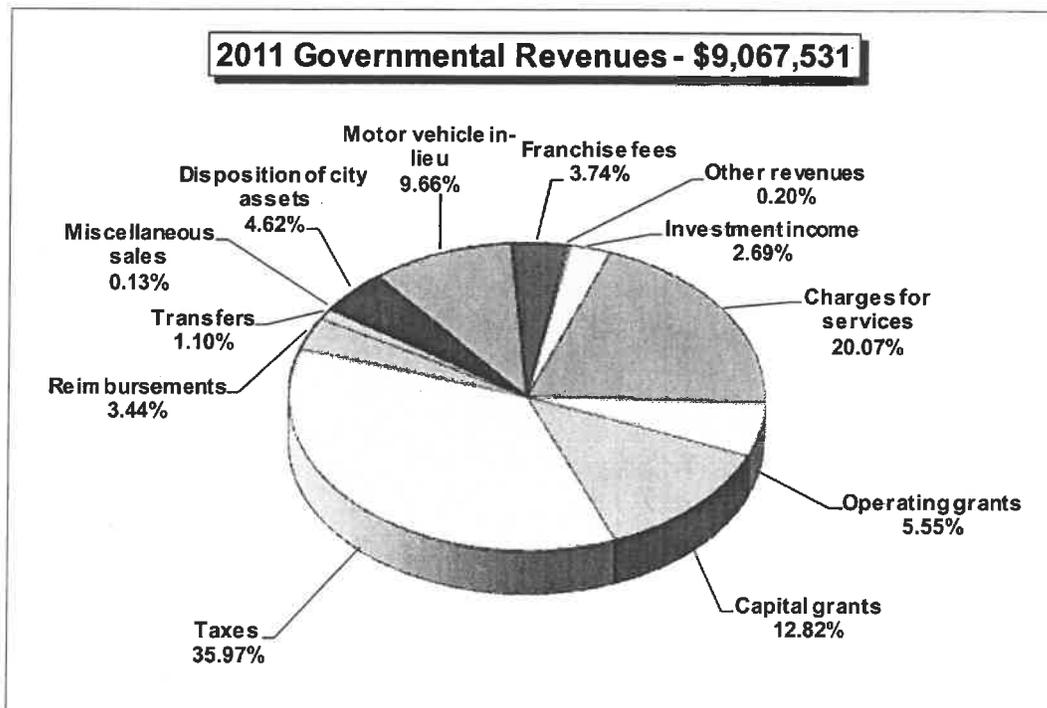
General revenues include, among other things, taxes, assessments and intergovernmental revenues. General revenues provided \$5.25 million (51.59% of total revenues). The majority of general revenues came from property, sales and other taxes.

CITY OF MARYSVILLE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL ENDED JUNE 30, 2012

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



The fiscal year ended June 30, 2011 revenues are reflected graphically as follows:



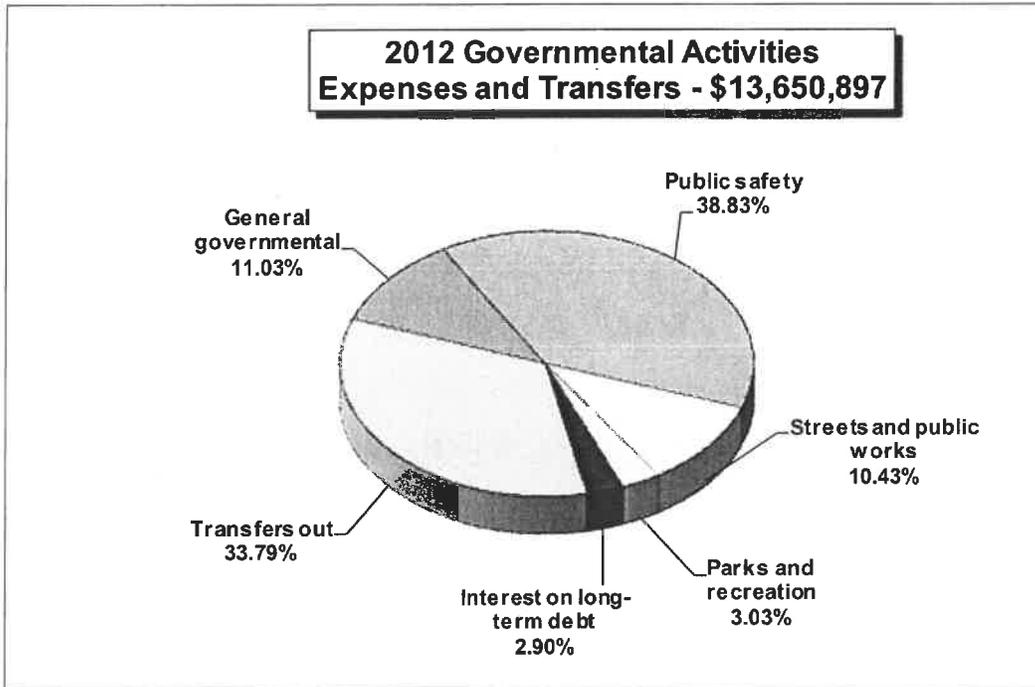
CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2012

EXPENSES

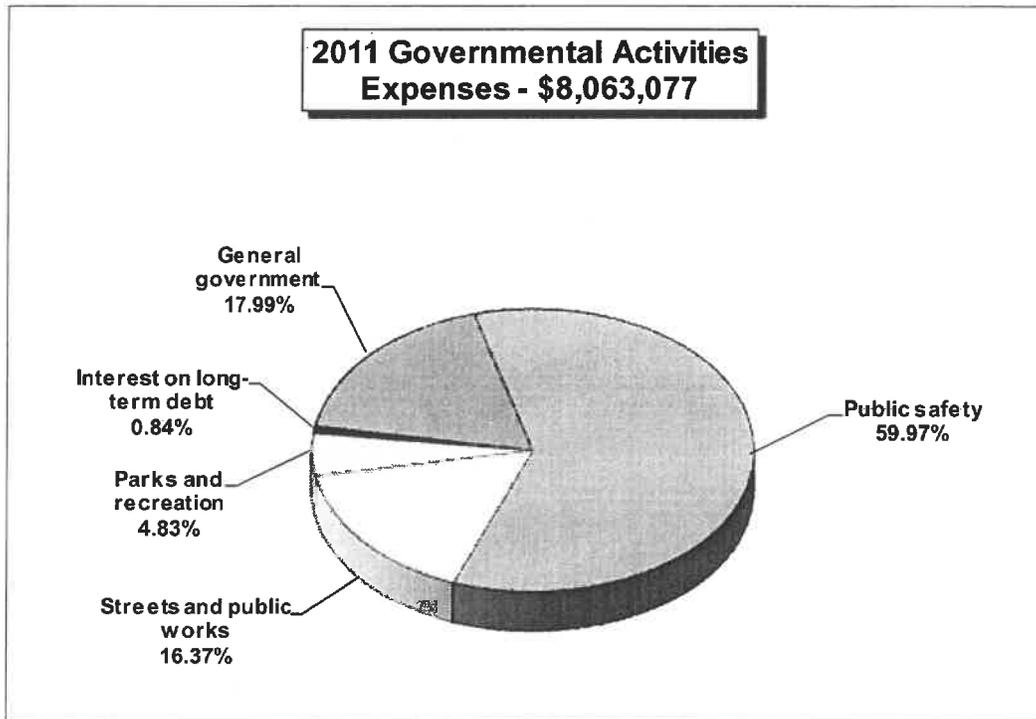
Expenses for the City totaled \$10.65 million. Governmental activities incurred \$9.04 million in expenses and business-type activities incurred \$1.61 million in expenses during the year. As can be seen in the table above, governmental activities expenses were 54.51% funded by program revenues, fees, grants and contributions. The remainder of the funding came from general revenues. On the other hand, business-type activities expenses were 79.53% funded by program revenues, with the exception of interest and investment earnings. Increases in business-type expenses were caused by required studies needed to determine what changes will be necessary at the City's sewer treatment facility to comply with State of California discharge requirements.

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



CITY OF MARYSVILLE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL ENDED JUNE 30, 2012

The fiscal year ended June 30, 2011 expenses are reflected graphically as follows:



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

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

At the end of FY 2011-12, the City's governmental funds reported combined fund balances of \$5.63 million. The City has an unassigned fund balance of \$711,752. The remainder of the governmental ending fund balance of \$4.92 million is non-spendable, committed, restricted or assigned to indicate that it is not available for new spending because it has been designated to pay for prior year commitments and other specific requirements.

PROPRIETARY FUNDS

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

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2012

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund expense budget was decreased \$490,217 from the prior fiscal year. This change reflects the continuing reduction of employee costs through furloughs and absorption of employee benefit costs by employees. It also reflects reductions in service in reduced street lights and parks maintenance.

During the fiscal year General Fund revenue was \$1,211,047 higher than the amended budget estimate, primarily through an increase in sales tax revenues over the estimated amount and the one-time donation by the hospital of a fire truck valued at \$812,698.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>TOTALS</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Capital assets, not being depreciated:						
Construction in progress	\$ 1,009,833	\$ -	\$ -	\$ -	\$ 1,009,833	\$ -
Land	1,495,049	1,574,251	4,562,003	4,562,003	6,057,052	6,136,254
Depreciable capital assets, net:						
Sewer plant	-	-	3,686,343	3,904,108	3,686,343	3,904,108
Infrastructure	502,378	508,247	-	-	502,378	508,247
Buildings	1,770,494	1,733,285	389,366	407,909	2,159,860	2,141,194
Machinery and equipment	606,599	663,755	261,776	178,429	868,375	842,184
Vehicles	1,556,810	845,581	101,202	112,667	1,658,012	958,248
Equipment under capital lease	-	-	-	111,323	-	111,323
TOTAL	<u>\$ 6,941,163</u>	<u>\$ 5,325,119</u>	<u>\$ 9,000,690</u>	<u>\$ 9,276,439</u>	<u>\$ 15,941,853</u>	<u>\$ 14,601,558</u>

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, was \$15.94 million (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements other than buildings, and equipment. The City's investment in capital assets had a net increase for FY 2011-12 of \$1,340,295, including the \$812,698 fire truck donation. Infrastructure acquired prior to FY 2003-04 has not been recorded. The City is not required to record infrastructure acquired in previous fiscal years.

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

CITY OF MARYSVILLE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL ENDED JUNE 30, 2012

DEBT ADMINISTRATION

At the end of FY 2011-12, the City of Marysville had long-term liabilities of \$7.72 million and \$1.41 million for governmental activities and business-type activities, respectively. Additional information about the City's long-term obligations can be found in Note F in the Notes to Basic Financial Statements.

	Governmental Activities		Business-type Activities		TOTALS	
	2012	2011	2012	2011	2012	2011
Certificates of participation, 2006	\$ -	\$ -	\$ -	\$ 4,975,000	\$ -	\$ 4,975,000
Certificates of participation, 2011	7,000,000	-	-	-	7,000,000	-
Lease revenue bonds, 2001 Series A	-	853,180	415,051	481,820	415,051	1,335,000
Repayment agreement Obligations under capital lease	200,147	-	-	-	200,147	-
State Water Resources Loan	-	33,557	-	12,465	-	46,022
Less: Bond discount, net	(475,848)	-	972,111	1,118,021	972,111	1,118,021
Compensated absences	263,294	248,362	(15,534)	(17,088)	(491,382)	(17,088)
TOTALS	\$ 6,987,593	\$ 1,135,099	\$ 1,414,977	\$ 6,611,744	\$ 8,402,570	\$ 7,746,843

DISSOLUTION OF THE CITY'S REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Marysville, California that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become Successor Agency for the redevelopment agency in accordance with the bill as part of City Resolution No. 2012-02.

The activity of the successor agency is accounted for within the Redevelopment Successor Agency Private-Purpose Trust Fund. In the dissolution, the former Redevelopment Agency's capital assets with a net value of \$108,401 and long-term debt of the \$853,181 were transferred from the City of Marysville.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

CITY OF MARYSVILLE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL ENDED JUNE 30, 2012

During fiscal year 2012-2013 the General Fund's fund balance is budgeted to decrease by \$104,854. Significant decreases in employee costs accomplished through furloughs and benefits reductions, hiring freezes, turning off selected street lights, and reductions in parks maintenance are continued into the next fiscal year. The State of California is still making efforts to redirect local revenues to the state level or the schools in an effort to address its own budget problems. How this effort will impact local revenues is still unclear at this time.

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

REQUESTS FOR INFORMATION

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



CITY OF MARYSVILLE, CALIFORNIA

GOVERNMENT-WIDE STATEMENT OF NET ASSETS AS OF JUNE 30, 2012

	Governmental Activities	Business-type Activities	TOTALS
ASSETS:			
CURRENT ASSETS:			
Cash and investments	\$ 849,300	\$ -	\$ 849,300
Receivables:			
Accounts receivable	112,633	268,552	381,185
Interest receivable	785	-	785
Taxes receivable	177,368	-	177,368
Loans receivable	2,071,800	-	2,071,800
Due from other governments	1,841,892	78,613	1,920,505
Internal balances	13,459	667,698	681,157
Restricted cash with fiscal agent	1,560,519	565,853	2,126,372
TOTAL CURRENT ASSETS	6,627,756	1,580,716	8,208,472
NONCURRENT ASSETS:			
Nondepreciable capital assets	2,504,882	4,562,003	7,066,885
Depreciable capital assets, net	4,436,281	4,438,687	8,874,968
TOTAL NONCURRENT ASSETS	6,941,163	9,000,690	15,941,853
TOTAL ASSETS	\$ 13,568,919	\$ 10,581,406	\$ 24,150,325
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	\$ 451,631	\$ 39,360	\$ 490,991
Accrued payroll liabilities	430,861	137	430,998
Interest payable	120,470	14,820	135,290
Deposits payable	37,051	-	37,051
Deferred revenue	73,597	-	73,597
Compensated absences	263,294	43,349	306,643
Long-term debt, due within one year	22,239	218,860	241,099
TOTAL CURRENT LIABILITIES	1,399,143	316,526	1,715,669
NONCURRENT LIABILITIES:			
Long-term debt, due after one year	7,177,908	1,168,302	8,346,210
Less: Unamortized bond issuance costs and discounts	(475,848)	(15,534)	(491,382)
TOTAL LIABILITIES	\$ 8,101,203	\$ 1,469,294	\$ 9,570,497
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 216,864	\$ 8,084,823	\$ 8,301,687
Restricted for:			
Road improvements and repairs	447,942	-	447,942
Parks and recreation	18,653	-	18,653
Public buildings	22,463	-	22,463
Loan programs	209,330	-	209,330
Debt service	1,560,519	565,853	2,126,372
Street projects	64,785	-	64,785
Unrestricted	2,927,160	461,436	3,388,596
TOTAL NET ASSETS	\$ 5,467,716	\$ 9,112,112	\$ 14,579,828

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

CITY OF MARYSVILLE, CALIFORNIA

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Operating Expenses	Program Revenues		
		Charges for Services	Grants and other contributions	
			Operating	Capital
GOVERNMENTAL ACTIVITIES:				
General government	\$ 1,505,154	\$ 649,081	\$ -	\$ -
Public safety	5,301,071	985,052	718,136	6,646
Streets and public works	1,423,577	207,876	-	1,333,402
Parks and recreation	413,135	907,812	-	118,930
Interest on long-term debt	395,207	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	9,038,144	2,749,821	718,136	1,458,978
BUSINESS-TYPE ACTIVITIES:				
Public financing	594	-	-	-
Sewer	1,484,428	1,701,363	325,275	-
Interest on long-term debt	126,837	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	1,611,859	1,701,363	325,275	-
TOTAL GOVERNMENT	\$ 10,650,003	\$ 4,451,184	\$ 1,043,411	\$ 1,458,978

GENERAL REVENUES:

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

EXTRAORDINARY GAIN:

- Net assets transferred upon dissolution of redevelopment agency

TRANSFERS

TOTAL GENERAL REVENUES

CHANGE IN NET ASSETS

Net assets, July 1

NET ASSETS, JUNE 30

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

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	TOTALS
\$ (856,073)	\$ -	\$ (856,073)
(3,591,237)	-	(3,591,237)
117,701	-	117,701
613,607	-	613,607
(395,207)	-	(395,207)
<u>(4,111,209)</u>	<u>-</u>	<u>(4,111,209)</u>
-	(594)	(594)
-	542,210	542,210
-	(126,837)	(126,837)
<u>-</u>	<u>414,779</u>	<u>414,779</u>
<u>(4,111,209)</u>	<u>414,779</u>	<u>(3,696,430)</u>
1,198,825	-	1,198,825
2,091,459	-	2,091,459
821,565	-	821,565
393,276	-	393,276
82,803	-	82,803
137,214	-	137,214
259,507	20,500	280,007
14,100	-	14,100
8,691	-	8,691
(665)	-	(665)
42,040	-	42,040
202,067	10,256	212,323
1,017,299	-	1,017,299
<u>(4,612,753)</u>	<u>4,612,753</u>	<u>-</u>
<u>1,655,428</u>	<u>4,643,509</u>	<u>6,298,937</u>
(2,455,781)	5,058,288	2,602,507
<u>7,923,497</u>	<u>4,053,824</u>	<u>11,977,321</u>
<u>\$ 5,467,716</u>	<u>\$ 9,112,112</u>	<u>\$ 14,579,828</u>

CITY OF MARYSVILLE, CALIFORNIA

BALANCE SHEET GOVERNMENTAL FUNDS AS OF JUNE 30, 2012

	General Fund	Special Revenue Community Development Block Grant Fund	Debt Service 2011 Taxable Certificates of Participation Fund	Capital Projects Community Development Fund
ASSETS				
Cash and investments	\$ 554,222	\$ -	\$ -	\$ -
Receivables:				
Accounts receivable	101,191	4,554	-	-
Interest receivable	272	-	-	-
Taxes receivable	177,368	-	-	-
Notes receivable	324	1,184,801	-	-
Due from other governments	692,080	-	-	-
Due from other funds	-	-	-	-
Advances to other funds	169,467	-	-	-
Restricted cash with fiscal agent	-	-	1,560,519	-
TOTAL ASSETS	\$ 1,694,924	\$ 1,189,355	\$ 1,560,519	\$ -
LIABILITIES				
Accounts payable	\$ 164,747	\$ -	\$ -	\$ -
Accrued payroll liabilities	430,861	-	-	-
Deferred revenue	73,597	-	-	-
Deposits	37,051	-	-	-
Due to other funds	14,677	-	-	-
Advances from other funds	-	-	-	-
TOTAL LIABILITIES	720,933	-	-	-
FUND BALANCES				
Non-spendable:				
Advances to other funds	169,467	-	-	-
Notes receivable	324	1,184,801	-	-
Committed:				
Debt service	-	-	1,560,519	-
Subsequent year's expenditures	104,854	-	-	-
Restricted:				
Loan programs	-	-	-	-
Road improvements and repairs	-	-	-	-
Parks and recreation	-	-	-	-
Public buildings	-	-	-	-
Assigned:				
Bridge repair	-	-	-	-
Unassigned:				
General fund	699,346	-	-	-
Special revenue funds	-	4,554	-	-
Capital project funds	-	-	-	-
TOTAL FUND BALANCES	973,991	1,189,355	1,560,519	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,694,924	\$ 1,189,355	\$ 1,560,519	\$ -

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

Aggregate Nonmajor Governmental Funds	TOTALS
\$ 295,078	\$ 849,300
6,888	112,633
513	785
-	177,368
886,675	2,071,800
1,149,812	1,841,892
172,239	172,239
-	169,467
-	1,560,519
<u>\$ 2,511,205</u>	<u>\$ 6,956,003</u>
\$ 286,884	\$ 451,631
-	430,861
-	73,597
-	37,051
313,570	328,247
-	-
<u>600,454</u>	<u>1,321,387</u>
-	169,467
886,676	2,071,801
-	1,560,519
253,050	357,904
209,330	209,330
447,942	447,942
18,653	18,653
22,463	22,463
64,785	64,785
-	699,346
7,852	12,406
-	-
<u>1,910,751</u>	<u>5,634,616</u>
<u>\$ 2,511,205</u>	<u>\$ 6,956,003</u>

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CITY OF MARYSVILLE, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS AS OF JUNE 30, 2012

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 5,634,616

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds. 6,941,163

Long-term credits not due and available in the current period and therefore
are not reported in the governmental funds balance sheet:
Unamortized bond issuance costs and discounts 475,847

Long-term liabilities are not due and payable in the current period and therefore
are not reported in the governmental funds balance sheet:

Repayment agreement with the county	\$ (200,147)	
Bonds payable	(7,000,000)	
Compensated absences	<u>(263,294)</u>	(7,463,441)

Interest payable on long-term debt does not require the use of current financial
resources and, therefore, is not reported in the governmental funds. (120,469)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 5,467,716

CITY OF MARYSVILLE, CALIFORNIA

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

	General Fund	Special Revenue Community Development Block Grant Fund	Debt Service 2011 Taxable Certificates of Participation Fund	Capital Projects Community Development Fund
REVENUES:				
Tax revenues	\$ 4,553,772	\$ -	\$ -	\$ 171,370
Intergovernmental revenues	514,829	-	-	-
Licenses, fees and permits	264,865	-	-	-
Charges for services	748,215	-	-	-
Fines, forfeitures and penalties	861,371	-	-	-
Reimbursements and refunds	259,507	-	-	-
Use of money and property	162,527	14,971	5,772	2,024
Program income	-	7,482	-	-
Miscellaneous sales	8,691	-	-	-
Proceeds from insurance recovery	14,100	-	-	-
Recreation and event fees	36,594	-	-	-
Donations	804,531	-	-	-
Other revenue	39,103	-	-	-
TOTAL REVENUES	8,268,105	22,453	5,772	173,394
EXPENDITURES:				
Current:				
General government	1,384,980	-	-	33,990
Public safety	4,894,234	-	-	-
Streets and public works	1,283,737	-	-	-
Parks and recreation	362,250	-	-	-
Debt service:				
Principal retirement	55,796	-	-	-
Interest and other charges	877	-	243,615	17,586
Capital outlay	877,213	-	-	-
TOTAL EXPENDITURES	8,859,087	-	243,615	51,576
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(590,982)	22,453	(237,843)	121,818
EXTRAORDINARY ITEM:				
Net assets transferred upon dissolution of redevelopment agency	-	-	-	648,736
OTHER FINANCING SOURCES (USES):				
Proceeds from refunding bonds issued	-	-	7,000,000	-
Bond issuance costs and discount	-	-	(488,885)	-
Repayment agreement with the county	222,386	-	-	-
Proceeds from sale of city property	8,902	-	-	-
Transfers in	300,000	-	412,997	-
Transfers out	-	(15,276)	(5,125,750)	-
TOTAL OTHER FINANCING	531,288	(15,276)	1,798,362	-
NET CHANGE IN FUND BALANCES	(59,694)	7,177	1,560,519	770,554
FUND BALANCES (DEFICITS), July 1	1,033,685	1,182,178	-	(770,554)
FUND BALANCES (DEFICITS), JUNE 30	\$ 973,991	\$ 1,189,355	\$ 1,560,519	\$ -

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

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Aggregate Nonmajor Governmental Funds	TOTALS
\$ -	\$ 4,725,142
1,662,286	2,177,115
-	264,865
-	748,215
-	861,371
-	259,507
16,773	202,067
7,761	15,243
-	8,691
-	14,100
19,002	55,596
-	804,531
2,937	42,040
1,708,759	10,178,483
40,060	1,459,030
219,363	5,113,597
104,235	1,387,972
17,676	379,926
-	55,796
-	262,078
1,144,278	2,021,491
1,525,612	10,679,890
183,147	(501,407)
(376,217)	272,519
-	7,000,000
-	(488,885)
-	222,386
-	8,902
597,869	1,310,866
(782,593)	(5,923,619)
(184,724)	2,129,650
(377,794)	1,900,762
2,288,545	3,733,854
\$ 1,910,751	\$ 5,634,616

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CITY OF MARYSVILLE, CALIFORNIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 1,900,762**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Government-wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 1,977,058	
Depreciation expense	<u>(243,047)</u>	1,734,011

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

Book value of capital assets sold		(9,567)
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Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund		(108,400)
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Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund		853,180
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Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Issuance of bonds payable	\$ (7,000,000)	
Less: cost of issuance and discounts	488,884	
Amortization of issuance costs and discounts	(13,037)	
Repayment agreement with the county	(222,386)	
Principal bond payments	<u>55,796</u>	(6,690,743)

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

Change in accrued interest payable	\$ (120,092)	
Change in compensated absences	<u>(14,932)</u>	<u>(135,024)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS **\$ (2,455,781)**

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

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND AND MAJOR SPECIAL REVENUE FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Tax revenues	\$ 4,320,000	\$ 4,320,000	\$4,553,772	\$ 233,772
Intergovernmental revenues	515,874	515,874	514,829	(1,045)
Licenses, fees and permits	210,100	210,100	264,865	54,765
Charges for services	597,750	597,750	748,215	150,465
Fines, forfeitures and penalties	883,000	883,000	861,371	(21,629)
Reimbursements and refunds	277,942	277,942	259,507	(18,435)
Use of money and property	140,072	140,072	162,527	22,455
Program income	-	-	-	-
Proceeds from insurance recovery	15,000	15,000	14,100	(900)
Miscellaneous sales	5,400	10,870	8,691	(2,179)
Recreation and event fees	39,000	39,000	36,594	(2,406)
Donations	24,700	24,700	804,531	779,831
Other revenue	12,000	22,750	39,103	16,353
	7,040,838	7,057,058	8,268,105	1,211,047
EXPENDITURES:				
Current:				
General government	898,224	898,549	1,384,980	(486,431)
Public safety	5,105,640	5,105,640	4,894,234	211,406
Streets and public works	906,333	906,333	1,283,737	(377,404)
Parks and recreation	404,592	404,592	362,250	42,342
Debt service:				
Principal retirement	33,557	33,557	55,796	(22,239)
Interest and other charges	2,666	2,666	877	1,789
Capital outlay	24,500	40,720	877,213	(836,493)
	7,375,512	7,392,057	8,859,087	(1,467,030)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(334,674)	(334,999)	(590,982)	(255,983)
OTHER FINANCING SOURCES (USES):				
Repayment agreement with the county	-	-	222,386	222,386
Proceeds from sale of city property	-	-	8,902	8,902
Transfers in	300,000	300,000	300,000	-
Transfers out	-	-	-	-
	300,000	300,000	531,288	231,288
NET CHANGE IN FUND BALANCES	(34,674)	(34,999)	(59,694)	(24,695)
FUND BALANCES, July 1	1,033,685	1,033,685	1,033,685	-
FUND BALANCES, JUNE 30	\$ 999,011	\$ 998,686	\$ 973,991	\$ (24,695)

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

Community Development Block Grant Special Revenue Fund

Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
10	10	14,971	14,961
7,000	7,000	7,482	482
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>7,010</u>	<u>7,010</u>	<u>22,453</u>	<u>15,443</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>7,010</u>	<u>7,010</u>	<u>22,453</u>	<u>15,443</u>
-	-	-	-
-	-	-	-
-	-	-	-
<u>(16,500)</u>	<u>(16,500)</u>	<u>(15,276)</u>	<u>1,224</u>
<u>(16,500)</u>	<u>(16,500)</u>	<u>(15,276)</u>	<u>1,224</u>
(9,490)	(9,490)	7,177	16,667
<u>1,182,178</u>	<u>1,182,178</u>	<u>1,182,178</u>	<u>-</u>
<u>\$ 1,172,688</u>	<u>\$ 1,172,688</u>	<u>\$ 1,189,355</u>	<u>\$ 16,667</u>

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS AS OF JUNE 30, 2012

	Public Finan- cing Author- ity Fund	Wastewater Fund	TOTALS
ASSETS:			
CURRENT ASSETS:			
Receivables, net			
Accounts receivable	\$ -	\$ 268,552	\$ 268,552
Due from other governments	-	78,613	78,613
Due from other funds	-	487,185	487,185
Restricted cash with fiscal agent	-	565,853	565,853
TOTAL CURRENT ASSETS	-	1,400,203	1,400,203
NONCURRENT ASSETS:			
Advance to other funds	-	471,295	471,295
Non-depreciable capital assets	4,562,003	-	4,562,003
Depreciable capital assets, net	-	4,438,687	4,438,687
TOTAL NONCURRENT ASSETS	4,562,003	4,909,982	9,471,985
TOTAL ASSETS	\$ 4,562,003	\$ 6,310,185	\$ 10,872,188
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	\$ -	\$ 39,360	\$ 39,360
Accrued payroll liabilities	-	137	137
Interest payable	-	14,820	14,820
Compensated absences	-	43,349	43,349
Due to other funds	290,782	-	290,782
Long-term debt, due within one year	-	218,860	218,860
TOTAL CURRENT LIABILITIES	290,782	316,526	607,308
NONCURRENT LIABILITIES:			
Long-term debt, due after one year, net	-	1,168,302	1,168,302
Less: Unamortized bond issuance costs and discounts	-	(15,534)	(15,534)
TOTAL LIABILITIES	290,782	1,469,294	1,760,076
NET ASSETS:			
Invested in capital assets, net of related debt	4,562,003	3,522,820	8,084,823
Restricted for debt service	-	565,853	565,853
Unrestricted	(290,782)	752,218	461,436
TOTAL NET ASSETS	4,271,221	4,840,891	9,112,112
TOTAL LIABILITIES AND NET ASSETS	\$ 4,562,003	\$ 6,310,185	\$ 10,872,188

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

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Public Finan- cing Author- ity Fund	Wastewater Fund	TOTALS
OPERATING REVENUES:			
Utility revenue	\$ -	\$ 1,639,531	\$ 1,639,531
Other revenue	-	61,832	61,832
TOTAL OPERATING REVENUES	-	1,701,363	1,701,363
OPERATING EXPENSES:			
Salaries and benefits	-	418,772	418,772
Operations and maintenance	594	788,354	788,948
Depreciation and amortization expense	-	277,302	277,302
TOTAL OPERATING EXPENSES	594	1,484,428	1,485,022
OPERATING INCOME (LOSS)	(594)	216,935	216,341
NONOPERATING INCOME (EXPENSE):			
Reimbursements	-	20,500	20,500
Intergovernmental revenues	-	325,275	325,275
Interest income	-	10,256	10,256
Interest expense	(75,366)	(51,471)	(126,837)
TOTAL NONOPERATING INCOME (EXPENSE)	(75,366)	304,560	229,194
INCOME (LOSS) BEFORE TRANSFERS	(75,960)	521,495	445,535
TRANSFERS:			
Transfers in	5,125,750	-	5,125,750
Transfers out	(412,997)	(100,000)	(512,997)
TOTAL TRANSFERS	4,712,753	(100,000)	4,612,753
CHANGE IN NET ASSETS	4,636,793	421,495	5,058,288
NET ASSETS, JULY 1	(365,572)	4,419,396	4,053,824
NET ASSETS, JUNE 30	\$ 4,271,221	\$ 4,840,891	\$ 9,112,112

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

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Public Finan- cing Author- ity Fund	Wastewater Fund	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ -	\$ 1,710,137	\$ 1,710,137
Cash paid to suppliers	(594)	(769,532)	(770,126)
Cash paid to employees and related benefits	-	(416,930)	(416,930)
Interfund borrowings	576	(196,979)	(196,403)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(18)	326,696	326,678
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Interest paid	(150,732)	(53,694)	(204,426)
Payments on long term debt	-	(225,143)	(225,143)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	(5,125,732)	(278,837)	(5,404,569)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Increase in advances to other funds	-	(6,392)	(6,392)
Intergovernmental revenues		246,661	246,661
Transfers out	5,125,750	(100,000)	5,025,750
Transfers in	(412,997)	-	(412,997)
Reimbursements	-	20,500	20,500
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	4,712,753	160,769	4,873,522
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	-	10,256	10,256
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(412,997)	218,884	(194,113)
Cash and cash equivalents, July 1	412,997	346,969	759,966
CASH AND CASH EQUIVALENTS, JUNE 30	\$ -	\$ 565,853	\$ 565,853
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Restricted cash with fiscal agent	\$ -	\$ 565,853	\$ 565,853

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

	<u>Public Finan- cing Author- ity Fund</u>	<u>Wastewater Fund</u>	<u>TOTALS</u>
Reconciliation of operating income from operations to cash provided by operating activities:			
Operating income	\$ (594)	\$ 216,935	\$ 216,341
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation and amortization	-	277,302	277,302
(Increase) decrease in assets:			
Accounts receivable	-	8,774	8,774
Increase (decrease) in liabilities:			
Accounts payable	-	18,822	18,822
Accrued payroll liabilities	-	19	19
Compensated absences	-	1,823	1,823
Due to other funds	576	(196,979)	(196,403)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (18)</u>	<u>\$ 326,696</u>	<u>\$ 326,678</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
(None noted)			

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF FIDUCIARY NET ASSETS AS OF JUNE 30, 2012

	Redevelopment Successor Agency Private-Purpose Trust Fund	Agency Funds
ASSETS:		
Cash and investments	\$ -	\$ 217,890
Receivables:		
Interest receivable	74	187
Prepaid costs	-	6,025
Due from other governments	-	10,677
Restricted assets:		
Investments with fiscal agent	223,250	-
Land held for redevelopment	79,202	-
Depreciable capital assets, net	<u>27,577</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 330,103</u>	<u>\$ 234,779</u>
LIABILITIES:		
Accounts payable	\$ -	\$ 26,805
Accrued payroll liabilities	-	7,000
Interest payable	-	5,435
Due to other funds	40,395	-
Advances from other funds	640,762	-
Due to other agencies	-	195,539
Long-term debt:		
Due within one year	121,426	-
Due after one year	<u>613,523</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 1,416,106</u>	<u>\$ 234,779</u>
NET DEFICIT:		
Held in trust for other purposes	<u>\$ (1,086,003)</u>	

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

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS REDEVELOPMENT SUCCESSOR AGENCY PRIVATE-PURPOSE TRUST FUND FOR THE PERIOD FEBRUARY 1, 2012 THROUGH JUNE 30, 2012

ADDITIONS:

Property taxes	\$ 36,757
Pass through revenues	8,662
Use of money and property	<u>2,819</u>

TOTAL ADDITIONS

48,238

DEDUCTIONS:

Program expenses of former redevelopment agency	18,230
Depreciation expense	1,622
Pass through expenses	8,662
Administrative expenses	48,795
Interest and fiscal agency expenses of former redevelopment agency	<u>39,633</u>

TOTAL DEDUCTIONS

116,942

CHANGE IN NET ASSETS BEFORE EXTRAORDINARY LOSS

(68,704)

EXTRAORDINARY LOSS

(1,017,299)

CHANGE IN NET ASSETS

(1,086,003)

NET ASSETS , JULY 1

-

NET DEFICIT, JUNE 30

\$ (1,086,003)

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

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CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

City of Marysville Community Development Agency (Community Development and Low/Moderate Housing Capital Projects Funds): The City of Marysville Community Development Agency (the Agency) was formed as a separate legal entity under the Community Redevelopment Law. The City Council acted as the governing board of the Agency in concurrent session. The City Manager acts as the Redevelopment Agency's executive director. The annual budget is approved by the Agency's Board of Directors. The Agency had one project area — The Marysville Plaza Project. The Agency provided services entirely for the benefit of the City of Marysville.

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. On January 17, 2012, the City Council elected to become Successor Agency for the redevelopment agency in accordance with the bill as part of City Resolution No. 2012-02. The successor agency is reported as a fiduciary private-purpose trust fund. See Note M.

Separate financial statements are issued for the Agency and the Successor Agency may be obtained at the City of Marysville Finance Department, 526 C Street, Marysville, California 95901.

Basis of Presentation - Government-wide Financial Statements: The government-wide financial statements (i.e. the statement of net assets 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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

The City reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

another fund. For the City, the General Fund includes such activities as public safety, public works, parks and recreation, and economic development services.

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

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

Community Development Capital Projects Fund – To account for financial resources used for the construction and rehabilitation of pavements and sidewalks, and improvements of other public facilities.

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fund types:

GOVERNMENTAL FUNDS

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

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

The City's estimates the amount of uncollectible receivables based on prior experience and history. At June 30, 2012, the allowance for doubtful accounts were as follows:

	Accounts receivable	Allowance for doubtful account	Accounts receivable, net
Major funds:			
General fund	\$ 140,122	\$ (38,931)	\$ 101,191
Sewer enterprise fund	313,419	(44,867)	268,552
TOTAL	\$ 453,541	\$ (83,798)	\$ 369,743

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after fiscal year-end. The County apportions secured property tax revenue in accordance with the alternate methods of distribution, the "Teeter Plan," as prescribed by Section 4717 of the California Revenue and Taxation code.

Therefore, the City receives 100 percent of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

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

Capital Assets: Capital assets, which include land, ponds, buildings and improvements, machinery and equipment, and vehicles are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. For certain assets, estimated historical costs are used. The City has recorded its infrastructure assets prospectively beginning with the year ended June 30, 2005.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

It is the City's policy to capitalize all land and equipment with a cost of \$5,000 or more. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures, and changes in fund balances as proceeds from sale.

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

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

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

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

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

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

Invested in Capital Assets, Net of Related Debt — This category groups all capital assets into one component of net assets. 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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The non-spendable fund balance is comprised as follows:

<u>Fund Balance Type</u>	<u>Amount</u>
Advances to other funds:	
Major funds:	
General Fund	\$ 169,466
Notes receivable:	
Major funds:	
General Fund	324
Community Development	
Special Revenue Fund	1,184,801
Nonmajor special revenue fund	886,676
	<u>\$ 2,241,267</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance Type	Amount	Action
Debt service:		
Major funds:		
Community Development		
Capital Projects Fund	\$ 223,250	Bond indenture
Subsequent year's expenditures:		
Major funds:		
General Fund	104,854	Council budget resolution
Nonmajor special revenue fund	<u>253,050</u>	Council budget resolution
 TOTAL COMMITTED BALANCES	 <u><u>\$ 581,154</u></u>	

The City has restricted fund balances as follows:

Fund Balance Type	Amount	Action
Loan programs		
Nonmajor special revenue funds	\$ 209,330	Imposed by funding source
Road improvements and repairs		
Nonmajor special revenue funds	413,596	Imposed by funding source
Nonmajor capital projects funds	34,346	Imposed by funding source
Parks and recreation		
Nonmajor capital projects funds	18,653	Imposed by funding source
Public buildings		
Nonmajor capital projects funds	<u>22,463</u>	Imposed by funding source
	<u><u>\$ 698,388</u></u>	

The assigned fund balances follows:

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

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue source</u>
Community Development Block Grant Fund	Loan repayments

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

Budgetary Information: The City Council establishes budgets for all governmental funds. Budgetary control is legally maintained at the fund level, Department heads submit a proposed budget to the City Administrator. The Administrator prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council after public hearings are held and is adopted by City Council resolution prior to July 1 in accordance with the municipal code.

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

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

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund	Appropriations	Total Expenditures and Transfers	Excess Expenditures and Transfers
Major Funds:			
General Fund	\$ 7,475,817	\$ 8,614,462	\$ (1,138,645)
Non-Major Funds:			
Special Revenue Funds:			
Law Enforcement:			
Avoid the 9	22,193	52,604	(30,411)
Office of Justice*	-	5,468	(5,468)
CCAP Grant*	-	89,710	(89,710)
DUI Grant*	-	4,156	(4,156)
ABC COPS Grant*	-	17,457	(17,457)
Edward Byrne Grant*	-	924	(924)
Office of Traffic Safety:			
Rid Grant*	-	631	(631)
Traffic Grant*	-	23,886	(23,886)
JAG Technology Grant*	-	10,919	(10,919)
2002 BJA Block Grant*	-	24,527	(24,527)
	<u>\$ 7,498,010</u>	<u>\$ 8,844,744</u>	<u>\$ (1,346,734)</u>

* Fund is unbudgeted

Deficit Fund Equity: The following funds had a fund deficit at June 30, 2012:

Fund	Deficit
Non-major funds:	
Special revenues funds	\$ (841)

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE B - CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. Cash represents cash on hand, demand deposits in the bank, amounts invested in the State of California Local Agency Investment Fund (LAIF) and debt service reserves. Cash and investments at June 30, 2012 are classified in the accompanying financial statements as follows:

	Government-wide Statement of Net Assets		Fiduciary Fund State- ment of	Total
	Governmental Activities	Business-type Activities	Net Assets	
Cash and investments	\$ 849,300	\$ -	\$ 217,890	\$ 1,067,190
Restricted cash with fiscal agent	1,560,519	565,853	223,250	2,349,622
TOTAL	\$ 2,409,819	\$ 565,853	\$ 441,140	\$ 3,416,812

As of June 30, 2012, the City's cash and investments consisted of the following:

Cash on hand	\$ 900
Imprest claims account	17,593
Deposits in financial institutions	457,634
Add: deposits in transit	86,578
Less: outstanding checks	(71,613)
Total cash and cash equivalents	491,092
LAIF	1,010,902
Held by bond trustee:	
Cash	163,987
Certificates of deposit	1,396,532
Money market mutual fund	220,799
Repurchase agreement	133,500
Total investments	2,925,720
Total cash and investments	\$ 3,416,812

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE B - CASH AND INVESTMENTS (Continued)

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

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

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

Investments Authorized by Debt Agreements: Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The 2001 Series A Lease Revenue debt agreement contains certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

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

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE B - CASH AND INVESTMENTS (Continued)

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

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

	Remaining maturity (in months)			
	Total	12 months or less	13 months to 24 months	More than 60 months
Local Agency Investment Fund	\$ 1,010,902	\$ 1,010,902	-	\$ -
Held by bond trustee:				
Money market mutual funds	220,799	220,799	-	-
Certificates of deposit	1,396,533	723,009	673,524	-
Repurchase agreements	133,500	-	-	133,500
TOTAL	\$ 2,761,734	\$ 1,954,710	\$ 673,524	\$ 133,500

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The current rating of the money market mutual fund is AAA. LAIF does not have ratings assigned by a nationally recognized statistical organization. The repurchase agreement is held with the fiscal agent but not in the City's name.

Concentration of Credit Risk: The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2012, the repurchase agreement with a reported amount of \$133,500 represented more than 5% of the total investments (other than mutual funds and external investment pools) in any one issuer. The issuer of the repurchase agreement is Chase Manhattan Bank. The repurchase agreement represents the reserve fund for the 2001 Series A Lease Revenue Bonds.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE B - CASH AND INVESTMENTS (Continued)

that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2012, the carrying amount of the City's deposits was \$472,599 and the balances in financial institutions were \$457,634. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$222,598 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. As of June 30, 2012, a repurchase agreement with a reported amount of \$133,500 was held by the same broker-dealer (counterparty) that was used by the City to purchase the security.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount at June 30, 2012 invested by all public agencies in LAIF is \$60,612,199,285 managed by the State Treasurer. The investments are as follows:

	<u>As a percent of portfolio</u>
Structured notes and medium-term asset backed securities	2.75%
Short-term asset-backed commercial paper	0.72%
All other investments	<u>96.53%</u>
	<u>100.00%</u>

The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. Copies of LAIF's annual financial report and other information may be obtained from LAIF at 915 Capitol Mall, Room 110, Sacramento, CA 95814 or at its website www.treasurer.ca.gov/pmia-laif/. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE C - INTERFUND TRANSACTIONS

Interfund long-term advances at June 30, 2012 were as follows:

Fund	Funds	Funds
General Fund	\$ 169,467	\$ -
Enterprise Funds:		
Wastewater Fund	471,295	-
Fiduciary Funds - Private-Purpose Trust:		
Redevelopment Successor Agency	-	640,762
	\$ 640,762	\$ 640,762

The changes in the interfund advances for the fiscal year ended June 30, 2012 were as follows:

	Balance at July 1, 2011	Additions	Retirement	Balance at June 30, 2012
Advance from the General Fund	\$ 205,628	\$ -	\$ (36,161)	\$ 169,467
Advance from the Wastewater Enterprise Fund	464,903	6,392	-	471,295
TOTAL ADVANCES	\$ 670,531	\$ 6,392	\$ (36,161)	\$ 640,762

Advance from General Fund: The General Fund advanced amounts to the Community Development Agency (Community Development Special Revenue Fund) for various redevelopment projects. The amount of outstanding debt had accumulated to a total of \$1,812,731 as of July, 1991. However, the refunding bond proceeds and proceeds from sale of two properties reduced the balance to \$350,128. The balance of the advance will be repaid over the same term as the bonds, or thirty years. The scheduled payments increase over time, corresponding with the annually increasing tax increment proceeds. This debt carries an interest rate of 6%. The schedule of future requirements for the retirement of the remaining advance to the Agency follows:

Year Ended June 30,	Principal	Interest	Total Requirement
2013	\$ 38,332	\$ 10,168	\$ 48,500
2014	41,632	7,868	49,500
2015	44,130	5,370	49,500
2016	45,373	2,722	48,095
TOTALS	\$ 169,467	\$ 26,128	\$ 195,595

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE C - INTERFUND TRANSACTIONS (Continued)

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

Interfund balances at June 30, 2012 were as follows:

Fund	Due From Other Funds	Due To Other Funds
General Fund	\$ -	\$ 14,677
Enterprise Funds:		
Public Financing Authority Fund	-	290,782
Wastewater Fund	487,185	-
Fiduciary Funds - Private-Purpose Trust:		
Redevelopment Successor Agency	-	40,395
Nonmajor funds:		
Special revenue funds	172,239	49,427
Capital projects funds	-	264,143
Total	\$ 659,424	\$ 659,424

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

Interfund transfers for the year ended June 30, 2012 were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 300,000	\$ -
Special Revenue Funds:		
Community Development Block Grant	-	15,276
Debt Service Fund:		
2011 Taxable Certificates of Participation	412,997	5,125,750
Enterprise Funds:		
Public Financing Authority	5,125,750	412,997
Wastewater Fund	-	100,000
Nonmajor funds:		
Special revenue funds	15,276	782,593
Capital projects funds	582,593	-
Total	\$ 6,436,616	\$ 6,436,616

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE D - NOTES RECEIVABLE

The following is a summary of the various types of notes receivable outstanding as of June 30, 2012:

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

On March 10, 2010 the City sold the real property known as Washington Square. The buyer signed a promissory note for \$450,000 with an interest rate of 6% per annum. The maturity date of the note is on the one year anniversary of the closing.

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

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

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

HOME Program Income Fund — The City utilizes proceeds received from pay-offs under the Housing Revolving Loan Fund to reloan to qualifying participants. The interest rate on the loans is 3%.

Activity in notes receivable for the year ended June 30, 2012 is as follows:

	<u>Balance at July 1, 2011</u>	<u>Additions</u>	<u>Payments Received</u>	<u>Balance at June 30, 2012</u>
Major Governmental Funds:				
General Fund:				
Employees - computers	\$ -	\$ 2,194	\$ (1,870)	\$ 324
Community Development Block Grant				
Special Revenue Fund:				
Block grant loans	1,179,154	16,082	(10,435)	1,184,801

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE D - NOTES RECEIVABLE (Continued)

	Balance at July 1, 2011	Additions	Payments Received	Balance at June 30, 2012
Nonmajor Governmental Funds:				
Revolving Loan Special Revenue Funds:				
Housing Revolving Loan Fund	\$ 238,193	\$ 493	\$ (1,767)	\$ 236,919
Economic Development Loan Fund	103,296	-	(5,571)	97,725
Home Program Income Fund	537,402	14,629	-	552,031
TOTAL NOTES AND LOANS RECEIVABLE	\$ 2,058,045	\$ 33,398	\$ (19,643)	\$ 2,071,800

NOTE E - CAPITAL ASSETS

Governmental capital asset activities for the year ended June 30, 2012 were as follows:

	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Capital assets, not being depreciated:					
Land	\$ 1,574,251	\$ -	\$ -	\$ (79,203)	\$ 1,495,048
Construction in progress	-	1,009,833	-	-	1,009,833
Total capital assets not being depreciated	1,574,251	1,009,833	-	(79,203)	2,504,881
Capital assets being depreciated:					
Infrastructure	518,619	4,597	-	-	523,216
Buildings	3,534,074	118,930	-	(48,663)	3,604,341
Machinery and equipment	1,525,018	-	-	-	1,525,018
Vehicles	2,103,328	843,698	(75,276)	-	2,871,750
Less: accumulated depreciation:					
Infrastructure	(10,372)	(10,465)	-	-	(20,837)
Buildings	(1,800,789)	(52,522)	-	19,465	(1,833,846)
Machinery and equipment	(861,263)	(57,158)	-	-	(918,421)
Vehicles	(1,257,747)	(122,901)	65,709	-	(1,314,939)
Total capital assets being depreciated, net	3,750,868	724,179	(9,567)	(29,198)	4,436,282
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 5,325,119	\$ 1,734,012	\$ (9,567)	\$ (108,401)	\$ 6,941,163

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

General government	\$ 31,192
Public safety	143,040
Streets and public works	35,605
Parks and recreation	33,209
TOTAL GOVERNMENTAL ACTIVITIES	\$ 243,046

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE E - CAPITAL ASSETS (Continued)

Business-type capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Capital assets, not being depreciated:					
Land	\$ 4,562,003	\$ -	\$ -	\$ -	\$ 4,562,003
Capital assets being depreciated:					
Sewer plant	6,696,769	-	-	-	6,696,769
Buildings	1,483,400	-	-	-	1,483,400
Machinery and equipment	1,362,689	-	-	-	1,362,689
Vehicles	310,101	-	-	-	310,101
Equipment under capital lease	225,786	-	-	-	225,786
Less: accumulated depreciation:					
Sewer plant	(2,792,661)	(217,765)	-	-	(3,010,426)
Buildings	(1,075,491)	(18,542)	-	-	(1,094,033)
Machinery and equipment	(1,184,260)	(16,688)	-	-	(1,200,948)
Vehicles	(197,434)	(11,465)	-	-	(208,899)
Equipment under capital lease	(114,463)	(11,289)	-	-	(125,752)
Total capital assets being depreciated, net	4,714,436	(275,749)	-	-	4,438,687
BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET	\$ 9,276,439	\$ (275,749)	\$ -	\$ -	\$ 9,000,690

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

The City has capitalized interest totaling \$1,060,872 as part of land acquisitions costs for the Public Financing Enterprise fund.

Fiduciary fund capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Capital assets, not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ 79,203	\$ 79,203
Capital assets being depreciated:					
Buildings	-	-	-	48,663	48,663
Less: accumulated depreciation:					
Buildings	-	(1,622)	-	(19,465)	(21,087)
FIDUCIARY CAPITAL ASSETS, NET	\$ -	\$ (1,622)	\$ -	\$ 108,401	\$ 106,779

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE F — LONG-TERM LIABILITIES

The activity of the long-term liabilities of the City for the year ended June 30, 2012 follows:

	Balance at July 1, 2011	Incurred	Retired	Transfers	Balance at June 30, 2012	Due within one year
Governmental activities:						
Lease revenue bonds, 2001 Series A	\$ 853,180	\$ -	\$ -	\$ (853,180)	\$ -	\$ 121,426
Certificates of participation, 2011	-	7,000,000	-	-	7,000,000	-
Repayment agreement with county	-	222,386	(22,239)	-	200,147	22,239
Obligations under capital leases	33,557	-	(33,557)	-	-	-
Compensated absences	248,362	14,932	-	-	263,294	-
	<u>1,135,099</u>	<u>7,237,318</u>	<u>(55,796)</u>	<u>(853,180)</u>	<u>7,463,441</u>	<u>143,665</u>
Less: unamortized bond issuance costs and discounts	-	(488,885)	13,037	-	(475,848)	-
TOTAL	<u>\$ 1,135,099</u>	<u>\$ 6,748,433</u>	<u>\$ (42,759)</u>	<u>\$ (853,180)</u>	<u>\$ 6,987,593</u>	<u>\$ 143,665</u>
Business-type activities:						
Certificates of participation, 2006	\$ 4,975,000	\$ -	\$ (4,975,000)	-	\$ -	\$ -
Lease revenue bonds, 2001 Series A	481,820	-	(66,769)	-	415,051	68,574
State Water Resources loan	1,118,021	-	(145,909)	-	972,112	150,286
Obligations under capital leases	12,465	-	(12,465)	-	-	-
Compensated absences	41,526	1,823	-	-	43,349	-
	<u>6,628,832</u>	<u>1,823</u>	<u>(5,200,143)</u>	<u>-</u>	<u>1,430,512</u>	<u>218,860</u>
Less: unamortized bond issuance costs and discounts	(17,088)	-	1,554	-	(15,534)	-
TOTAL	<u>\$ 6,611,744</u>	<u>\$ 1,823</u>	<u>\$ (5,198,589)</u>	<u>\$ -</u>	<u>\$ 1,414,978</u>	<u>\$ 218,860</u>

Long-term debt consists of the following:

BONDS AND LOANS PAYABLE:

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

\$7,000,000

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE F — LONG-TERM LIABILITIES (Continued)

\$2,725,000 Lease Revenue Bonds, 2001 Series A: Issued on July 20, 2001 to refinance the two outstanding debt issues of the City issued in 1992: Certificates of Participation (1992 Capital Improvement Financing Project) and Marysville Community Development Agency 1992 Tax Allocation Refunding Bonds. The bonds were issued by the Association of Bay Area Governments (the Authority) with three other cities for a total bond issuance of \$15,110,000. The City's bonds are due beginning July 1, 2002 through July 1, 2021 and have stated interests rates from 3.25% to 5.25%. Principal payments ranging from \$110,000 to \$200,000 are due annually on July 1 through July 1, 2021 and interest payments ranging from \$2,750 to \$46,354 are due semi-annually on January 1 and July 1 through July 1, 2021. To provide for repayment of the bonds, the City has leased the city hall to the Authority under a leaseback agreement. The refinancing involved both governmental activities and business-type activities. The liability has been allocated based on the debt service requirements of the respective bond issues refinanced: \$415,051 business-type activities and \$734,949 fiduciary activities. 1,150,000

State Water Resources Board Loan: Dated June 6, 1995 to finance improvements to the wastewater system. The stated interest rate is 3.0% and accrues as of the date of each disbursement. The maximum allowable loan is \$2,633,254. On June 26, 1995, the City received the initial drawdown. Payments of \$179,449 are due annually through December 19, 2017, including interest at 3%. 972,112

REPAYMENT AGREEMENT:

\$222,386 Repayment agreement with the County of Yuba dated February 23, 2012 for the repayment of excess traffic fines that were paid to the City by the County over the course of five years beginning in the fiscal year ended June 30, 2005. Payments of due monthly through June 1, 2016. 200,147

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE F — LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the outstanding debt as of June 30, 2012 are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities			Fiduciary Activities
	Certificates of Particip- ation, 2011	Repayment Agreement	Total	Lease Revenue Bonds, 2001 Series A	State Water Resources Board Loan	Total	Lease Revenue Bonds, 2001 Series A
2013	\$ 481,875	\$ 22,239	\$ 504,114	\$ 86,961	\$ 179,450	\$ 266,411	\$ 153,985
2014	481,875	22,239	504,114	87,472	179,449	266,921	154,891
2015	481,875	22,239	504,114	41,874	179,450	221,324	74,148
2016	481,875	22,239	504,114	42,294	179,449	221,743	74,891
2017	636,875	22,239	659,114	40,767	179,450	220,217	72,189
2018 - 2022	3,193,125	88,952	3,282,077	208,017	179,449	387,466	368,346
2023 - 2027	3,179,150	-	3,179,150	-	-	-	-
2028 - 2032	3,176,988	-	3,176,988	-	-	-	-
2033 - 2037	3,181,850	-	3,181,850	-	-	-	-
	15,295,488	200,147	15,495,635	507,385	1,076,697	1,584,082	898,450
Less: interest Unamortized discount	(8,295,488)	-	(8,295,488)	(92,334)	(104,585)	(196,919)	(163,501)
	(475,848)	-	(475,848)	(15,534)	-	(15,534)	-
	6,524,152	200,147	6,724,299	399,517	972,112	1,371,629	734,949
Due within one year	-	(22,239)	(22,239)	(68,574)	(150,286)	(218,860)	(121,426)
Due after one year	\$ 6,524,152	\$ 177,908	\$ 6,702,060	\$ 330,943	\$ 821,826	\$ 1,152,769	\$ 613,523

Prior Advance Refundings:

Lease Revenue Bonds, 2001 Series A:

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE F — LONG-TERM LIABILITIES (Continued)

Current Refunding:

2011 Taxable Certificates of Participation:

On September 26, 2011, the City issued \$7,000,000 2011 Taxable Certificates of Participation to refund the 2006 Taxable Certificates of Participation of the City of Marysville Public Financing Authority. Proceeds of the 2011 Taxable Certificates of Participation were placed in redemption fund to provide for all future debt service payments on the old bonds. Accordingly, the redemption account assets and the liability for the defeased 2006 taxable certificates of participation are not included in the City's financial statements. The present value of the difference in cash flows of the 2006 debt and the 2011 debt was a cost of \$(2,234,547). The economic loss or net cost of restructuring was \$(840,305).

The outstanding balances of the defeased bonds at June 30, 2012 are as follows:

1992 Certificates of participation	\$ 140,000
1992 Refunding bonds payable	795,000
2006 Taxable certificates of participation	<u>4,865,000</u>
	<u>\$ 5,800,000</u>

Operating leases:

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

<u>Year Ending June 30</u>	<u>Number of copier leases by department</u>			<u>Total</u>
	<u>Police (2)</u>	<u>Admini- stration (2)</u>	<u>Fire (1)</u>	
2013	\$ 4,800	\$ 4,140	\$ 1,092	\$ 10,032
2014	4,800	4,140	1,092	10,032
2015	4,800	4,140	1,092	10,032
2016	4,800	4,140	1,092	10,032
2017	4,400	3,795	1,001	9,196
	<u>\$ 23,600</u>	<u>\$ 20,355</u>	<u>\$ 5,369</u>	<u>\$ 49,324</u>
Monthly payment	<u>\$ 400</u>	<u>\$ 345</u>	<u>\$ 91</u>	<u>\$ 836</u>

Term for all leases: June 1, 2012 to June 1, 2017

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

	<u>Amount</u>
Copier leases	\$ 8,094
Facilities rent - baseball	18,000
Other rent costs	<u>2,176</u>
TOTAL	<u>\$ 28,270</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE G - CONDUIT DEBT OBLIGATIONS

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

As of June 30, 2012, conduit debt issues were as follows:

Fremont-Rideout Health Group:

Insured Revenue Bonds, Series 2003a	\$ 7,150,000
Master lease-purchase and sublease agreement, 2011	13,924,000
Revenue Bonds, Series 2011	<u>112,460,000</u>
TOTAL	<u>\$ 133,534,000</u>

NOTE H— DEFINED BENEFIT PENSION PLAN

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

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

Funding Policy: Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes contributions required of City's employees on their behalf and for their account. Contributions made by the City on behalf of the employees totaled \$188,870. The City is required to contribute at actuarially determined rates as follows:

- safety employees, 42.345%
- miscellaneous first tier employees, 9.290%
- miscellaneous second tier employees, 13.087%

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE H— DEFINED BENEFIT PENSION PLAN (Continued)

Annual Pension Cost for the year ended June 30, 2012 the City's annual pension costs of \$612,858 for PERS were equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included:

1. Valuation date: June 30, 2010 (most recent available data)
2. Actuarial cost method: Entry age actuarial cost method
3. Amortization method: Level percent of payroll on a closed basis
4. Average remaining period as of the valuation date: 19 years, Safety plan; 18 years, Miscellaneous – first tier; and 18 years, Miscellaneous – second tier.
5. Asset valuation method: 15 year smoothed market
6. Actuarial assumptions:
 - 7.75% investment rate of return (net of administrative expenses),
 - Projected annual salary increases that vary by age, service, and type of employment: 3.55% to 14.45% for both safety and miscellaneous employees
 - 3.00% inflation
 - 3.25% payroll growth
 - Individual salary growth based on a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%

The following supplementary information is for PERS as a whole (information for the City alone is not available). It was prepared using the June 30, 2010 actuarial valuation which is the latest available.

Three-year Trend Information for PERS

<u>Fiscal Year June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Con- tributed</u>	<u>Net Pension Obligation</u>
2010	\$ 547,747	100.0%	none
2011	\$ 516,720	100.0%	none
2012	\$ 612,858	100.0%	none

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of payroll</u>
MISCELLANEOUS PLANS:						
June 30, 2008	\$ 2,780,280,768	\$ 2,547,323,278	\$ 232,957,490	91.621%	\$ 688,606,681	33.830%
June 30, 2009	3,104,798,222	2,758,511,101	346,287,121	88.847%	742,981,488	46.608%
June 30, 2010	3,309,064,934	2,946,408,106	362,656,828	89.041%	748,401,352	48.458%
SAFETY PLANS:						
June 30, 2008	\$ 8,700,467,733	\$ 7,464,927,716	\$ 1,235,540,017	85.799%	\$ 914,840,596	135.055%
June 30, 2009	9,721,675,347	8,027,158,724	1,694,516,623	82.570%	973,814,168	174.008%
June 30, 2010	10,165,475,166	8,470,235,152	1,695,240,014	83.324%	955,980,815	177.330%

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

One City employee and his spouse are the only persons currently eligible for post retirement health benefits if they meet certain service year requirements and retire upon separation from the City. The City has computed the post-employment benefits using the alternative measurement method permitted under GASB No. 45. The liability has not been funded nor has a trustee been appointed. The benefit provisions are established in the form of a binding contract with the employee. The plan currently does not issue stand alone financial statements.

Basis of Accounting

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

Funding Policy

Future contribution requirements of plan members, if any, and the City will be established and amended as needed by the City Council. The required contribution will be based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the Council. For 2012, the City contributed \$-0- to the plan of the projected \$89,500 liability. The City paid a total of \$10,032 to the medical insurance provider during the year.

Annual OPEB Cost and Net OPEB Obligation

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

Required annual contribution	\$ 10,032
Premiums paid during year	(10,032)
Computed decrease in OPEB liability	<u>(4,500)</u>
Decrease in net OPEB obligation	(4,500)
Net OPEB obligation, July 1	<u>89,500</u>
Net OPEB obligation, June 30	<u>\$ 85,000</u>

The ARC was determined as part of the June 30, 2012 alternative measurement method computation. The ARC rate is not comparable to the annual covered payroll, since there are no active employees participating in the existing plan. For the fiscal year ended June 30, 2012, the City paid the required medical insurance premiums as billed.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

The City’s annual OPEB cost paid, the percentage of annual OPEB cost contributed and the unpaid computed OPEB costs for the fiscal year ended June 30, 2012 were as follows:

Year ended June 30,	OPEB cost paid	Percentage of annual OPEB cost contributed	Unpaid OPEB costs
2010	\$ 7,608	100.00%	\$ -
2011	8,760	100.00%	-
2012	10,032	100.00%	-

Funded Status and Funding Process

The funded status of the liability as of June 30, 2012, was as follows:

Accrued liability (AL)	\$ 85,000
Value of plan assets contributed	-
Unfunded accrued liability (UAL)	\$ 85,000
Funded ratio (value of plan assets/AL)	0.00%
Covered payroll (active plan members)	\$ -
UAL as a percentage of covered payroll	n/a

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

In the June 30, 2012, the alternative measurement method was used. The assumptions included a 4.00% investment rate of return (net of administrative expenses), discount rate of 4.50% and average salary increases of 3.30%. The Entry Age Normal (EAN) cost method spreads plan costs for each participant from entry date to the expected retirement date. The unfunded actuarial accrued liability will be amortized using the flat dollar amount method over twelve years.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE J — RISK MANAGEMENT

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

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

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

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

Amount	Coverage provider	Payment Source
<i>LIABILITY CLAIMS:</i>		
\$ 0 - 25,000	Self-insured	Banking layer
25,001 - 500,000	Northern California Cities Self-Insurance Fund	Shared risk pool
500,001 - \$ 24,500,000	California Joint Powers Risk Management Authority	Shared risk pool
<i>WORKERS' COMPENSATION:</i>		
\$ 0 - 100,000	Self-insured	Banking layer
100,001 - 500,000	Northern California Cities Self-Insurance Fund	Shared risk pool
300,001 - \$ 150,000,000	California State Association of Counties- Excess Insurance Authority	Shared risk pool

NOTE K - CONTINGENT LIABILITIES

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE K - CONTINGENT LIABILITIES (continued)

The City participates in various federal and state assisted grant programs. These programs are subject to compliance audits by the grantors. Such audits could result in a request for reimbursement for expenses disallowed under the terms and conditions of the agreements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE L – SUBSEQUENT EVENTS

STATE OF CALIFORNIA

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

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

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Marysville, California that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become Successor Agency for the redevelopment agency in accordance with the bill as part of City Resolution No. 2012-02.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

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

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

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012, was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Extraordinary (gain) loss reported in the governmental fund - decrease to net asset of the Redevelopment Successor Agency Trust Fund:		
Community Development Capital Projects Fund	\$ (648,736)	
Low/Moderate Income Housing Capital Projects Fund	<u>376,217</u>	\$ (272,519)
Capital assets recorded in the government-wide financial statements - increase to net assets of the Redevelopment Successor Agency Trust Fund		108,401
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Redevelopment Successor Agency Trust Fund		<u>(853,181)</u>
Net decrease net assets of the Redevelopment Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary loss reported in the government-wide financial statements of the City)		<u>\$ (1,017,299)</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE N – COMMITMENTS

The City is currently rehabilitating 3rd Street. The 3rd Street Project involves the rehabilitation of a seven block stretch of city street, classified as a minor arterial, connecting Highway 70 and the Twin Cities Memorial Bridge between the cities of Marysville and Yuba City. The street currently is four lanes with parking on each side, and carries approximately 20,000 vehicles per day. The project includes a cement treated base with 18” depth and a 5” asphalt surface layer. Sidewalks are to be replaced and curb ramps installed to insure ADA compliance. As of June 30, 2012, the construction commitment with the contractor is as follows:

<u>Total Contract</u>	<u>Completed to Date</u>	<u>Balance</u>
<u>\$ 1,121,324</u>	<u>\$ 511,412</u>	<u>\$ 609,912</u>



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



CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS AS OF JUNE 30, 2012

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS:			
Cash and investments	\$ 216,558	\$ 78,520	\$ 295,078
Receivables:			
Accounts receivable	1,298	5,590	6,888
Interest receivable	451	62	513
Loans receivable	886,675	-	886,675
Due from other governments	599,046	550,766	1,149,812
Due from other funds	172,239	-	172,239
TOTAL ASSETS	<u>\$ 1,876,267</u>	<u>\$ 634,938</u>	<u>\$ 2,511,205</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,501	\$ 285,383	\$ 286,884
Due to other funds	49,427	264,143	313,570
TOTAL LIABILITIES	<u>50,928</u>	<u>549,526</u>	<u>600,454</u>
 FUND BALANCES:			
Non-spendable:			
Notes receivable	886,676	-	886,676
Committed:			
Subsequent year's expenditures	243,100	9,950	253,050
Low/moderate income housing projects	-	-	-
Restricted:			
Loan programs	209,330		209,330
Road improvements and repairs	413,596	34,346	447,942
Parks and recreation	-	18,653	18,653
Public buildings	-	22,463	22,463
Assigned:			
Bridge repair	64,785	-	64,785
Unassigned	7,852	-	7,852
TOTAL FUND BALANCES	<u>1,825,339</u>	<u>85,412</u>	<u>1,910,751</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,876,267</u>	<u>\$ 634,938</u>	<u>\$ 2,511,205</u>

CITY OF MARYSVILLE, CALIFORNIA

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

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES:			
Intergovernmental revenue	\$ 1,111,520	\$ 550,766	\$ 1,662,286
Use of money and property	16,513	260	16,773
Program income	7,761	-	7,761
Recreation and event fees	19,002	-	19,002
Other revenues	-	2,937	2,937
	1,154,796	553,963	1,708,759
EXPENDITURES:			
Current:			
Public safety	219,363	-	219,363
Streets and public works	104,235	-	104,235
Parks and recreation	17,676	-	17,676
Capital outlay	10,919	1,133,359	1,144,278
	352,193	1,173,419	1,525,612
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE EXTRAORDINARY ITEM	802,603	(619,456)	183,147
EXTRAORDINARY ITEM:			
Net assets transferred upon dissolution of redevelopment agency	-	(376,217)	(376,217)
	802,603	(995,673)	(193,070)
OTHER FINANCING SOURCES (USES):			
Transfers in	15,276	582,593	597,869
Transfers out	(782,593)	-	(782,593)
	(767,317)	582,593	(184,724)
NET CHANGE IN FUND BALANCE	35,286	(413,080)	(377,794)
FUND BALANCE, JULY 1	1,790,053	498,492	2,288,545
FUND BALANCE, JUNE 30	\$ 1,825,339	\$ 85,412	\$ 1,910,751

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS AS OF JUNE 30, 2012

	<u>Bok Kai Event Fund</u>	<u>Gas Tax Fund</u>	<u>Revolving Loan Funds</u>		
			<u>Housing Revolving Loan Fund</u>	<u>Economic Development Loan Fund</u>	<u>HOME Program Income Fund</u>
ASSETS					
Cash and investments	\$ 8,677	\$ -	\$140,643	\$ 67,230	\$ -
Receivables:					
Accounts receivable	-	-	500	798	-
Interest receivable	8	283	108	52	-
Notes receivable	-	-	236,919	97,725	552,031
Due from other governments	-	548,959	-	-	-
	<u>-</u>	<u>548,959</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 8,685</u>	<u>\$ 721,481</u>	<u>\$378,170</u>	<u>\$165,805</u>	<u>\$ 552,031</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE:					
Non-spendable:					
Notes receivable	-	-	236,919	97,726	552,031
Subsequent year's expenditures	-	243,100	-	-	-
Restricted:					
Loan programs	-	-	141,251	68,079	-
Road improvements and repairs	-	413,596	-	-	-
Assigned:					
Bridge repair	-	64,785	-	-	-
Unassigned	8,685	-	-	-	-
	<u>8,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCE	<u>8,685</u>	<u>721,481</u>	<u>378,170</u>	<u>165,805</u>	<u>552,031</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,685</u>	<u>\$ 721,481</u>	<u>\$378,170</u>	<u>\$165,805</u>	<u>\$ 552,031</u>

Law Enforcement Grants

<u>Avoid The 9 Fund</u>	<u>Office of Justice</u>	<u>CCAP Grant</u>	<u>DUI Grant</u>	<u>ABC COPS Grant</u>	<u>Office of Traffic Safety</u>	<u>2002 BJA Block Grant</u>	<u>TOTALS</u>
\$ -	\$ 8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216,558
-	-	-	-	-	-	-	1,298
-	-	-	-	-	-	-	451
-	-	-	-	-	-	-	886,675
<u>8,381</u>	<u>-</u>	<u>21,410</u>	<u>-</u>	<u>6,534</u>	<u>7,070</u>	<u>6,692</u>	<u>599,046</u>
<u>\$ 8,381</u>	<u>\$ 8</u>	<u>\$ 21,410</u>	<u>\$ -</u>	<u>\$ 6,534</u>	<u>\$ 7,070</u>	<u>\$ 6,692</u>	<u>\$ 1,876,267</u>
\$ 1,501	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,501
<u>7,721</u>	<u>-</u>	<u>21,410</u>	<u>-</u>	<u>6,534</u>	<u>7,070</u>	<u>6,692</u>	<u>49,427</u>
<u>9,222</u>	<u>-</u>	<u>21,410</u>	<u>-</u>	<u>6,534</u>	<u>7,070</u>	<u>6,692</u>	<u>50,928</u>
-	-	-	-	-	-	-	886,676
-	-	-	-	-	-	-	243,100
-	-	-	-	-	-	-	209,330
-	-	-	-	-	-	-	413,596
-	-	-	-	-	-	-	64,785
<u>(841)</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,852</u>
<u>(841)</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,825,339</u>
<u>\$ 8,381</u>	<u>\$ 8</u>	<u>\$ 21,410</u>	<u>\$ -</u>	<u>\$ 6,534</u>	<u>\$ 7,070</u>	<u>\$ 6,692</u>	<u>\$ 1,876,267</u>

CITY OF MARYSVILLE, CALIFORNIA

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

	Bok Kai Event Fund	Gas Tax Fund	Revolving Loan Funds		
			Housing Revolving Loan Fund	Economic Development Loan Fund	HOME Program Income Fund
REVENUES:					
Intergovernmental revenue	\$ -	\$882,071	\$ -	\$ -	\$ -
Use of money and property	20	934	788	142	14,629
Program income	-	-	3,732	4,029	-
Recreation and event fees	19,002	-	-	-	-
TOTAL REVENUES	<u>19,022</u>	<u>883,005</u>	<u>4,520</u>	<u>4,171</u>	<u>14,629</u>
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Streets and public works	-	104,235	-	-	-
Parks and recreation	17,676	-	-	-	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	<u>17,676</u>	<u>104,235</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,346</u>	<u>778,770</u>	<u>4,520</u>	<u>4,171</u>	<u>14,629</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	13,997	1,279	-
Transfers out	-	(782,593)	-	-	-
TOTAL OTHER FINANCING	<u>-</u>	<u>(782,593)</u>	<u>13,997</u>	<u>1,279</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>1,346</u>	<u>(3,823)</u>	<u>18,517</u>	<u>5,450</u>	<u>14,629</u>
FUND BALANCE, JULY 1	<u>7,339</u>	<u>725,304</u>	<u>359,653</u>	<u>160,355</u>	<u>537,402</u>
FUND BALANCE, JUNE 30	<u>\$ 8,685</u>	<u>\$721,481</u>	<u>\$ 378,170</u>	<u>\$ 165,805</u>	<u>\$ 552,031</u>

Law Enforcement Grants

Avoid The 9 Fund	Office of Justice	CCAP Grant	DUI Grant	ABC COPS Grant	Edward Byrne Grant	Office of Traffic Safety RID Grant	Traffic Grant	JAG Technology Grant	2002 BJA Block Grant	TOTALS
\$51,763	\$ 5,476	\$89,710	\$ 4,156	\$17,457	\$ 924	\$ 631	\$23,886	\$10,919	\$ 24,527	\$1,111,520
-	-	-	-	-	-	-	-	-	-	16,513
-	-	-	-	-	-	-	-	-	-	7,761
-	-	-	-	-	-	-	-	-	-	19,002
<u>51,763</u>	<u>5,476</u>	<u>89,710</u>	<u>4,156</u>	<u>17,457</u>	<u>924</u>	<u>631</u>	<u>23,886</u>	<u>10,919</u>	<u>24,527</u>	<u>1,154,796</u>
52,604	5,468	89,710	4,156	17,457	924	631	23,886	-	24,527	219,363
-	-	-	-	-	-	-	-	-	-	104,235
-	-	-	-	-	-	-	-	-	-	17,676
-	-	-	-	-	-	-	-	10,919	-	10,919
<u>52,604</u>	<u>5,468</u>	<u>89,710</u>	<u>4,156</u>	<u>17,457</u>	<u>924</u>	<u>631</u>	<u>23,886</u>	<u>10,919</u>	<u>24,527</u>	<u>352,193</u>
(841)	8	-	-	-	-	-	-	-	-	802,603
-	-	-	-	-	-	-	-	-	-	15,276
-	-	-	-	-	-	-	-	-	-	(782,593)
-	-	-	-	-	-	-	-	-	-	(767,317)
(841)	8	-	-	-	-	-	-	-	-	35,286
-	-	-	-	-	-	-	-	-	-	1,790,053
<u>\$ (841)</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,825,339</u>

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS AS OF JUNE 30, 2012

	Capital Projects Fund	Low/Moder- ate Income Housing Fund	Parks and Recreation Fund	Public Buildings Fund	Transport- ation and Transit Fund	TOTALS
ASSETS						
Cash and investments	\$ -	\$ -	\$ 17,398	\$ 22,446	\$ 38,676	\$ 78,520
Receivables:						
Accounts receivable	-	-	-	-	5,590	5,590
Interest receivable		-	15	17	30	62
Due from other governments	431,836	-	118,930	-	-	550,766
TOTAL ASSETS	\$431,836	\$ -	\$ 136,343	\$ 22,463	\$ 44,296	\$ 634,938
 LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Accounts payable	\$ 167,693	\$ -	\$ 117,690	\$ -	\$ -	\$ 285,383
Due to other funds	264,143	-	-	-	-	264,143
TOTAL LIABILITIES	431,836	-	117,690	-	-	549,526
 FUND BALANCE:						
Committed:						
Subsequent year's expenditure	-	-	-	-	9,950	9,950
Restricted for:						
Road improvements and repairs	-	-	-	-	34,346	34,346
Parks and recreation	-	-	18,653	-	-	18,653
Public buildings	-	-	-	22,463	-	22,463
TOTAL FUND BALANCE	-	-	18,653	22,463	44,296	85,412
TOTAL LIABILITIES AND FUND BALANCE	\$431,836	\$ -	\$ 136,343	\$ 22,463	\$ 44,296	\$ 634,938

CITY OF MARYSVILLE, CALIFORNIA

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

	Capital Projects Fund	Low/Moder- ate Income Housing Fund	Parks and Recreation Fund	Public Buildings Fund	Transport- ation and Transit Fund	TOTALS
REVENUES:						
Intergovernmental revenues	\$ 431,836	\$ -	\$ 118,930	\$ -	\$ -	\$ 550,766
Use of money and property	-	76	47	51	86	260
Other revenue	-	-	-	-	2,937	2,937
TOTAL REVENUES	431,836	76	118,977	51	3,023	553,963
EXPENDITURES:						
Capital outlay	1,014,429	-	118,930	-	-	1,133,359
TOTAL EXPENDITURES	1,014,429	40,060	118,930	-	-	1,173,419
EXCESS (DEFICIENCY) OF REV- ENUES OVER EXPENDITURES	(582,593)	(39,984)	47	51	3,023	(619,456)
EXTRAORDINARY ITEM:						
Net assets transferred upon dissolution of redevelopment agency	-	(376,217)	-	-	-	(376,217)
OTHER FINANCING SOURCES:						
Transfers in	582,593	-	-	-	-	582,593
TOTAL OTHER FINANCING	582,593	-	-	-	-	582,593
NET CHANGE IN FUND BALANCE	-	(416,201)	47	51	3,023	(413,080)
FUND BALANCE, JULY 1	-	416,201	18,606	22,412	41,273	498,492
FUND BALANCE, JUNE 30	\$ -	\$ -	\$ 18,653	\$ 22,463	\$ 44,296	\$ 85,412

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - AGENCY FUNDS AS OF JUNE 30, 2012

	Levee Commission Fund	Mary Aaron Museum Fund	Parks and Recreation Fondation Fund	TOTALS
ASSETS:				
Cash and investments	\$ 213,096	\$ 3,083	\$ 1,711	\$ 217,890
Receivables:				
Interest receivable	184	3	-	187
Prepaid costs	6,025	-	-	6,025
Due from other governments	10,677	-	-	10,677
TOTAL ASSETS	\$ 229,982	\$ 3,086	\$ 1,711	\$ 234,779
 LIABILITIES:				
Accounts payable	\$ 26,234	\$ 571	\$ -	\$ 26,805
Accrued payroll liabilities	7,000	-	-	7,000
Interest payable	5,435	-	-	5,435
Due to other agencies	191,313	2,515	1,711	195,539
TOTAL LIABILITIES	\$ 229,982	\$ 3,086	\$ 1,711	\$ 234,779

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - AGENCY FUNDS AS OF JUNE 30, 2012

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
<u>LEEVE COMMISSION FUND:</u>				
ASSETS:				
Cash and investments	\$ 440,686	\$ 1,383,027	\$(1,610,617)	\$ 213,096
Interest receivable	191	184	(191)	184
Prepaid costs	5,316	6,025	(5,316)	6,025
Due from other governments	12,320	10,677	(12,320)	10,677
TOTAL ASSETS	\$ 458,513	\$ 1,399,913	\$(1,628,444)	\$ 229,982
LIABILITIES:				
Accounts payable	\$ 26,099	\$ 1,695,317	\$(1,695,182)	\$ 26,234
Accrued payroll liabilities	7,513	86,329	(86,842)	7,000
Interest payable	-	5,435	-	5,435
Due to other agencies	424,901	344,379	(577,967)	191,313
	\$ 458,513	\$ 2,131,460	\$(2,359,991)	\$ 229,982
 <u>MARY AARON MUSEUM FUND:</u>				
ASSETS:				
Cash and investments	\$ 8,113	\$ 85,103	\$ (90,133)	\$ 3,083
Interest receivable	3	31	(31)	3
TOTAL ASSETS	\$ 8,116	\$ 85,134	\$ (90,164)	\$ 3,086
LIABILITIES:				
Accounts payable	\$ 144	\$ 100,301	\$ (99,874)	\$ 571
Due to other agencies	7,972	94,844	(100,301)	2,515
	\$ 8,116	\$ 195,145	\$ (200,175)	\$ 3,086
 <u>PARKS AND RECREATION FOUNDATION FUND:</u>				
ASSETS:				
Cash and investments	\$ 1,711	\$ -	\$ -	\$ 1,711
LIABILITIES:				
Due to other agencies	\$ 1,711	\$ -	\$ -	\$ 1,711
 <u>TOTAL AGENCY FUNDS</u>				
ASSETS:				
Cash and investments	\$ 450,510	\$ 1,468,130	\$(1,700,750)	\$ 217,890
Interest receivable	194	215	(222)	187
Prepaid costs	5,316	6,025	(5,316)	6,025
Due from other governments	12,320	10,677	(12,320)	10,677
TOTAL ASSETS	\$ 468,340	\$ 1,485,047	\$(1,718,608)	\$ 234,779
LIABILITIES:				
Accounts payable	\$ 26,243	\$ 1,795,618	\$(1,795,056)	\$ 26,805
Accrued payroll liabilities	7,513	86,329	(86,842)	7,000
Interest payable	-	5,435	-	5,435
Due to other agencies	434,584	439,223	(678,268)	195,539
	\$ 468,340	\$ 2,326,605	\$(2,560,166)	\$ 234,779

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SINGLE AUDIT



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BOLER & ASSOCIATES

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

City Council
City of Marysville, California
Marysville, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marysville, California as of and for the fiscal year ended June 30, 2012, which collectively comprise the City of Marysville, California's basic financial statements and have issued our report thereon dated October 26, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered City of Marysville, California's internal control over financial reporting as a basis for designing our auditing procedures 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 of Marysville, California's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Marysville, California's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

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

This report is intended solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 26, 2012

BOLER & ASSOCIATES

PROFESSIONAL ACCOUNTANCY CORPORATION
750 F STREET • DAVIS, CA 95616

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

City Council
City of Marysville, California
Marysville, California

Compliance

We have audited the compliance of the City of Marysville, California, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Marysville, California's major federal programs for the year ended June 30, 2012. The City of Marysville, California's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Marysville, California's management. Our responsibility is to express an opinion on the City of Marysville, California's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Marysville, California's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Marysville, California's compliance with those requirements.

In our opinion, the City of Marysville, California, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Marysville, California, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 26, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 26, 2012

CITY OF MARYSVILLE, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grantors' Number	Disburse- ments or Expenditures
<u>DIRECT PROGRAMS:</u>			
Federal Emergency Management Agency			
Assistance to Firefighters Grant Program	97.044	EMV-2010-FH-00110	\$ 295,185
U.S. Department of Justice			
Community Oriented Policing Services	16.710	2009RKWX0176	89,710
U.S. Department of Justice			
Edward Byrne Memorial Justice Assistance Grant Program			
Technology Improvement Program	16.738	2009-SB-B9-0600	2,426
Technology Improvement Program	16.738	2010-DJ-BX-1324	924
Technology Improvement Program	16.738	2011-DJ-BX-3311	10,919
<u>INDIRECT PROGRAMS:</u>			
U.S. Department of Housing and Urban Development:			
<i>Passed through State of California,</i>			
<i>California Energy Commission</i>			
ARRA - Energy Efficiency and Conservation Block Grant	* .81.128	CBG-11-002	412,486
U.S. Department of Transportation			
<i>Passed through the State</i>			
<i>Department of Transportation</i>			
ARRA - Highway Planning and Construction	* 20.205	ESPLSTP 5009(028)	577,996
		ESPLSTP 5009(027)	4,597
National Highway Traffic Safety Administration	20.608	20303	52,604
	20.600	20263	<u>23,886</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,470,733</u>

* Major program

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the City of Marysville, California for the fiscal year ended June 30, 2012. The City of Marysville, California reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING

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

CITY OF MARYSVILLE, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Section I – Summary of Auditors’ Results

FINANCIAL STATEMENTS:

Type of auditors’ report issued:

Unqualified

Internal control over financial reporting:

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

FEDERAL AWARDS:

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.205	ARRA – Highway Planning and Construction
81.128	ARRA – Energy Efficiency and Conservation Block Grant

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

\$300,000

Auditee qualified as low-risk auditee? Yes No

CITY OF MARYSVILLE, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

(No findings noted for the current fiscal year.)