

CITY OF MARYSVILLE, CALIFORNIA

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

FOR THE FISCAL YEAR
ENDED JUNE 30, 2015



CITY OF MARYSVILLE, CALIFORNIA

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CITY OF MARYSVILLE, CALIFORNIA

CITY OFFICIALS
AS OF JUNE 30, 2015

CITY COUNCIL

- *Ricky Samayoa* Mayor
- *James Kitchen* Vice Mayor
- *Bill Simmons* Council member
- *Chris Pedigo* Council member
- *Dale Whitmore* Council member

OTHER CITY OFFICIALS

- *Walter Munchheimer* City Manager
- *Brant Bordsen* City Attorney
- *Satwant Takhar* Administrative Services
Director
- *Aaron Easton* Police Chief
- *David Lamon* City Services Director
- *Billie Fangman* City Clerk

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BOLER & ASSOCIATES

PROFESSIONAL ACCOUNTANCY CORPORATION
750 F STREET • DAVIS, CA 95616

(530) 756-1735

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marysville, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marysville, California, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2015, on our consideration of the City of Marysville, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Marysville, California's internal control over financial reporting and compliance.



October 25, 2015

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015. 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 liabilities of the City of Marysville exceeded assets by \$5.04 million (net position). This is a decrease from the balance of \$15.43 million reported in the prior fiscal year. With the implementation of Government Accounting Standards Board (GASB) Statement No. 68, pension liabilities totaling \$9.11 million at June 30, 2015 was recorded and recognized. The City has an unrestricted deficit of \$22.68 million (due to the issuance of the Sewer Fund Series 2012 Revenue Bonds and the effects of the GASB Statement No. 68 implementation), \$12.27 million is restricted for specific purposes such as loan programs, street projects, and other community development, and \$15.45 million is invested in capital assets, net of related debt.
- The City's current year's change in net position was an increase of \$1.54 million.
- The General Fund's fund deficit is \$10.55 million as of June 30, 2015 due to the recognition of the pension liability as a result of the implementation of GASB No. 68.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of five parts:

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

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

The Statement of Net Position (pages 15 and 16) presents information on all of the City's assets and liabilities, with the difference between the two reported as "net position." Over time, increases or

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

decreases in net position may serve as a useful indicator of the City's financial improvement or deterioration.

The Statement of Activities (pages 17 and 18) presents information showing how the government's net position changed during the past year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (accrual basis of accounting). Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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

The government-wide financial statements include the City of Marysville itself (known as the primary government) and the legally separate Redevelopment Successor Agency Private-Purpose Trust Fund. The City Council serves as the governing body of this component unit and the City is financially accountable, resulting in its financial information being included in the City's overall financial statements on a blended basis as a fiduciary type fund. Please refer to the fiduciary statements (pages 29 and 30).

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.

CITY OF MARYSVILLE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

- General Fund

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 72.

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

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

The debt service for the Wastewater system is combined into the business-type activities column of the Statement of Net Position (pages 15-16) and the remaining debt service issues are combined into the governmental activities column of that report.

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

NOTES TO FINANCIAL STATEMENTS

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-71 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 72.

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year ended June 30, 2015 is the tenth year in which the City of Marysville has presented its financial statements under the reporting model required by the Governmental Accounts Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. A comparative analysis of government-wide data is included in this report.

ANALYSIS OF NET POSITION

With the consolidation of government-wide net position into one statement and other changes such as the exclusion of fiduciary funds, net position may now serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$5.04 million. The City reported positive balances in the investment in capital assets and restricted categories of net position, in both the governmental and business-type activities. The unrestricted net position were deficits.

The Summary of Net Position is as follows:

TABLE 1
SUMMARY OF NET POSITION
AS OF JUNE 30

	Governmental Activities		Business-type Activities		TOTALS	
	2015	2014	2015	2014	2015	2014
ASSETS:						
Current and other assets	\$ 4,727,840	\$ 4,829,768	\$ 12,987,565	\$ 13,616,839	\$ 17,715,405	\$ 18,446,607
Capital assets, net	12,645,745	12,428,204	20,485,771	18,359,979	33,131,516	30,788,183
TOTAL ASSETS	\$ 17,373,585	\$ 17,257,972	\$ 33,473,336	\$ 31,976,818	\$ 50,846,921	\$ 49,234,790
DEFERRED OUTFLOWS OF RESOURCES	\$ 1,296,958	\$ 436,738	\$ 679,627	\$ 664,322	\$ 1,976,585	\$ 1,101,060
LIABILITIES:						
Liabilities due after one year	\$ 16,167,661	\$ 7,061,351	\$ 24,472,978	\$ 24,969,456	\$ 40,640,639	\$ 32,030,807
Other liabilities	1,135,240	751,941	2,215,039	1,024,865	3,350,279	1,776,806
TOTAL LIABILITIES	\$ 17,302,901	\$ 7,813,292	\$ 26,688,017	\$ 25,994,321	\$ 43,990,918	\$ 33,807,613
DEFERRED INFLOWS OF RESOURCES	\$ 2,688,096	\$ 54,582	\$ 1,104,330	\$ 1,038,137	\$ 3,792,426	\$ 1,092,719
NET POSITION:						
Investment in capital assets	\$ 5,969,327	\$ 5,722,142	\$ 9,484,148	\$ 6,525,523	\$ 15,453,475	\$ 12,247,665
Restricted	1,147,379	1,476,170	11,120,980	12,059,038	12,268,359	13,535,208
Unrestricted	(8,437,160)	2,628,524	(14,244,512)	(12,975,879)	(22,681,672)	(10,347,355)
TOTAL NET POSITION	\$ (1,320,454)	\$ 9,826,836	\$ 6,360,616	\$ 5,608,682	\$ 5,040,162	\$ 15,435,518

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

- Total Net Position increased by \$1,542,391 from 2014 to 2015.
- \$12.25 million (79.35%) in net capital assets (e.g., land, buildings, other improvements, construction in progress and equipment), less any outstanding related debt used to acquire these assets. The City uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- \$13.54 million (87.69%) in net position are earmarked and represent resources that are subject to external restrictions on how they may be used. The increase in this figure from 2014 to 2015 can be found in the Restricted Net position in the Governmental Activities.
- The remaining unrestricted deficit is \$10.35 million.

CHANGES IN NET POSITION

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

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

	Governmental Activities		Business-type Activities		TOTALS	
	2015	2014	2015	2014	2015	2014
PROGRAM REVENUES:						
Charges for services	\$ 1,245,711	\$ 1,281,681	\$ 2,938,293	\$ 2,530,181	\$ 4,184,004	\$ 3,811,862
Operating grants	1,045,894	526,838	-	-	1,045,894	526,838
Capital grants	782,407	521,790	-	346,513	782,407	868,303
GENERAL REVENUES:						
Property taxes	1,077,611	1,042,696	-	-	1,077,611	1,042,696
Sales and use taxes	1,943,100	2,041,350	-	-	1,943,100	2,041,350
Motor vehicle in-lieu	817,147	814,473	-	-	817,147	814,473
Franchise fees	388,004	375,946	-	-	388,004	375,946
Transient occupancy tax	101,283	93,906	-	-	101,283	93,906
Business license tax	131,589	134,216	-	-	131,589	134,216
Reimbursements	316,445	206,461	-	40,523	316,445	246,984
Miscellaneous sales	273	11,798	-	-	273	11,798
Debt forgiven by County	23,434	23,434	-	-	23,434	23,434
Loss on disposition of asset	(92,370)	(122,389)	(63,777)	-	(156,147)	(122,389)
Unrealized loss	-	-	(17,339)	-	(17,339)	-
Other revenues	35,128	27,786	-	-	35,128	27,786
Investment income	124,779	119,884	43,359	3,496	168,138	123,380
TOTAL REVENUES	7,940,435	7,099,870	2,900,536	2,920,713	10,840,971	10,020,583

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Governmental Activities		Business-type Activities		TOTALS	
	2015	2014	2015	2014	2015	2014
EXPENSES:						
Governmental activities:						
General government	\$ 1,545,799	\$ 1,284,619	\$ -	\$ -	\$ 1,545,799	\$ 1,284,619
Public safety	4,341,221	4,544,656	-	-	4,341,221	4,544,656
Streets and public works	988,165	1,503,469	-	-	988,165	1,503,469
Parks and recreation	243,018	370,840	-	-	243,018	370,840
Interest on long-term debt	506,431	503,713	-	-	506,431	503,713
Business-type activities:						
Public financing	-	-	-	4,658	-	4,658
Sewer	-	-	1,089,822	963,225	1,089,822	963,225
Interest on long-term debt	-	-	664,124	797,038	664,124	797,038
TOTAL EXPENSES	7,624,634	8,207,297	1,753,946	1,764,921	9,378,580	9,972,218
EXCESS OF REVENUES OVER EXPENDITURES						
	315,801	(1,107,427)	1,146,590	1,155,792	1,462,391	48,365
Fiduciary fund transfers	-	54,336	-	-	-	54,336
Capital assets transferred	-	4,562,003	-	(4,562,003)	-	-
Transfers in (out)	47,363	270,384	32,637	(270,384)	80,000	-
CHANGE IN NET POSITION	363,164	3,779,296	1,179,227	(3,676,595)	1,542,391	102,701
NET POSITION, JULY 1						
As originally reported	9,826,836	6,047,540	5,608,682	9,285,277	15,435,518	15,332,817
Prior period adjustment	(11,510,454)	-	(427,293)	-	(11,937,747)	-
As restated	(1,683,618)	6,047,540	5,181,389	9,285,277	3,497,771	15,332,817
NET POSITION, JUNE 30	\$ (1,320,454)	\$ 9,826,836	\$ 6,360,616	\$ 5,608,682	\$ 5,040,162	\$ 15,435,518

Governmental Activities and Business-type Activities increased (decreased) the City's net position by \$363,164 and \$1,179,227, respectively.

REVENUES

The Governmental Activities total revenues were \$7.94 million and Business-Type Activity revenues were \$2.90 million for the year ended June 30, 2015. This represented a total increase of \$820,388 from 2014. This increase in revenues was attributed primarily to an increase in operating grants of \$519,056.

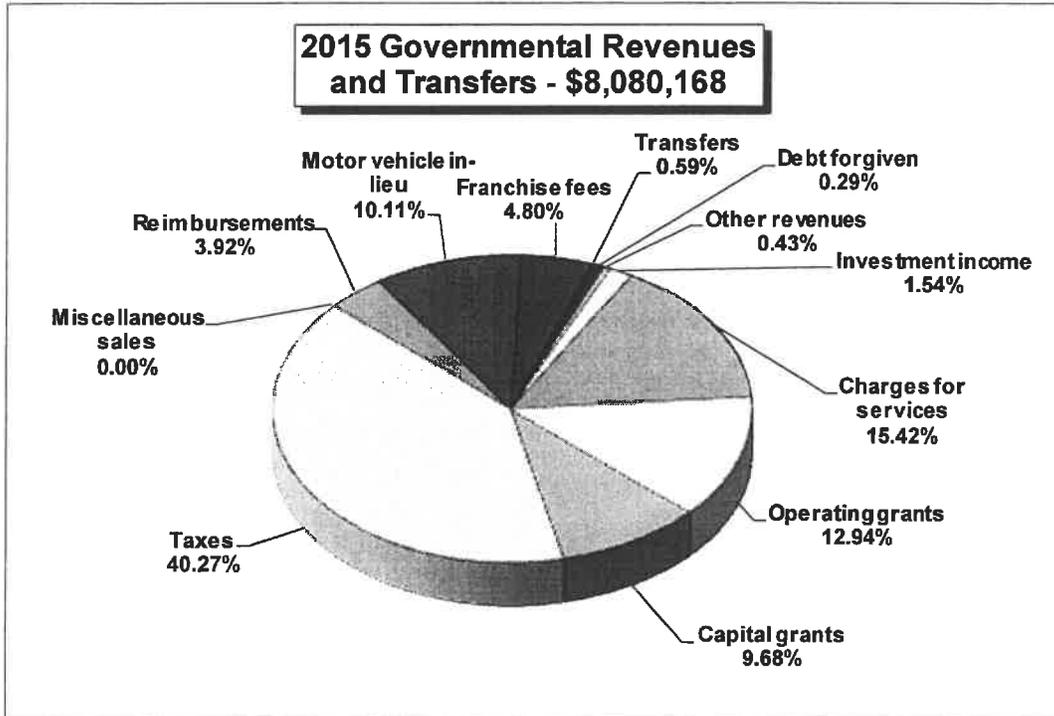
Program revenues include charges for services and grants and contributions. Program revenues provided \$3.07 million (38.71% of total revenues) for governmental activities and approximately \$2.94 million for business-type activities.

General revenues include, among other things, taxes, assessments and intergovernmental revenues. General revenues provided \$4.87 million (61.29% of total revenues). The majority of general revenues came from property, sales and other taxes.

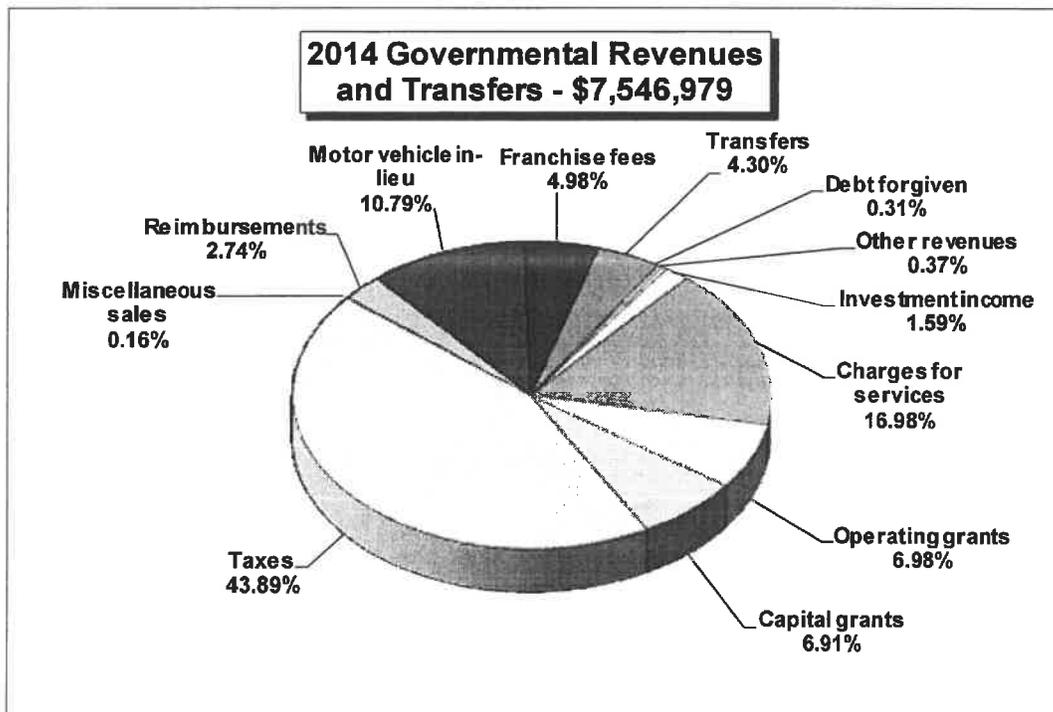
CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The fiscal year ended June 30, 2015 revenues are reflected graphically as follows:



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



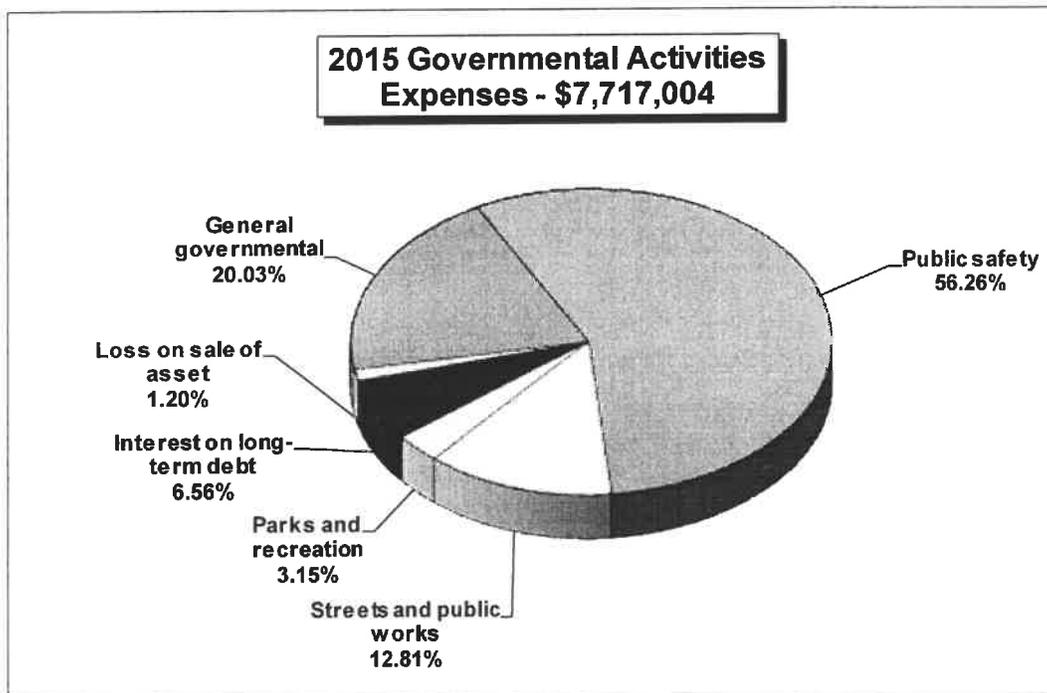
CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

EXPENSES

Expenses for the City totaled \$9.38 million. Governmental activities incurred \$7.62 million in expenses and business-type activities incurred \$1.75 million in expenses during the year. Governmental activities expenses were 40.32% 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 59.69% funded by program revenues, with the exception of interest and investment earnings.

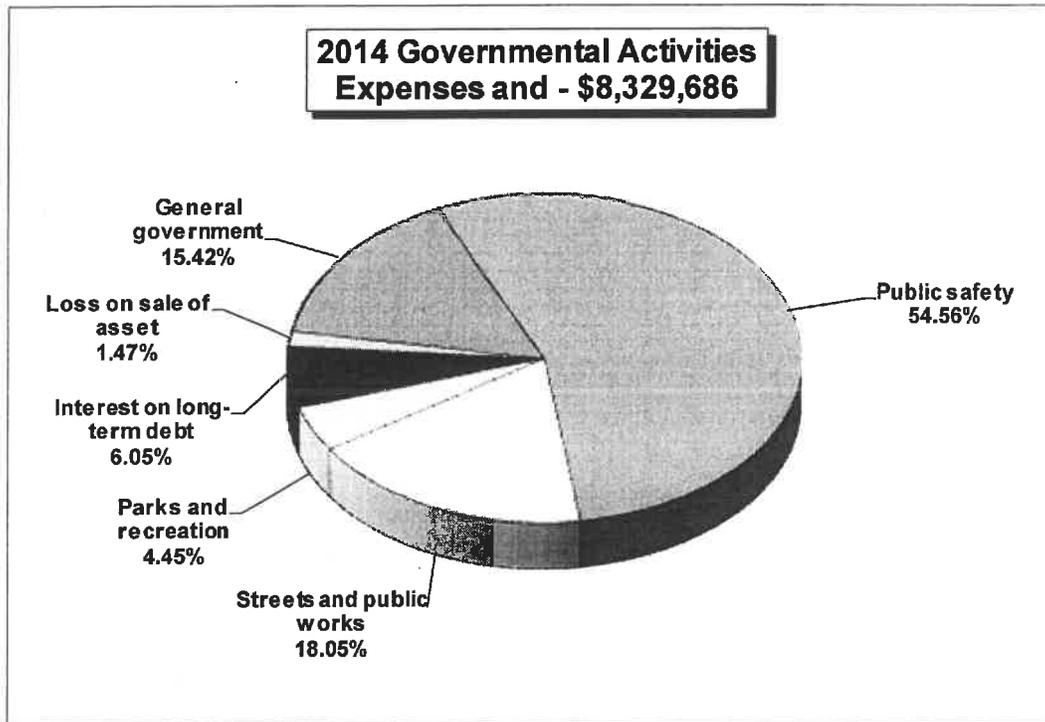
The fiscal year ended June 30, 2015 expenses are reflected graphically as follows:



CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The fiscal year ended June 30, 2014 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 2014-15, the City's governmental funds reported combined fund deficit of \$6.92 million. The City has an unassigned fund deficit of \$10.61 million due to the recognition of pension liabilities. The remainder of the governmental ending fund balance of \$3.69 million is non-spendable, committed, or restricted to indicate that it is not available for new spending because it has been designated to pay for prior year commitments and other specific requirements.

PROPRIETARY FUNDS

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

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year General Fund revenue was \$45,639 lower than the amended budget estimate, which was primarily due to the reduction in state police-related grant funds, including COPS, OTS, and Avoid the 9 grants. Another primary reduction was in fines, especially traffic fines cited by the use of traffic light cameras due to the CalTrans construction on state highways 20 and 70 and traffic light cameras and encroachment permit delays due to CalTrans.

The General Fund expense budget was \$1.05 million lower than the amended budget estimate, which was primarily due to the reduction in police services as a result, in part, to the loss of state grant funds and traffic light camera vendor billings were lower due to construction downtime and encroachment permit delays. Also, under GASB No. 68, pension payments of \$685,530 were recorded as deferred outflows of resources rather than as expenditures in the current period.

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>Fiduciary Activities</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Capital assets, not being depreciated:						
Construction in progress	\$ -	\$ -	\$ 3,705,068	\$ 1,336,239	\$ -	\$ -
Land	6,057,051	6,057,051	-	-	79,203	79,203
Depreciable capital assets, net:						
Sewer plant	-	-	3,140,821	3,256,533	-	-
Intangible asset	-	-	12,300,000	12,300,000	-	-
Infrastructure	2,573,324	2,568,277	-	-	-	-
Buildings	1,697,804	1,752,857	333,739	352,281	24,332	24,332
Machinery and equipment	604,282	550,828	455,800	553,116	-	-
Vehicles	1,619,684	1,356,391	66,808	78,273	-	-
TOTAL	<u>\$12,552,145</u>	<u>\$12,285,404</u>	<u>\$20,002,236</u>	<u>\$17,876,442</u>	<u>\$103,535</u>	<u>\$103,535</u>

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, was \$32.55 million (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements other than buildings, and equipment. The City's investment in capital assets had a net increase from FY 2013-14 of \$2,392,535. The increase principally resulted from the current fiscal year's construction in progress in the Sewer Enterprise Fund of \$2,335,405. Infrastructure acquired prior to FY 2003-04 has not been recorded. The City is not required to record those infrastructure costs expended in those previous fiscal years.

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

DEBT ADMINISTRATION

At the end of FY 2014-15, the City of Marysville had long-term liabilities of \$6.77 million and \$25.36 million for governmental activities and business-type activities, respectively. Also, the fiduciary activities' long-term liabilities were \$434,505. Additional information about the City's long-term obligations can be found in Note F in the Notes to Basic Financial Statements.

TABLE 4
OUTSTANDING DEBT
AS OF JUNE 30

	Governmental Activities		Business-type Activities		Fiduciary Activities	
	2015	2014	2015	2014	2015	2014
Sewer Revenue Bonds, 2012 Series A	\$ -	\$ -	\$ 12,705,000	\$ 12,920,000	\$ -	\$ -
Certificates of participation, 2011	7,000,000	7,000,000	-	-	-	-
Lease revenue bonds, 2001 Series A	-	-	245,495	274,294	434,505	485,705
Obligations under capital lease	-	-	275,706	344,640	-	-
Linda County Water District State Water Resources Loan	-	-	11,235,736	11,596,397	-	-
Add: Bond premium, net	-	-	1,005,093	1,038,137	-	-
Less: Bond discount, net	(417,182)	(436,738)	(10,874)	(12,427)	-	-
Less: Issuance costs, net	-	-	(631,144)	(651,895)	-	-
Compensated absences	191,973	191,978	26,738	23,841	-	-
TOTALS	\$ 6,774,791	\$ 6,755,240	\$ 25,359,342	\$ 26,200,018	\$ 434,505	\$ 485,705

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The property assessed valuations grew 4.3% in FY 2015-16, positive but relatively modest increases. The City's General fund reserves have been depleted and revisions to the beginning fund balance, revenue and expenditure adjustments project a negative fund balance at June 30, 2016 unless new revenues sources are adopted by the City and/or additional reduction in service levels are implemented.

During the fiscal year ended June 30, 2014, the City launched two economic strategies. The Bounce Back initiative is designed to stimulate economic activity through city-wide land redevelopment. A consultant hired was to develop a planning and implementation document, the City Design Collective. The plan was presented to the City and adopted by the City Council in 2015. The City has applied for additional funding to implement the Bounce Back initiative (e.g. obtain funding to develop form based codes to encourage new development in the medical arts district).

CITY OF MARYSVILLE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Since land redevelopment generally occurs over time, the second strategy was to place a tax measure before the electorate in November 2014 authorizing a one-percent sales tax add-on. Measure W would have provided for certain enhanced services as well as funding to restore and maintain fiscal soundness. This ten-year authority would fill the funding gap until the impact of Bounce Back takes over. Unfortunately, the measure was defeated by seventy-five votes. The City will seek another sales tax measure in the June 2016 primary ballot.

The City continues to rely on existing resources to continuing balancing the budget. Management will continue to seek the necessary cost efficiencies and reductions.

REQUESTS FOR INFORMATION

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



BASIC FINANCIAL STATEMENTS



CITY OF MARYSVILLE, CALIFORNIA

GOVERNMENT-WIDE STATEMENT OF NET POSITION AS OF JUNE 30, 2015

	Governmental Activities	Business-type Activities	TOTALS
ASSETS:			
CURRENT ASSETS:			
Cash and investments	\$ 1,247,719	\$ 1,608,679	\$ 2,856,398
Receivables:			
Accounts receivable	280,416	237,170	517,586
Interest receivable	419	662	1,081
Taxes receivable	25,226	-	25,226
Loans receivable	1,917,587	-	1,917,587
Due from other governments	576,490	3,000	579,490
Internal balances	(17,074)	17,074	-
Restricted cash with fiscal agent	697,057	11,120,980	11,818,037
TOTAL CURRENT ASSETS	4,727,840	12,987,565	17,715,405
NONCURRENT ASSETS:			
Advances to fiduciary funds	93,600	483,535	577,135
Nondepreciable capital assets	6,057,051	3,705,068	9,762,119
Depreciable capital assets, net	6,495,094	16,297,168	22,792,262
TOTAL NONCURRENT ASSETS	12,645,745	20,485,771	33,131,516
TOTAL ASSETS	17,373,585	33,473,336	50,846,921
DEFERRED OUTFLOWS OF RESOURCES:			
Pension payments	879,776	37,609	917,385
Unamortized bond issuance costs and discounts	417,182	642,018	1,059,200
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,296,958	679,627	1,976,585
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 18,670,543	\$ 34,152,963	\$ 52,823,506

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>TOTALS</u>
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	\$ 455,482	\$ 1,223,239	\$ 1,678,721
Accrued payroll liabilities	351,713	97	351,810
Interest payable	120,469	132,059	252,528
Deposits payable	4,200	-	4,200
Compensated absences	191,973	26,738	218,711
Obligation under capital lease, due within one year	-	68,934	68,934
Long-term debt, due within one year	-	763,972	763,972
TOTAL CURRENT LIABILITIES	<u>1,135,240</u>	<u>2,215,039</u>	<u>3,350,279</u>
NONCURRENT LIABILITIES:			
Net pension liability	9,114,630	336,355	9,450,985
Other post employment benefits payable	53,031	-	53,031
Obligation under capital lease, due within one year	-	206,772	206,772
Long-term debt, due after one year	7,000,000	23,929,851	30,929,851
TOTAL NONCURRENT LIABILITIES	<u>16,167,661</u>	<u>24,472,978</u>	<u>40,640,639</u>
TOTAL LIABILITIES	<u>\$ 17,302,901</u>	<u>\$ 26,688,017</u>	<u>\$ 43,990,918</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension payments	\$ 2,619,380	\$ 99,237	\$ 2,718,617
Business license fees to be earned	49,178	-	49,178
Grant revenues to be earned	8,575	-	8,575
Unamortized bond premium	-	1,005,093	1,005,093
Other deferred inflows	10,963	-	10,963
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 2,688,096</u>	<u>\$ 1,104,330</u>	<u>\$ 3,792,426</u>
NET POSITION			
Invested in capital assets, net of related debt	\$ 5,969,327	\$ 9,484,148	\$ 15,453,475
Restricted	1,147,379	11,120,980	12,268,359
Unrestricted	(8,437,160)	(14,244,512)	(22,681,672)
TOTAL NET POSITION	<u>\$ (1,320,454)</u>	<u>\$ 6,360,616</u>	<u>\$ 5,040,162</u>

CITY OF MARYSVILLE, CALIFORNIA

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Operating Expenses	Program Revenues		
		Charges for Services	Grants and other contributions	
			Operating	Capital
GOVERNMENTAL ACTIVITIES:				
General government	\$ 1,545,799	\$ 640,787	\$ 95,172	\$ -
Public safety	4,341,221	389,008	882,853	304,796
Streets and public works	988,165	131,270	67,869	465,611
Parks and recreation	243,018	84,646	-	12,000
Interest on long-term debt	506,431	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	7,624,634	1,245,711	1,045,894	782,407
BUSINESS-TYPE ACTIVITIES:				
Sewer	1,089,822	2,938,293	-	-
Interest on long-term debt	664,124	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	1,753,946	2,938,293	-	-
TOTAL GOVERNMENT	\$ 9,378,580	\$ 4,184,004	\$1,045,894	\$ 782,407

GENERAL REVENUES:

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

TRANSFERS:

- Transfers

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

Net position, July 1:

- As originally reported
- Prior period adjustment
- As restated

NET POSITION, JUNE 30

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	TOTALS
\$ (809,840)	\$ -	\$ (809,840)
(2,764,564)	-	(2,764,564)
(323,415)	-	(323,415)
(146,372)	-	(146,372)
(506,431)	-	(506,431)
<u>(4,550,622)</u>	<u>-</u>	<u>(4,550,622)</u>
-	1,848,471	1,848,471
-	(664,124)	(664,124)
<u>-</u>	<u>1,184,347</u>	<u>1,184,347</u>
<u>(4,550,622)</u>	<u>1,184,347</u>	<u>(3,366,275)</u>
1,077,611	-	1,077,611
1,943,100	-	1,943,100
817,147	-	817,147
388,004	-	388,004
101,283	-	101,283
131,589	-	131,589
316,445	-	316,445
273	-	273
23,434	-	23,434
(92,370)	(63,777)	(156,147)
-	(17,339)	(17,339)
35,128	-	35,128
124,779	43,359	168,138
<u>47,363</u>	<u>32,637</u>	<u>80,000</u>
<u>4,913,786</u>	<u>(5,120)</u>	<u>4,908,666</u>
<u>363,164</u>	<u>1,179,227</u>	<u>1,542,391</u>
9,826,836	5,608,682	15,435,518
(11,510,454)	(427,293)	(11,937,747)
<u>(1,683,618)</u>	<u>5,181,389</u>	<u>3,497,771</u>
<u>\$ (1,320,454)</u>	<u>\$ 6,360,616</u>	<u>\$ 5,040,162</u>

CITY OF MARYSVILLE, CALIFORNIA

BALANCE SHEET GOVERNMENTAL FUNDS AS OF JUNE 30, 2015

	General Fund	Aggregate Nonmajor Governmental Funds	TOTALS
ASSETS			
Cash and investments	\$ 158,266	\$ 1,089,453	\$ 1,247,719
Receivables:			
Accounts receivable, net	268,438	11,978	280,416
Interest receivable	-	419	419
Taxes receivable	25,226	-	25,226
Notes receivable	546	1,917,041	1,917,587
Due from other governments	487,588	88,902	576,490
Advances to other funds	93,600	-	93,600
Restricted cash with fiscal agent	-	697,057	697,057
TOTAL ASSETS	1,033,664	3,804,850	4,838,514
DEFERRED OUTFLOWS OF RESOURCES			
Pension payments	867,187	12,589	879,776
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 1,900,851	\$ 3,817,439	\$ 5,718,290
LIABILITIES			
Accounts payable	\$ 447,785	\$ 7,697	\$ 455,482
Accrued payroll liabilities	346,993	4,720	351,713
Deposits	4,200	-	4,200
Due to other funds	-	17,074	17,074
Net pension liability	9,001,376	113,254	9,114,630
TOTAL LIABILITIES	9,800,354	154,148	9,954,502
DEFERRED INFLOWS OF RESOURCES			
Pension receipts	2,586,833	32,547	2,619,380
Business license fees to be earned	49,178	-	49,178
Grant revenues to be earned	-	8,575	8,575
Other deferred inflows	10,963	-	10,963
TOTAL DEFERRED INFLOWS	2,646,974	41,122	2,688,096
FUND BALANCES (DEFICITS)			
Non-spendable:			
Advances to other funds	93,600	-	93,600
Notes receivable	-	1,917,041	1,917,041
Committed:			
Debt service	-	697,057	697,057
Subsequent year's expenditures	-	527,391	527,391
Restricted:			
Road improvements and repairs	-	414,616	414,616
Parks and recreation	-	6,862	6,862
Public buildings	-	28,844	28,844
Unassigned:			
General fund	(10,640,077)	-	(10,640,077)
Special revenue funds	-	30,358	30,358
TOTAL FUND BALANCES (DEFICITS)	(10,546,477)	3,622,169	(6,924,308)
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 1,900,851	\$ 3,817,439	\$ 5,718,290

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

CITY OF MARYSVILLE, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION AS OF JUNE 30, 2015

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ (6,924,308)
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,552,145
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		417,182
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet:		
Bonds payable	\$ (7,000,000)	
Compensated absences	(191,973)	
OPEB payable	<u>(53,031)</u>	(7,245,004)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds.		<u>(120,469)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ (1,320,454)</u></u>

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

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Aggregate Nonmajor Governmental Funds	TOTALS
REVENUES:			
Tax revenues	\$ 4,458,733	\$ -	\$ 4,458,733
Intergovernmental revenues	1,098,725	729,576	1,828,301
Licenses, fees and permits	159,448	-	159,448
Charges for services	593,512	133,331	726,843
Fines, forfeitures and penalties	286,549	-	286,549
Reimbursements and refunds	316,445	-	316,445
Use of money and property	99,135	25,644	124,779
Program income	-	11,074	11,074
Miscellaneous sales	273	-	273
Recreation and event fees	36,213	15,301	51,514
Donations	9,784	500	10,284
Other revenue	35,128	-	35,128
	7,093,945	915,426	8,009,371
EXPENDITURES:			
Current:			
General government	1,147,348	365,839	1,513,187
Public safety	4,147,805	58,505	4,206,310
Streets and public works	840,928	116,699	957,627
Parks and recreation	226,471	15,763	242,234
Debt service:			
Interest and other charges	335	486,540	486,875
Capital outlay	436,192	37,719	473,911
	6,799,079	1,081,065	7,880,144
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	294,866	(165,639)	129,227
OTHER FINANCING SOURCES (USES):			
Repayment agreement with the county	23,434	-	23,434
Loans deemed uncollectible	-	(92,370)	(92,370)
Transfers in	698,337	739,602	1,437,939
Transfers out	(970,135)	(420,441)	(1,390,576)
	(248,364)	226,791	(21,573)
NET CHANGE IN FUND BALANCES	46,502	61,152	107,654
FUND BALANCES, July 1:			
As originally stated	774,452	3,704,040	4,478,492
Prior period adjustment	(11,367,431)	(143,023)	(11,510,454)
As restated	(10,592,979)	3,561,017	(7,031,962)
FUND BALANCES, JUNE 30	\$ (10,546,477)	\$3,622,169	\$(6,924,308)

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

CITY OF MARYSVILLE, CALIFORNIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 107,654**

*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	\$ 527,855	
Depreciation expense	<u>(261,114)</u>	266,741

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

Amortization of issuance costs and discounts		(19,556)
--	--	----------

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

Change in other post employment benefits payable	\$ 8,320	
Change in compensated absences	<u>5</u>	<u>8,325</u>

CHANGE IN NET POSITION OF GOVERNMENTAL FUNDS **\$ 363,164**

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CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

General Fund

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Tax revenues	\$ 4,394,346	\$ 4,394,346	\$ 4,458,733	\$ 64,387
Intergovernmental revenues	667,282	952,282	1,098,725	146,443
Licenses, fees and permits	147,615	147,615	159,448	11,833
Charges for services	609,070	609,070	593,512	(15,558)
Fines, forfeitures and penalties	562,228	562,228	286,549	(275,679)
Reimbursements and refunds	210,210	210,210	316,445	106,235
Use of money and property	186,870	186,870	99,135	(87,735)
Miscellaneous sales	10,200	10,200	273	(9,927)
Recreation and event fees	35,350	35,350	36,213	863
Donations	14,700	14,700	9,784	(4,916)
Other revenue	16,713	16,713	35,128	18,415
TOTAL REVENUES	6,854,584	7,139,584	7,093,945	(45,639)
EXPENDITURES:				
Current:				
General government	1,152,042	1,152,042	1,147,348	4,694
Public safety	4,891,174	5,482,768	4,147,805	1,334,963
Streets and public works	957,571	957,571	840,928	116,643
Parks and recreation	260,735	260,735	226,471	34,264
Debt service:				
Interest and other charges	-	-	335	(335)
Capital outlay	650	650	436,192	(435,542)
TOTAL EXPENDITURES	7,262,172	7,853,766	6,799,079	1,054,687
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(407,588)	(714,182)	294,866	1,009,048
OTHER FINANCING SOURCES (USES):				
Repayment agreement with the county	23,434	23,434	23,434	-
Transfers in	49,200	49,200	698,337	649,137
Transfers out	-	-	(970,135)	(970,135)
TOTAL OTHER FINANCING	72,634	72,634	(248,364)	(320,998)
NET CHANGE IN FUND BALANCES	(334,954)	(641,548)	46,502	688,050
FUND BALANCES, July 1	774,452	774,452	774,452	-
Prior period adjustment	-	-	(11,367,431)	(11,367,431)
As restated	774,452	774,452	(10,592,979)	(11,367,431)
FUND BALANCES, JUNE 30	\$ 439,498	\$ 132,904	\$(10,546,477)	\$(10,679,381)

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

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS AS OF JUNE 30, 2015

	Public Finan- cing Author- ity Fund	Wastewater Fund	TOTALS
ASSETS:			
CURRENT ASSETS:			
Cash and investments	\$ -	\$ 1,608,679	\$ 1,608,679
Receivables, net			
Accounts receivable, net	-	237,170	237,170
Interest receivable	-	662	662
Due from other governments	-	3,000	3,000
Due from other funds	-	17,074	17,074
Restricted cash with fiscal agent	-	11,120,980	11,120,980
	-	12,987,565	12,987,565
TOTAL CURRENT ASSETS	-	12,987,565	12,987,565
NONCURRENT ASSETS:			
Advance to other funds	-	483,535	483,535
Non-depreciable capital assets	-	3,705,068	3,705,068
Depreciable capital assets, net	-	16,297,168	16,297,168
	-	20,485,771	20,485,771
TOTAL NONCURRENT ASSETS	-	20,485,771	20,485,771
	-	33,473,336	33,473,336
TOTAL ASSETS	-	33,473,336	33,473,336
DEFERRED OUTFLOWS OF RESOURCES:			
Pension receipts		37,609	37,609
Unamortized bond issuance costs and discounts	-	642,018	642,018
	-	679,627	679,627
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	679,627	679,627
	-	\$ 34,152,963	\$ 34,152,963
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ 34,152,963	\$ 34,152,963

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>
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	\$ -	\$ 1,223,239	\$ 1,223,239
Accrued payroll liabilities	-	97	97
Interest payable	-	132,059	132,059
Compensated absences	-	26,738	26,738
Due to other funds	-	-	-
Obligation under capital lease, due within one year	-	68,934	68,934
Long-term debt, due within one year	-	763,972	763,972
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	-	2,215,039	2,215,039
NONCURRENT LIABILITIES:			
Net pension liability	-	336,355	336,355
Obligation under capital lease, due after one year	-	206,772	206,772
Long-term debt, due after one year, net	-	23,929,851	23,929,851
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	-	26,688,017	26,688,017
DEFERRED INFLOWS OF RESOURCES:			
Pension payments	-	99,237	99,237
Unamortized bond premium	-	1,005,093	1,005,093
	<hr/>	<hr/>	<hr/>
TOTAL DEFERRED INFLOWS OF RESOURCES	-	1,104,330	1,104,330
NET POSITION:			
Invested in capital assets, net of related debt	-	9,484,148	9,484,148
Restricted for debt service	-	11,120,980	11,120,980
Unrestricted	-	(14,244,512)	(14,244,512)
	<hr/>	<hr/>	<hr/>
TOTAL NET POSITION	-	6,360,616	6,360,616
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ -	\$ 34,152,963	\$ 34,152,963

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CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Public Finan- cing Author- ity Fund	Wastewater Fund	TOTALS
OPERATING REVENUES:			
Utility revenue	\$ -	\$ 2,915,736	\$ 2,915,736
Other revenue	-	22,557	22,557
	-	2,938,293	2,938,293
TOTAL OPERATING REVENUES			
OPERATING EXPENSES:			
Salaries and benefits	-	261,351	261,351
Operations and maintenance	-	555,260	555,260
Depreciation and amortization expense	-	273,211	273,211
	-	1,089,822	1,089,822
TOTAL OPERATING EXPENSES			
OPERATING INCOME (LOSS)			
	-	1,848,471	1,848,471
NONOPERATING INCOME (EXPENSE):			
Unrealized loss on investments	-	(17,339)	(17,339)
Loss on sale of capital asset	-	(63,777)	(63,777)
Interest income	-	43,359	43,359
Interest expense	-	(664,124)	(664,124)
	-	(701,881)	(701,881)
TOTAL NONOPERATING INCOME (EXPENSE)			
INCOME (LOSS) BEFORE TRANSFERS			
	-	1,146,590	1,146,590
OTHER FINANCING USES:			
Transfers in	322,080	-	322,080
Transfers out	-	(289,443)	(289,443)
	322,080	(289,443)	32,637
TOTAL OTHER FINANCING USES			
CHANGE IN NET POSITION			
	322,080	857,147	1,179,227
NET POSITION, JULY 1:			
As originally stated	(322,080)	5,930,762	5,608,682
Prior period adjustment	-	(427,293)	(427,293)
As restated	(322,080)	5,503,469	5,181,389
NET POSITION, JUNE 30			
	\$ -	\$ 6,360,616	\$ 6,360,616

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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, 2015

	Public Finan- cing Author- ity Fund	Wastewater Fund	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ -	\$ 2,933,213	\$ 2,933,213
Cash paid to suppliers	-	(543,306)	(543,306)
Cash paid to employees and related benefits	-	(258,426)	(258,426)
Interfund borrowings	(322,080)	363,591	41,511
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(322,080)</u>	<u>2,495,072</u>	<u>2,172,992</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Payments on obligations under capital lease	-	(68,934)	(68,934)
Additions of capital assets	-	(1,307,954)	(1,307,954)
Interest paid	-	(670,705)	(670,705)
Payments on long term debt	-	(763,899)	(763,899)
Proceeds from sale of capital asset	-	16,308	16,308
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(2,795,184)</u>	<u>(2,795,184)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Deferred inflows for pension payments	-	99,237	99,237
Deferred outflows for pension receipts	-	(37,609)	(37,609)
Reduction of net pension liability	-	(90,938)	(90,938)
Intergovernmental revenues	-	(20,339)	(20,339)
Transfers out	-	(289,443)	(289,443)
Transfers in	322,080	-	322,080
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>322,080</u>	<u>(339,092)</u>	<u>(17,012)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	-	43,112	43,112
DECREASE IN CASH AND CASH EQUIVALENTS	<u>-</u>	<u>(596,092)</u>	<u>(596,092)</u>
Cash and cash equivalents, July 1	<u>-</u>	<u>13,325,751</u>	<u>13,325,751</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ -</u>	<u>\$ 12,729,659</u>	<u>\$ 12,729,659</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Cash and cash equivalents	\$ -	\$ 1,608,679	\$ 1,608,679
Restricted cash with fiscal agent	-	11,120,980	11,120,980
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ -</u>	<u>\$ 12,729,659</u>	<u>\$ 12,729,659</u>

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	\$ -	\$ 1,848,471	\$ 1,848,471
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation and amortization	-	273,211	273,211
(Increase) decrease in assets:			
Accounts receivable	-	(5,080)	(5,080)
Increase (decrease) in liabilities:			
Accounts payable	-	11,954	11,954
Accrued payroll liabilities	-	28	28
Compensated absences	-	2,897	2,897
Due to other funds	(322,080)	363,591	41,511
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (322,080)</u>	<u>\$ 2,495,072</u>	<u>\$ 2,172,992</u>

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF FIDUCIARY NET POSITION AS OF JUNE 30, 2015

	<u>Redevelopment Successor Agency Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS:		
Cash and investments	\$ 203,763	\$ 258,619
Receivables:		
Interest receivable	77	88
Prepaid costs	-	7,839
Due from other governments	-	13,994
Restricted assets:		
Investments with fiscal agent	109,947	-
Land held for redevelopment	79,203	-
Depreciable capital assets, net	<u>22,709</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 415,699</u>	<u>\$ 280,540</u>
 LIABILITIES:		
Accounts payable	\$ -	\$ 34,417
Accrued payroll liabilities	-	5,258
Interest payable	12,689	-
Advances from other City funds	577,135	-
Due to other agencies	-	240,865
Long-term debt:		
Due within one year	54,322	-
Due after one year	<u>380,184</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 1,024,330</u>	<u>\$ 280,540</u>
 NET POSITION:		
Held in trust for other purposes	<u>\$ (608,631)</u>	

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

CITY OF MARYSVILLE, CALIFORNIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION REDEVELOPMENT SUCCESSOR AGENCY PRIVATE-PURPOSE TRUST FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

ADDITIONS:

Property taxes	\$ 126,263
Use of money and property	<u>4,030</u>

TOTAL ADDITIONS

130,293

DEDUCTIONS:

Depreciation expense	1,622
Interest and fiscal agency expenses of former redevelopment agency	<u>36,899</u>

TOTAL DEDUCTIONS

38,521

CHANGE IN NET POSITION BEFORE TRANSFERS

91,772

OTHER FINANCING USES:

Transfers out	<u>(80,000)</u>
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CHANGE IN NET POSITION

11,772

NET POSITION, JULY 1

(620,403)

NET POSITION, JUNE 30

\$ (608,631)

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CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the City reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

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

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

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The City’s estimates the amount of uncollectible receivables based on prior experience and history. At June 30, 2015, the allowance for doubtful accounts were as follows:

	Accounts receivable	Allowance for doubtful account	Accounts receivable, net
Major funds:			
General fund	\$ 268,438	\$ -	\$ 268,438
Sewer enterprise fund	249,252	(12,082)	237,170
TOTAL	\$ 517,690	\$ (12,082)	\$ 505,608

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Unused annual leave is paid to employees upon termination. The maximum accrual for all employees is 384 hours. In December of each year, all employees, except the new fire department employees, have the opportunity to "sell back" a portion of their annual leave. The fire department employees are currently unrepresented and do not have a memorandum of understanding.

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

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

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

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

Invested in Capital Assets, Net of Related Debt — This category groups all capital assets into one component of Net Position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position — This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. As of June 30, 2015, the Restricted Net Position consisted of the following:

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Type	Amount	Action
Major Funds:		
Wastewater Enterprise Fund	\$ 11,120,980	Imposed by debt indebtedure
Debt service:		
Nonmajor debt service fund	697,057	Imposed by debt indebtedure
Road improvements and repairs		
Nonmajor special revenue funds	422,824	Imposed by funding source
Nonmajor capital projects funds	97,536	Imposed by funding source
Parks and recreation		
Nonmajor capital projects funds	6,862	Imposed by funding source
Public buildings		
Nonmajor capital projects funds	28,844	Imposed by funding source
	\$ 12,374,103	

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

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

- Non-spendable – includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors of amounts constrained due to constitutional provisions or enabling legislation.
- Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The non-spendable fund balance is comprised as follows:

Fund Balance Type	Amount
Advances to other funds:	
Major funds:	
General Fund	\$ 93,600
Notes receivable:	
Nonmajor special revenue fund	1,917,041
	\$ 2,010,641

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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:		
Nonmajor special revenue fund	\$ 697,057	Bond indenture
Subsequent year's expenditures:		
Major funds:		
General Fund	80,945	Council budget resolution
Nonmajor special revenue fund	527,391	Council budget resolution
TOTAL COMMITTED BALANCES	\$ 1,305,393	

The City has restricted fund balances as follows:

Fund Type	Amount	Action
Road improvements and repairs		
Nonmajor special revenue funds	\$ 422,824	Imposed by funding source
Nonmajor capital projects funds	97,536	Imposed by funding source
Parks and recreation		
Nonmajor capital projects funds	6,862	Imposed by funding source
Public buildings		
Nonmajor capital projects funds	28,844	Imposed by funding source
	\$ 556,066	

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

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

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.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Fund	Appropriations	Total Expenditures and Transfers	Excess Expenditures and Transfers
Non-Major Special Revenue Funds:			
Community Development			
Block Grant Fund	\$ -	\$ 88,593	\$ (88,593)
Housing Revolving Loan Fund	5,000	11,747	(6,747)
Gas Tax Fund	5,000	337,247	(332,247)
Narcotics Enforcement Fund*	-	7,384	(7,384)
Asset Seizure Fund	7,203	11,047	(3,844)
	\$ 17,203	\$ 456,018	\$ (438,815)

* Fund is unbudgeted

New Accounting Pronouncements: The City implemented the requirements of GASB Statements No. 68 during the fiscal year ended June 30, 2015.

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No.27*, provide guidance for accounting and reporting by state and local governments for pensions.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015 are classified in the accompanying financial statements as follows:

	Government-wide Statement of Net Assets		Fiduciary Fund State- ment of Net Assets	Total
	Governmental Activities	Business-type Activities		
Cash and investments	\$ 1,247,720	\$ 1,608,679	\$ 462,382	\$ 3,318,781
Restricted cash with fiscal agent	697,057	11,120,980	109,947	11,927,984
TOTAL	\$ 1,944,777	\$ 12,729,659	\$ 572,329	\$ 15,246,765

As of June 30, 2015, the City's cash and investments consisted of the following:

Cash on hand	\$ 900
Deposits in financial institutions	1,062,216
Less: outstanding checks	(80,744)
Total cash and cash equivalents	982,372
LAIF	2,336,407
Held by bond trustee:	
Money market mutual fund	7,272,156
Bonds	4,587,829
Repurchase agreement	68,000
Total investments	14,264,392
Total cash and investments	\$ 15,246,764

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, 2015

NOTE B - CASH AND INVESTMENTS (Continued)

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

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

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

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

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

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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	\$ 2,336,407	\$ 2,336,407	\$ -	\$ -
Held by bond trustee:				
Money market mutual funds	7,272,156	7,272,156	-	-
Bonds	4,587,829	4,587,829	-	-
Repurchase agreements	68,000	-	-	68,000
TOTAL	\$ 14,264,392	\$ 14,196,392	\$ -	\$ 68,000

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The current rating of the money market mutual funds are 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. All bonds are rated Aaa by Moody's.

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, 2015, the repurchase agreement with a reported amount of \$68,000 represented more than 5% of the total investments (other than mutual funds and external investment pools) in any one issuer. The issuer of the repurchase agreement is Chase Manhattan Bank. The repurchase agreement represents the reserve fund for the 2001 Series A Lease Revenue Bonds.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE B - CASH AND INVESTMENTS (Continued)

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2015, the carrying amount of the City's deposits was \$982,373 and the balances at the financial institutions were \$1,062,216. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$721,261 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. As of June 30, 2015, a repurchase agreement with a reported amount of \$68,000 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, 2015 invested by all public agencies in LAIF is \$69,641,162,418 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	0.97%
Short-term asset-backed commercial paper	1.11%
All other investments	<u>97.92%</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, 2015

NOTE C - INTERFUND TRANSACTIONS

Interfund long-term advances at June 30, 2015 were as follows:

Fund	Advances to Other Funds	Advances From Other Funds
General Fund	\$ 93,600	\$ -
Enterprise Funds:		
Wastewater Fund	483,535	-
Fiduciary Funds - Private-Purpose Trust:		
Redevelopment Successor Agency	-	577,135
	\$ 577,135	\$ 577,135

The changes in the interfund advances for the fiscal year ended June 30, 2015 were as follows:

	Balance at July 1, 2014	Additions	Adjustment/ Retirement	Balance at June 30, 2015
Advance from the General Fund	\$ 142,800	\$ -	\$ (49,200)	\$ 93,600
Advance from the Wastewater Enterprise Fund	483,537	-	(2)	483,535
TOTAL ADVANCES	\$ 626,337	\$ -	\$ (49,202)	\$ 577,135

Advance from General Fund: The General Fund advanced amounts to the former redevelopment agency for various redevelopment projects. The amount of outstanding debt had accumulated to a total of \$1,812,731 as of July, 1991. However, the refunding bond proceeds and proceeds from sale of two properties, and repayments by the Redevelopment Agency prior to dissolution (See Note L) reduced the balance to \$142,800. On December 6, 2013, the State of California approved this amount as eligible for tax revenues deposited into the Redevelopment Property Tax Trust Fund created by the State to receive all taxes due the dissolved Agency. Interest accrues at the LAIF interest rate and will be added to the advance balance annually when approved by the State. A payment of \$49,200 was made during the fiscal year ended June 30, 2015.

Advance from Wastewater Enterprise Fund: During the year ended June 30, 2000, the City's Wastewater Enterprise Fund advanced to the Agency \$500,000 to be used for improvements at the baseball field. On December 6, 2013, the State of California approved this amount as eligible for tax revenues deposited into the Redevelopment Property Tax Trust Fund created by the State to receive all taxes due the dissolved Agency. Interest accrues at the LAIF interest rate and will be added to the advance balance annually when approved by the State. No payments were made during the fiscal year ended June 30, 2015 due to a lack of monies in the Trust Fund.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE C - INTERFUND TRANSACTIONS (Continued)

Interfund balances at June 30, 2015 were as follows:

Fund	Due From Other Funds	Due To Other Funds
Enterprise Funds:		
Public Financing Authority Fund	\$ -	\$ -
Wastewater Fund	17,074	-
Nonmajor funds:		
Special revenue funds	-	11,627
Capital projects funds	-	5,447
Total	\$ 17,074	\$ 17,074

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, 2015 were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 698,337	\$ 970,135
Enterprise Funds:		
Public Financing Authority	322,080	
Wastewater Fund	-	289,443
Fiduciary Funds - Private-Purpose Trust:		
Redevelopment Successor Agency	-	80,000
Nonmajor funds:		
Special revenue funds	286,457	354,660
Debt service fund	388,164	-
Capital projects funds	64,981	65,781
Total	\$ 1,760,019	\$ 1,760,019

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, 2015

NOTE D - NOTES RECEIVABLE

The following is a summary of the various types of notes receivable outstanding as of June 30, 2015:

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

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

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

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

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

Activity in notes receivable for the year ended June 30, 2015 is as follows:

	Balance at July 1, 2014	Additions	Payments Received	Balance at June 30, 2015
Major Governmental Funds:				
General Fund:				
Employees - computers	\$ 1,283	\$ 1,831	\$ (2,568)	\$ 546
Note receivable - fire truck sale	10,000	-	(10,000)	-
Nonmajor Governmental Funds:				
Community Development Block Grant				
Special Revenue Fund:				
Block grant loans	1,195,117	15,521	(83,755)	1,126,883
Revolving Loan Special Revenue Funds:				
Housing Revolving Loan Fund	223,882	538	(6,101)	218,319
Economic Development Loan Fund	86,419	-	(6,252)	80,167
Home Program Income Fund	576,807	7,234	(92,370)	491,671
TOTAL NOTES AND LOANS RECEIVABLE	\$2,093,508	\$ 25,124	\$ (201,046)	\$1,917,586

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE E - CAPITAL ASSETS

Governmental capital asset activities for the year ended June 30, 2015 were as follows:

	Balance at July 1, 2014	Additions	Deletions	Adjustments/ Transfers	Balance at June 30, 2015
Capital assets, not being depreciated:					
Land	\$ 6,057,051	\$ -	\$ -	\$ -	\$ 6,057,051
Capital assets being depreciated:					
Infrastructure	2,659,724	40,952	-	-	2,700,676
Buildings	3,702,289	-	-	-	3,702,289
Machinery and equipment	1,575,556	115,381	-	-	1,690,937
Vehicles	2,438,854	371,522	-	24,667	2,835,043
Less: accumulated depreciation:					
Infrastructure	(91,447)	(35,906)	-	-	(127,353)
Buildings	(1,949,432)	(55,052)	-	-	(2,004,484)
Machinery and equipment	(1,024,728)	(61,926)	-	-	(1,086,654)
Vehicles	(1,082,463)	(108,230)	-	(24,667)	(1,215,360)
Total capital assets being depreciated, net	6,228,353	266,741	-	-	6,495,094
GOVERNMENTAL ACTIVITIES					
CAPITAL ASSETS, NET	\$ 12,285,404	\$ 266,741	\$ -	\$ -	\$ 12,552,145

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

General government	\$ 56,900
Public safety	134,912
Streets and public works	30,537
Parks and recreation	38,765
TOTAL GOVERNMENTAL ACTIVITIES	\$ 261,114

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE E - CAPITAL ASSETS (Continued)

Business-type capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments/ Transfers</u>	<u>Balance at June 30, 2015</u>
Capital assets, not being depreciated:					
Construction in progress	\$ 1,336,239	\$ 2,368,829	\$ -	\$ -	\$ 3,705,068
Total capital assets not being depreciated	<u>1,336,239</u>	<u>2,368,829</u>	<u>-</u>	<u>-</u>	<u>3,705,068</u>
Capital assets being depreciated:					
Sewer plant	6,702,520	102,999	-	-	6,805,519
Buildings	1,483,400	-	-	-	1,483,400
Machinery and equipment	1,362,689	18,003	(192,205)	-	1,188,487
Vehicles	310,101	-	-	-	310,101
Equipment under capital lease	570,426	-	-	-	570,426
Intangible asset - franchise license	12,300,000	-	-	-	12,300,000
Less: accumulated depreciation:					
Sewer plant	(3,445,986)	(218,711)	-	-	(3,664,697)
Buildings	(1,131,118)	(18,543)	-	-	(1,149,661)
Machinery and equipment	(1,231,669)	(6,712)	112,120	-	(1,126,261)
Vehicles	(231,829)	(11,465)	-	-	(243,294)
Equipment under capital lease	(148,331)	(28,521)	-	-	(176,852)
Total capital assets being depreciated, net	<u>16,540,203</u>	<u>(162,950)</u>	<u>(80,085)</u>	<u>-</u>	<u>16,297,168</u>
BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$ 17,876,442</u>	<u>\$ 2,205,879</u>	<u>\$ (80,085)</u>	<u>\$ -</u>	<u>\$ 20,002,236</u>

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

Fiduciary fund capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance at June 30, 2015</u>
Capital assets, not being depreciated:					
Land	\$ 79,203	\$ -	\$ -	\$ -	\$ 79,203
Capital assets being depreciated:					
Buildings	48,663	-	-	-	48,663
Less: accumulated depreciation:					
Buildings	(24,331)	(1,623)	-	-	(25,954)
FIDUCIARY CAPITAL ASSETS, NET	<u>\$ 103,535</u>	<u>\$ (1,623)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,912</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE F — LONG-TERM LIABILITIES

The activity of the long-term liabilities of the City for the year ended June 30, 2015 follows:

	Balance at July 1, 2014	Incurred	Retired	Balance at June 30, 2015	Due within one year
Governmental activities:					
Certificates of participation, 2011	\$ 7,000,000	\$ -	\$ -	\$ 7,000,000	-
Compensated absences	191,978	-	(6)	191,972	-
	<u>7,191,978</u>	-	(6)	<u>7,191,972</u>	-
Less: unamortized bond issuance costs and discounts	(436,738)	-	19,556	(417,182)	-
TOTAL	<u><u>\$ 6,755,240</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 19,550</u></u>	<u><u>\$ 6,774,790</u></u>	<u><u>\$ -</u></u>
Business-type activities:					
Lease revenue bonds, 2001 Series A	\$ 274,294	\$ -	\$ (28,800)	\$ 245,494	\$ 30,678
Sewer revenue bonds, 2012 Series A	12,920,000	-	(215,000)	12,705,000	220,000
Linda County Water District	11,596,397	-	(360,661)	11,235,736	364,268
State Water Resources loan	667,031	-	(159,439)	507,592	159,438
Obligation under capital lease	344,640	-	(68,934)	275,706	65,288
Compensated absences	23,841	2,898	-	26,739	-
	<u>25,826,203</u>	<u>2,898</u>	<u>(832,834)</u>	<u>24,996,267</u>	<u>839,672</u>
Add: unamortized bond premium	1,038,137	-	(33,044)	1,005,093	-
Less: unamortized bond issuance costs and discounts	(664,322)	-	22,304	(642,018)	-
TOTAL	<u><u>\$ 26,200,018</u></u>	<u><u>\$ 2,898</u></u>	<u><u>\$ (843,574)</u></u>	<u><u>\$ 25,359,342</u></u>	<u><u>\$ 839,672</u></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, 2015

NOTE F — LONG-TERM LIABILITIES (Continued)

<p><u>\$2,725,000 Lease Revenue Bonds, 2001 Series A:</u> 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: \$245,494 business-type activities and \$434,506 fiduciary activities.</p>	680,000
<p><u>\$13,135,000 Sewer Revenue Bonds, 2012 Series A:</u> Issued on November 9, 2012 to finance the acquisition and construction of certain improvements and facilities for the Sewer System. The serial bonds with principal payments of \$215,000 to \$315,000 are due beginning November 1, 2013 through November 1, 2027 with term bonds maturing on November 1 of 2023, 2032, 2038, and 2045. The serial bonds have stated interest rates of 0.55% to 3% and the term bonds have interest rates of 4.00% and 5.00%. Repayment is secured by a pledge and lien of the net revenues of the sewer system.</p>	12,705,000
<p><u>Linda County Water District Agreement:</u> Dated September 19, 2012 for the City share of the added capacity resulting from the improvements to the wastewater facilities and pipeline owned and maintained by the water district. The total project costs is anticipated to be \$34,168,332 for increased capacity of 5.0 million gallons per day (MGD) of which the City was allocated 1.8 MGD and \$12,300,600 of the project costs. Annual payments of \$476,625 are due beginning January 1, 2013 through January 1, 2042, including interest at 1%.</p>	11,235,736
<p><u>State Water Resources Board Loan:</u> Dated June 6, 1995 to finance improvements to the wastewater system. The stated interest rate is 3.0% and accrues as of the date of each disbursement. The maximum allowable loan is \$2,633,254. On June 26, 1995, the City received the initial drawdown. Payments of \$179,449 are due annually through December 19, 2017, including interest at 3%.</p>	507,592

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE F — LONG-TERM LIABILITIES (Continued)

Obligation under capital lease: Dated June 1, 2014 for the acquisition of a vacuum truck for the Sewer Enterprise Fund. Due in annual installments of \$75,287 beginning December 1, 2014 and ending December 1, 2018, including interest at 3.627%. The value of the vehicle leased was \$344,640. 275,706

The annual requirements to amortize the outstanding debt as of June 30, 2015 are as follows:

Year Ending June 30	Governmental Activities Certificates of Particip- ation, 2011	Fiduciary Activities Lease Revenue Bonds, 2001 Series A	Total
2016	\$ 481,875	\$ 74,891	\$ 556,766
2017	636,875	72,189	709,064
2018	641,406	72,448	713,854
2019	640,156	75,732	715,888
2020	638,281	72,536	
2021 - 2025	3,186,056	147,556	3,333,612
2026 - 2030	3,164,950	-	3,164,950
2031 - 2035	3,187,719	-	3,187,719
2036 - 2040	1,272,545	-	1,272,545
	13,849,863	515,352	13,654,398
Less: interest	(6,849,863)	(80,847)	(6,930,710)
Unamortized discount	(417,182)	-	(417,182)
	6,582,818	434,505	6,306,506
Due within one year	-	(51,127)	(51,127)
Due after one year	\$ 6,582,818	\$ 383,378	\$ 6,255,379

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE F — LONG-TERM LIABILITIES (Continued)

Year Ending June 30	Business-type Activities					Total
	Lease Revenue Bonds, 2001 Series A	Sewer Revenue Bonds, 2012 Series A	State Water Resources Board Loan	Linda County Water District	Obligation under capital lease	
2016	\$ 42,294	\$ 771,513	\$ 179,450	\$ 476,625	\$ 75,288	\$ 1,502,876
2017	40,767	774,176	179,449	476,625	75,287	1,546,304
2018	40,914	775,638	179,450	476,625	75,288	1,547,915
2019	42,768	771,038	-	476,625	75,287	1,365,718
2020	40,964	781,288	-	476,625	-	1,298,877
2021 - 2025	83,444	3,909,332	-	2,383,125	-	6,375,901
2026 - 2030	-	3,921,275	-	2,383,125	-	6,304,400
2031 - 2035	-	3,920,000	-	2,383,125	-	6,303,125
2036 - 2040	-	3,925,625	-	2,383,126	-	6,308,751
2041 - 2045	-	3,920,500	-	961,932	-	4,882,432
2046 - 2050	-	784,125	-	-	-	784,125
	291,151	24,254,510	538,349	12,877,558	301,150	38,220,424
Add (Less): Interest	(45,657)	(11,549,510)	(30,757)	(1,641,822)	(25,444)	(13,293,190)
Unamortized discount	(10,874)	(631,145)	-	-	-	(642,019)
Unamortized premium	-	1,005,093	-	-	-	1,005,093
	234,620	13,078,948	507,592	11,235,736	275,706	25,290,308
Due within one year	(30,678)	(220,000)	(159,438)	(364,268)	(65,288)	(839,672)
Due after one year	<u>\$ 203,942</u>	<u>\$ 12,858,948</u>	<u>\$ 348,154</u>	<u>\$ 10,871,468</u>	<u>\$ 210,418</u>	<u>\$ 24,450,636</u>

Interest costs:

A summary of the fiscal year's interest costs follows:

	Interest capitalized	Interest expense	Total
Governmental activities:			
General fund	\$ -	\$ 335	\$ 335
Non-major governmental funds	-	486,540	486,540
Business-type activities:			
Wastewater fund	33,424	664,124	697,548
	<u>\$ 33,424</u>	<u>\$ 1,150,999</u>	<u>\$ 1,184,423</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE F — LONG-TERM LIABILITIES (Continued)

Prior Advance Refundings:

Lease Revenue Bonds, 2001 Series A:

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

2011 Taxable Certificates of Participation:

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

The outstanding balances of the defeased bonds at June 30, 2015 are as follows:

1992 Refunding bonds payable	\$ 585,000
2006 Taxable certificates of participation	4,495,000
	\$ 5,080,000

Operating leases:

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

<u>Year Ending June 30</u>	Number of copier leases by department			<u>Total</u>
	Police (2)	Admini- stration (2)	Fire (1)	
2016	\$ 4,800	\$ 4,140	\$ 1,092	\$ 10,032
2017	4,400	3,795	1,001	9,196
	\$ 9,200	\$ 7,935	\$ 2,093	\$ 19,228
Monthly payment	\$ 400	\$ 345	\$ 91	\$ 836
Term for all leases:	June 1, 2012 to June 1, 2017			

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE F — LONG-TERM LIABILITIES (Continued)

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

	<u>Amount</u>
Copier leases	\$ 10,062
Facilities rent - baseball	<u>18,000</u>
TOTAL	<u>\$ 28,062</u>

NOTE G - CONDUIT DEBT OBLIGATIONS

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

As of June 30, 2015, conduit debt issues were as follows:

Fremont-Rideout Health Group:	
Insured Revenue Bonds, Series 2003a	\$ 4,275,000
Master lease-purchase and sublease agreement, 2011	9,797,000
Revenue Bonds, Series 2011	<u>112,460,000</u>
TOTAL	<u>\$ 126,532,000</u>

NOTE H— DEFICIT FUND EQUITY

The following funds had deficit fund balances at June 30, 2015:

<u>Fund</u>	<u>Deficit</u>
Non-major special revenue funds:	
Avoid the 9 Fund	\$ (1,461)
Office of Traffic Safety - Traffic Grant	(38)

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE I – DEFINED BENEFIT PENSION PLAN

Plan Description

Plan administration. The City of Marysville, California's defined benefit pension plan, California Public Employees' Retirement System (CalPERS) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City of Marysville, California is part of the Public Agency portion of CalPERS, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public entities within the State of California. The City participates in the following risk pools: Miscellaneous, 2% at 55 and Safety, 3% at 50. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The City of Marysville, California selects optional benefits through state statute and City resolutions.

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates as a percent of annual payroll for the City as of June 30, 2015 were as follows:

	<u>Active employee contribution</u>	<u>Average employer contribution</u>
Miscellaneous first tier plan	8.512%	7.000%
Miscellaneous second tier plan	8.003%	7.000%
PEPRA miscellaneous plan	6.237%	6.250%
Fire safety plan	13.813%	9.000%
Fire PEPRA	11.153%	11.500%
Police safety plan	17.557%	9.000%
Police PEPRA	11.153%	11.500%

Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Contributions. The amount of contributions paid by the City totaled \$685,530 for the year ended June 30, 2015. The employer contribution was \$454,724 and the employee contribution was \$230,806.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

Pooled Report Format. Since the City's plan has less than 100 active members, it is required to participate in a risk pool.

Benefits provided. CalPERS provides retirement and disability benefits based on two different valuation plans; Classic and PEPRA. Classic members are those employees who were in the CalPERS retirement system before January 1, 2014. PEPRA members are employees who have been hired and added to the CalPERS system subsequent to December 31, 2013. Retirement benefits for Classic plan members are calculated as 3 percent of the member's highest 3-year average salary times the member's years of service. Plan members with 5 years of accumulated service are eligible to retire at age 60. Classic plan members may retire at any age after 30 years of service. PEPRA (Public Employees' Pension Reform Act) employees retirement benefits are calculated at 2% of the Plan members 3-highest years averaged salaries times the number of years of service and are eligible to retire at age 62. All plan members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. A plan member who leaves City service may withdraw his or her contributions, plus any accumulated interest.

Contributions. The City of Marysville, California is required to contribute at the actuarially determined rate necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year ended June 30, 2015 was \$454,724 (\$131,390 for miscellaneous employees and \$323,334 for safety employees).

PEPRA employees are required to pay no less than 50% of the actuarially determined cost of the retirement plan. For the fiscal year ending June 30, 2015, the total actuarially determined cost of retirement for PEPRA participants is 12.5% of payroll. PEPRA participants pay 6.25% of payroll into the plan.

The contribution requirement of plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Pension Plan CAFR. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Actuarial Office, P.O. Box 942709, Sacramento, CA 95814.

Actuarial valuations. For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 total pension liability and the June 30, 2014 total pension liability were based on the following actuarial methods and assumptions:

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Measurement period	July 1, 2013 to June 30, 2014
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.50%
Inflation rate	2.75%
Projected salary increases	Varies by entry age and service
Investment rate of return	2.75%
Mortality rate table	Derived using CalPERS' Membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term discount rate was determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year.

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

In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows are considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<u>Asset class</u>	<u>New Strategic Allocation</u>	<u>Real Re- turn Years 1-10</u>	<u>Real Re- turn Years >10</u>
Global equity	47.0%	5.25%	5.71%
Global fixed income	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	12.0%	6.83%	6.95%
Real estate	11.0%	4.50%	5.13%
Infrastructure and forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate		
	1.00% Decrease (6.50%)	Current (7.50%)	1.00% Decrease (8.50%)
Plan's net pension liability:			
Miscellaneous first tier plan	\$ 1,984,767	\$ 1,113,659	\$ 390,721
Miscellaneous second tier plan	2,828,803	1,610,562	599,537
PEPRA miscellaneous plan	90	51	18
Safety plan	10,520,257	6,728,712	3,604,643

Subsequent events. There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses. Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss. The periods are as follows:

- Difference between projected and actual earnings
 - All other amounts
- Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

A summary of the deferred outflows of resources and deferred inflows of resources are as follows:

	Net increase (decrease) in pension expense (measurement periods)					
	Year ended June 30,					
	2014	2015	2016	2017	2018	Thereafter
MISCELLANEOUS PLANS:						
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes in assumption	-	-	-	-	-	-
Differences between projected and actual earnings on pension plan investments	(182,199,413)	(182,199,413)	(182,199,413)	(182,199,413)	(182,199,414)	-
TOTAL	<u><u>\$(182,199,413)</u></u>	<u><u>\$(182,199,413)</u></u>	<u><u>\$(182,199,413)</u></u>	<u><u>\$(182,199,413)</u></u>	<u><u>\$(182,199,414)</u></u>	<u><u>\$ -</u></u>
SAFETY PLAN:						
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes in assumption	-	-	-	-	-	-
Differences between projected and actual earnings on pension plan investments	(240,108,470)	(240,108,470)	(240,108,470)	(240,108,470)	(240,108,472)	-
TOTAL	<u><u>\$(240,108,470)</u></u>	<u><u>\$(240,108,470)</u></u>	<u><u>\$(240,108,470)</u></u>	<u><u>\$(240,108,470)</u></u>	<u><u>\$(240,108,472)</u></u>	<u><u>\$ -</u></u>

Pension expense and deferred outflows and deferred inflows. For the measurement period ended June 30, 2014 (the measurement date), the City incurred a pension expense/(income) as follows:

	<u>Risk pool total</u>	<u>City share Expense (Income)</u>	<u>% of total pool</u>
Miscellaneous first tier plan	\$ 239,824,465	\$ 51,697	0.02156%
Miscellaneous second tier plan	239,824,465	145,491	0.06067%
PEPRA miscellaneous plan	239,824,465	(431)	-0.00018%
Safety plan	351,644,102	431,271	0.12264%

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

Note that no adjustments have been made for contributions subsequent to the measurement date. Adequate treatment of any contributions made after the measurement date is the responsibility of the employer.

As of June 30, 2014, the City reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Miscellaneous Tier 1</u>		<u>Miscellaneous Tier 2</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(374,537)	-	(520,140)
Adjustment due to differences in proportions	<u>61,918</u>	<u>-</u>	<u>15,885</u>	<u>-</u>
TOTAL	<u>\$ 61,918</u>	<u>\$ (374,537)</u>	<u>\$ 15,885</u>	<u>\$ (520,140)</u>

	<u>PEPRA Miscellaneous</u>		<u>Safety Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(17)	-	(1,486,842)
Adjustment due to differences in proportions	<u>437</u>	<u>-</u>	<u>153,615</u>	<u>-</u>
TOTAL	<u>\$ 437</u>	<u>\$ (17)</u>	<u>\$ 153,615</u>	<u>\$(1,486,842)</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

Measurement period ended June 30:	Deferred outflows/(inflows) of resources			
	Miscellaneous Plans			Safety Plan
	Tier 1	Tier 2	PEPRA	
2015	\$ (71,521)	\$ (124,362)	\$ 152	\$ (316,849)
2016	(71,521)	(124,362)	152	(316,849)
2017	(75,942)	(125,496)	121	(327,820)
2018	(93,635)	(130,035)	(5)	(371,709)
2019	-	-	-	-
Thereafter	-	-	-	-

Covered employees. The total number of participants for the 2013-14 measurement period was 122,789. This includes active, inactive, and retired employees.

Changes in the net pension liability. The following table is intended for informational purposes only and is not a required GASB 68 disclosure for employers participating in cost-sharing plans. The table shows the changes in net pension liability recognized over the measurement period for the Miscellaneous Risk Pool.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/ (Asset)
MISCELLANEOUS PLANS:			
Balance at June 30, 2013, valuation date	\$ 12,374,543,647	\$ 9,097,875,216	\$ 3,276,668,431
Changes recognized for the measurement period:			
Service cost	338,829,351	-	338,829,351
Interest on the total pension liability	921,162,366	-	921,162,366
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions from the employers	-	316,207,965	(316,207,965)
Contributions from the employees	-	159,834,203	(159,834,203)
Net investment income	-	1,589,130,702	(1,589,130,702)
Benefit payments, including refunds of employee contributions	(523,586,912)	(523,586,912)	-
Net change for the year	736,404,805	1,541,585,958	(805,181,153)
Balance at June 30, 2014, measurement date	\$ 13,110,948,452	\$ 10,639,461,174	\$ 2,471,487,278

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/ (Asset)
SAFETY PLAN:			
Balance at June 30, 2013, valuation date	\$ 16,899,165,531	\$ 12,114,843,971	\$ 4,784,321,560
Changes recognized for the measurement period:			
Service cost	369,638,880	-	369,638,880
Interest on the total pension liability	1,251,259,652	-	1,251,259,652
Changes in Benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions from the employers	-	424,554,942	(424,554,942)
Contributions from the employees	-	131,938,305	(131,938,305)
Net investment income	-	2,097,750,007	(2,097,750,007)
Benefit payments, including refunds of employee contributions	(801,045,884)	(801,045,884)	-
Net change for the year	819,852,648	1,853,197,370	(1,033,344,722)
Balance at June 30, 2014, measurement date	\$ 17,719,018,179	\$ 13,968,041,341	\$ 3,750,976,838

A comparison of the City data to the aggregate data follows:

	Aggregate data	Miscellaneous First Tier	Miscellaneous Second Tier
	Measurement Date	District data	District data
	June 30, 2014	Measurement Date	Measurement Date
		Percent of District to Aggregate data	Percent of District to Aggregate data
MISCELLANEOUS RISK POOL:			
Total pension liability	\$ 13,110,948,452	\$ 6,566,339	0.05008%
Fiduciary net position	10,639,461,174	5,452,680	0.05125%
Net pension liability	\$ 2,471,487,278	\$ 1,113,659	0.04506%
Additional side fund payments	\$ 29,291,579	\$ -	\$ -
Fiduciary net position, net of additional side fund payments	\$ 10,610,169,595	\$ 5,452,680	\$ 7,572,435
Covered - employee payroll		\$ 82,418	\$ 1,377,646
Percentage of net pension liability of covered - employee payroll		1351.23%	116.91%

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

	<u>Marysville Safety</u>		
	<u>Aggregate data</u>	<u>District data</u>	<u>Percent of</u>
	<u>Measurement</u>	<u>Measurement</u>	
	<u>Date</u>	<u>Date</u>	<u>District to</u>
	<u>June 30, 2014</u>	<u>June 30, 2014</u>	<u>Aggregate</u>
			<u>data</u>
<u>SAFETY RISK POOL:</u>			
Total pension liability	\$ 17,719,018,179	\$ 28,306,193	<u>0.21590%</u>
Fiduciary net position	13,968,041,341	21,577,481	<u>0.20281%</u>
Net pension liability	<u>\$ 3,750,976,838</u>	<u>\$ 6,728,712</u>	<u>0.27225%</u>
Additional side fund payments	<u>\$ 29,291,257</u>	<u>\$ -</u>	
Fiduciary net position, net of additional side fund payments	<u>\$ 13,938,750,084</u>	<u>\$ 21,577,481</u>	
Covered - employee payroll		<u>\$ 861,323</u>	
Percentage of net pension liability of covered - employee payroll		<u>781.21%</u>	

Data for the PEPRM Miscellaneous plan is not presented since the amounts are not significant.

The plan's proportionate share of the risk pool collective net pension liability over the measurement period follows:

	<u>Plan total</u>	<u>Plan fiduci-</u>	<u>Plan net</u>	<u>Net posi-</u>	<u>Net pension</u>
	<u>pension</u>	<u>ary net</u>	<u>pension</u>	<u>tion as a %</u>	<u>liability as a</u>
	<u>liability</u>	<u>position</u>	<u>liability/</u>	<u>of pension</u>	<u>percentage</u>
			<u>(asset)</u>	<u>liability</u>	<u>of payroll</u>
<u>MISCELLANEOUS FIRST TIER:</u>					
Valuation date:					
Balance at June 30, 2013	\$ 6,197,526	\$ 4,675,496	\$ 1,522,030	24.56%	1846.72%
Measurement date:					
Balance at June 30, 2014	<u>6,566,339</u>	<u>5,452,680</u>	<u>1,113,659</u>	16.96%	1351.23%
Net changes during 2013-14	<u>\$ 368,813</u>	<u>\$ 777,184</u>	<u>\$ (408,371)</u>		
Percentages to total pool					
At the valuation date	<u>0.05008%</u>	<u>0.05139%</u>	-		
At the measurement date	<u>-</u>	<u>-</u>	<u>0.04506%</u>		
Covered employee payroll			<u>\$ 82,418</u>		

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

	Plan total pension liability	Plan fiduci- ary net position	Plan net pension liability/ (asset)	Net posi- tion as a % of pension liability	Net pension liability as a percentage of payroll
<u>MISCELLANEOUS SECOND TIER:</u>					
Valuation date:					
Balance at June 30, 2013	\$ 8,667,214	\$ 6,493,117	\$ 2,174,097	25.08%	157.81%
Measurement date:					
Balance at June 30, 2014	9,182,997	7,572,435	1,610,562	17.54%	116.91%
Net changes during 2013-14	\$ 515,783	\$ 1,079,318	\$ (563,535)		
Percentages to total pool					
At the valuation date	0.07004%	0.07137%	-		
At the measurement date	-	-	0.06517%		
Covered employee payroll			\$ 1,377,646		
<u>PEPRA MISCELLANEOUS</u>					
Valuation date:					
Balance at June 30, 2013	\$ 280	\$ 211	\$ 69	24.64%	0.25%
Measurement date:					
Balance at June 30, 2014	297	246	51	17.17%	0.19%
Net changes during 2013-14	\$ 17	\$ 35	\$ (18)		
Percentages to total pool					
At the valuation date	0.00000%	0.00000%	-		
At the measurement date	-	-	0.00000%		
Covered employee payroll			\$ 27,322		
<u>SAFETY PLAN</u>					
Valuation date:					
Balance at June 30, 2013	\$ 26,996,476	\$ 18,754,924	\$ 8,241,552	30.53%	956.85%
Measurement date:					
Balance at June 30, 2014	28,306,193	21,577,481	6,728,712	23.77%	781.21%
Net changes during 2013-14	\$ 1,309,717	\$ 2,822,557	\$ (1,512,840)		
Percentages to total pool					
At the valuation date	0.15975%	0.15481%	-		
At the measurement date	-	-	0.17939%		
Covered employee payroll			\$ 861,323		

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE I— DEFINED BENEFIT PENSION PLAN

Plan contributions. The latest available CalPERS data for contributions by the City follows:

	Year ended June 30, 2014			
	Miscellaneous Plans			Safety Plan
	Tier 1	Tier 2	PEPRA	
Actuarially determined contribution	\$ 10,208	\$ 174,097	\$ 1,196	\$ 313,745
Contributions in relation to the actuarially determined contribution	(10,208)	(174,097)	(1,196)	(313,745)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 82,418	\$ 1,377,646	\$ 27,322	\$ 861,323
Contributions as a percentage of covered-employee payroll	12.39%	12.64%	4.38%	36.43%

NOTE J – 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 the fiscal year ended June 30, 2015, the City contributed \$-0- to the plan of the projected \$53,031 liability. The City paid a total of \$12,360 to the medical insurance provider during the year.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE J – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 3,866
Interest on net OPEB obligation	174
Payments made	<u>(12,360)</u>
Decrease in net OPEB obligation	(8,320)
Net OPEB obligation, July 1	<u>61,351</u>
Net OPEB obligation, June 30	<u>\$ 53,031</u>

The ARC was determined as part of the June 30, 2015 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, 2015, the City paid the required medical insurance premiums as billed.

The City's annual OPEB cost paid, the percentage of annual OPEB cost contributed and the unpaid computed OPEB costs for the fiscal year ended June 30, 2015 were as follows:

<u>Year ended June 30,</u>	<u>OPEB cost paid</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Unpaid OPEB costs</u>
2013	\$ 10,536	100.00%	-
2014	1,637	100.00%	-
2015	3,866	100.00%	-

Funded Status and Funding Process

The funded status of the liability as of June 30, 2015, was as follows:

Accrued liability (AL)	\$ 98,596
Value of plan assets contributed	<u>-</u>
Unfunded accrued liability (UAL)	<u>\$ 98,596</u>
Funded ratio (value of plan assets/AL)	<u>0.00%</u>
Covered payroll (active plan members)	<u>\$ -</u>
UAL as a percentage of covered payroll	<u>n/a</u>

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE J – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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

Actuarial Methods and Assumptions

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

In the June 30, 2015, the alternative measurement method was used. The assumptions included a 4.00% investment rate of return (net of administrative expenses), discount rate of 4.50% and average salary increases of 3.30%. The Entry Age Normal (EAN) cost method spreads plan costs for each participant from entry date to the expected retirement date. The unfunded actuarial accrued liability will be amortized using the flat dollar amount method over eleven years.

NOTE K — RISK MANAGEMENT

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

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

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE K — RISK MANAGEMENT (Continued)

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

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

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

NOTE L - CONTINGENT LIABILITIES

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

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

NOTE M - COMMITMENTS

The City's Sewer Enterprise Fund has entered into a contract for the improvements to the sewer system in the amount of \$5,230,975. As of June 30, 2015, a total of \$690,581 has been incurred.

NOTE N – SUBSEQUENT EVENTS

There were no significant subsequent events as of the review by management at October 26, 2015.

CITY OF MARYSVILLE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE M – PRIOR PERIOD ADJUSTMENT

For the fiscal year ended June 30, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No.27*, that provides guidance for accounting and reporting by state and local governments for pensions. As a result the net pension liabilities and associated deferred outflows/(inflows) of resources were understated as of June 30, 2014, as follows:

	Governmental Activities		Business-type Activities	Total
	General Fund	Nonmajor Governmental Funds	Wastewater Proprietary Fund	
Net pension liability	<u>\$ 11,367,431</u>	<u>\$ 143,023</u>	<u>\$ 427,293</u>	<u>\$ 11,937,747</u>
Deferred outflows of resources	<u>\$ 22,778</u>	<u>\$ 2,778</u>	<u>\$ 8,299</u>	<u>\$ 33,855</u>
Deferred inflows of resources	<u>\$ (2,267,760)</u>	<u>\$ (28,532)</u>	<u>\$ (85,243)</u>	<u>\$ (2,381,535)</u>



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



CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS AS OF JUNE 30, 2015

	Special Revenue Funds	Debt Service 2011 Taxable Certificates of Participation Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:				
Cash and investments	\$ 962,539	\$ -	\$ 126,914	\$ 1,089,453
Receivables:				
Accounts receivable	9,870	-	2,108	11,978
Interest receivable	398	-	21	419
Loans receivable	1,917,041	-	-	1,917,041
Due from other governments	68,229	-	20,673	88,902
Due from other funds	-	-	-	-
Restricted cash with fiscal agent	-	697,057	-	697,057
	TOTAL ASSETS	697,057	149,716	3,804,850
DEFERRED OUTFLOWS OF RESOURCES				
Pension payments	12,589	-	-	12,589
	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 697,057	\$ 149,716	\$ 3,817,439
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 5,245	\$ -	\$ 2,452	\$ 7,697
Accrued payroll liabilities	4,720	-	-	4,720
Due to other governments	11,403	-	-	11,403
Due to other funds	11,627	-	5,447	17,074
Net pension liability	113,254	-	-	113,254
	TOTAL LIABILITIES	-	7,899	154,148
DEFERRED INFLOWS OF RESOURCES:				
Pension receipts	32,547	-	-	32,547
Grant revenues to be earned	-	-	8,575	8,575
	TOTAL DEFERRED INFLOWS	-	8,575	41,122
FUND BALANCES:				
Non-spendable:				
Notes receivable	1,917,041	-	-	1,917,041
Committed:				
Debt service	-	697,057	-	697,057
Subsequent year's expenditures	527,391	-	-	527,391
Restricted:				
Road improvements and repairs	317,080	-	97,536	414,616
Parks and recreation	-	-	6,862	6,862
Public buildings	-	-	28,844	28,844
Unassigned	30,358	-	-	30,358
	TOTAL FUND BALANCES	697,057	133,242	3,622,169
	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 697,057	\$ 149,716	\$ 3,817,439

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, 2015

	Special Revenue Funds	Debt Service 2011 Taxable Certificates of Participation Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES:				
Intergovernmental revenue	\$ 579,606	\$ -	\$ 149,970	\$ 729,576
Charges for services	133,331	-	-	133,331
Use of money and property	25,067	497	80	25,644
Program income	11,074	-	-	11,074
Recreation and event fees	15,301	-	-	15,301
Donations	500	-	-	500
TOTAL REVENUES	<u>764,879</u>	<u>497</u>	<u>150,050</u>	<u>915,426</u>
EXPENDITURES:				
Current:				
General government	365,839	-	-	365,839
Public safety	58,505	-	-	58,505
Streets and public works	25,260	-	91,439	116,699
Parks and recreation	15,763	-	-	15,763
Debt service:				
Interest and other charges	-	486,540	-	486,540
Capital outlay	37,719	-	-	37,719
TOTAL EXPENDITURES	<u>503,086</u>	<u>486,540</u>	<u>91,439</u>	<u>1,081,065</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>261,793</u>	<u>(486,043)</u>	<u>58,611</u>	<u>(165,639)</u>
OTHER FINANCING SOURCES (USES):				
Loans deemed uncollectible	(92,370)	-	-	(92,370)
Transfers in	286,457	388,164	64,981	739,602
Transfers out	(354,660)	-	(65,781)	(420,441)
TOTAL OTHER FINANCING	<u>(160,573)</u>	<u>388,164</u>	<u>(800)</u>	<u>226,791</u>
NET CHANGE IN FUND BALANCE	<u>101,220</u>	<u>(97,879)</u>	<u>57,811</u>	<u>61,152</u>
FUND BALANCE, JULY 1:				
As originally stated	2,833,673	794,936	75,431	3,704,040
Prior period adjustment	(143,023)	-	-	(143,023)
As restated	<u>2,690,650</u>	<u>794,936</u>	<u>75,431</u>	<u>3,561,017</u>
FUND BALANCE, JUNE 30	<u>\$ 2,791,870</u>	<u>\$ 697,057</u>	<u>\$ 133,242</u>	<u>\$ 3,622,169</u>

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS AS OF JUNE 30, 2015

	Revolving Loan Funds				
	Bok Kai Event Fund	Community Development Block Grant Fund	Housing Revolving Loan Fund	Economic Development Loan Fund	HOME Program Income Fund
ASSETS					
Cash and investments	\$ 11,053	\$ -	\$226,049	\$100,647	\$ -
Receivables:					
Accounts receivable	-	1,291	-	799	-
Interest receivable	5	-	82	41	-
Notes receivable	-	1,126,883	218,320	80,167	491,671
Due from other governments	-	-	-	-	-
TOTAL ASSETS	11,058	1,128,174	444,451	181,654	491,671
DEFERRED OUTFLOWS OF RESOURCES					
Pension payments	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 11,058	\$ 1,128,174	\$444,451	\$181,654	\$ 491,671
LIABILITIES:					
Accounts payable	\$ 374	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-	-
Compensated absences	-	-	-	-	-
Due to other funds	-	-	-	-	-
Net pension liability	-	-	-	-	-
TOTAL LIABILITIES	374	-	-	-	-
DEFERRED INFLOWS OF RESOURCES					
Pension receipts	-	-	-	-	-
FUND BALANCE:					
Non-spendable:					
Notes receivable	-	1,126,883	218,320	80,167	491,671
Committed:					
Subsequent year's expenditures	-	1,291	226,131	101,487	-
Restricted:					
Road improvements and repairs	-	-	-	-	-
Unassigned	10,684	-	-	-	-
TOTAL FUND BALANCE (DEFICIT)	10,684	1,128,174	444,451	181,654	491,671
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 11,058	\$ 1,128,174	\$444,451	\$181,654	\$ 491,671

<u>Law Enforcement Grants</u>							
<u>Avoid The 9 Fund</u>	<u>Office of Traffic Safety Traffic Grant</u>	<u>Business Develop- ment Cen- ter Fund</u>	<u>Gas Tax Fund</u>	<u>Narcotics Enforce- ment Fund</u>	<u>Asset Seizure Fund</u>	<u>LAFCO Fund</u>	<u>TOTALS</u>
\$ -	\$ -	\$ -	\$ 479,558	\$ 3,292	\$ 446	\$ 141,494	\$ 962,539
-	-	-	5,780	-	-	2,000	9,870
-	-	-	207	1	-	62	398
-	-	-	-	-	-	-	1,917,041
<u>6,136</u>	<u>6,862</u>	<u>22,073</u>	<u>33,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,229</u>
6,136	6,862	22,073	518,703	3,293	446	143,556	2,958,077
-	-	-	9,993	-	-	2,596	12,589
<u>\$ 6,136</u>	<u>\$ 6,862</u>	<u>\$ 22,073</u>	<u>\$ 528,696</u>	<u>\$ 3,293</u>	<u>\$ 446</u>	<u>\$ 146,152</u>	<u>\$2,970,666</u>
\$ 1,463	\$ 1,407	\$ -	\$ -	\$ -	\$ -	\$ 2,001	\$ 5,245
-	-	4,720	-	-	-	-	4,720
-	-	-	11,403	-	-	-	11,403
6,134	5,493	-	-	-	-	-	11,627
-	-	-	89,901	-	-	23,353	113,254
<u>7,597</u>	<u>6,900</u>	<u>4,720</u>	<u>101,304</u>	<u>-</u>	<u>-</u>	<u>25,354</u>	<u>146,249</u>
-	-	-	25,836	-	-	6,711	32,547
-	-	-	-	-	-	-	1,917,041
-	-	-	84,476	-	-	114,006	527,391
-	-	-	317,080	-	-	-	317,080
<u>(1,461)</u>	<u>(38)</u>	<u>17,353</u>	<u>-</u>	<u>3,293</u>	<u>446</u>	<u>81</u>	<u>30,358</u>
<u>(1,461)</u>	<u>(38)</u>	<u>17,353</u>	<u>401,556</u>	<u>3,293</u>	<u>446</u>	<u>114,087</u>	<u>2,791,870</u>
✓	✓		✓	✓	✓	✓	
<u>\$ 6,136</u>	<u>\$ 6,862</u>	<u>\$ 22,073</u>	<u>\$ 528,696</u>	<u>\$ 3,293</u>	<u>\$ 446</u>	<u>\$ 146,152</u>	<u>\$2,970,666</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, 2015

	Revolving Loan Funds				
	Bok Kai Event Fund	Community Development Block Grant Fund	Housing Revolving Loan Fund	Economic Development Loan Fund	HOME Program Income Fund
REVENUES:					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Use of money and property	17	15,620	864	232	7,234
Program income	-	4,806	3,004	3,264	-
Recreation and event fees	15,301	-	-	-	-
Donations	-	-	-	-	-
	<u>15,318</u>	<u>20,426</u>	<u>3,868</u>	<u>3,496</u>	<u>7,234</u>
EXPENDITURES:					
Current:					
General government	-	58,605	5,505	-	-
Public safety	-	-	-	-	-
Streets and public works	-	-	6,242	-	-
Parks and recreation	15,763	-	-	-	-
Capital outlay	-	-	-	-	-
	<u>15,763</u>	<u>58,605</u>	<u>11,747</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(445)</u>	<u>(38,179)</u>	<u>(7,879)</u>	<u>3,496</u>	<u>7,234</u>
OTHER FINANCING SOURCES (USES):					
Loans deemed uncollectible	-	-	-	-	(92,370)
Transfers in	-	-	29,988	-	-
Transfers out	-	(29,988)	-	-	-
TOTAL OTHER FINANCING	<u>-</u>	<u>(29,988)</u>	<u>29,988</u>	<u>-</u>	<u>(92,370)</u>
NET CHANGE IN FUND BALANCE	<u>(445)</u>	<u>(68,167)</u>	<u>22,109</u>	<u>3,496</u>	<u>(85,136)</u>
FUND BALANCE (DEFICIT), JULY 1					
As originally stated	11,129	1,196,341	422,342	178,158	576,807
Prior period adjustment	-	-	-	-	-
As restated	<u>11,129</u>	<u>1,196,341</u>	<u>422,342</u>	<u>178,158</u>	<u>576,807</u>
FUND BALANCE (DEFICIT), JUNE 30	<u>\$ 10,684</u>	<u>\$ 1,128,174</u>	<u>\$ 444,451</u>	<u>\$ 181,654</u>	<u>\$ 491,671</u>

Law Enforcement Grants							
Avoid The 9 Fund	Office of Traffic Safety Traffic Grant	Business Develop- ment Cen- ter Fund	Gas Tax Fund	Narcotics Enforce- ment Fund	Asset Seizure Fund	LAFCO Fund	TOTALS
\$ 52,631	\$ 37,424	\$ 95,172	\$ 380,180	\$ 7,182	\$ 7,017	\$ -	\$ 579,606
-	-	-	-	-	-	133,331	133,331
-	-	-	774	7	4	315	25,067
-	-	-	-	-	-	-	11,074
-	-	-	-	-	-	-	15,301
-	-	500	-	-	-	-	500
<u>52,631</u>	<u>37,424</u>	<u>95,672</u>	<u>380,954</u>	<u>7,189</u>	<u>7,021</u>	<u>133,646</u>	<u>764,879</u>
-	-	164,382	-	-	-	137,347	365,839
38,966	19,539	-	-	-	-	-	58,505
-	-	-	11,990	3,184	3,844	-	25,260
-	-	-	-	-	-	-	15,763
<u>15,596</u>	<u>17,923</u>	<u>-</u>	<u>-</u>	<u>4,200</u>	<u>-</u>	<u>-</u>	<u>37,719</u>
<u>54,562</u>	<u>37,462</u>	<u>164,382</u>	<u>11,990</u>	<u>7,384</u>	<u>3,844</u>	<u>137,347</u>	<u>503,086</u>
<u>(1,931)</u>	<u>(38)</u>	<u>(68,710)</u>	<u>368,964</u>	<u>(195)</u>	<u>3,177</u>	<u>(3,701)</u>	<u>261,793</u>
-	-	-	-	-	-	-	(92,370)
-	-	79,190	30,000	-	-	147,279	286,457
-	-	-	(317,469)	-	(7,203)	-	(354,660)
-	-	79,190	(287,469)	-	(7,203)	147,279	(160,573)
<u>(1,931)</u>	<u>(38)</u>	<u>10,480</u>	<u>81,495</u>	<u>(195)</u>	<u>(4,026)</u>	<u>143,578</u>	<u>101,220</u>
470	-	6,873	433,593	3,488	4,472	-	2,833,673
-	-	-	(113,532)	-	-	(29,491)	(143,023)
<u>470</u>	<u>-</u>	<u>6,873</u>	<u>320,061</u>	<u>3,488</u>	<u>4,472</u>	<u>(29,491)</u>	<u>2,690,650</u>
<u>\$ (1,461)</u>	<u>\$ (38)</u>	<u>\$ 17,353</u>	<u>\$ 401,556</u>	<u>\$ 3,293</u>	<u>\$ 446</u>	<u>\$ 114,087</u>	<u>\$2,791,870</u>

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS AS OF JUNE 30, 2015

	Capital Projects Fund	Parks and Recreation Fund	Public Buildings Fund	Transport- ation and Transit Fund	TOTALS
ASSETS					
Cash and investments	\$ -	\$ 6,862	\$ 22,537	\$ 97,515	\$ 126,914
Receivables:					
Accounts receivable	2,108	-	-	-	2,108
Interest receivable	-	-	-	21	21
Due from other governments	20,673	-	-	-	20,673
TOTAL ASSETS	\$ 22,781	\$ 6,862	\$ 22,537	\$ 97,536	\$ 149,716
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ 2,452	\$ -	\$ -	\$ -	\$ 2,452
Due to other funds	5,447	-	-	-	5,447
TOTAL LIABILITIES	7,899	-	-	-	7,899
 DEFERRED INFLOWS OF RESOURCES:					
Deposits received	8,575	-	-	-	8,575
TOTAL DEFERRED INFLOWS	8,575	-	-	-	8,575
 FUND BALANCE:					
Restricted for:					
Road improvements and repairs	-	-	-	97,536	97,536
Parks and recreation	-	6,862	-	-	6,862
Public buildings	6,307	-	22,537	-	28,844
TOTAL FUND BALANCE	6,307	6,862	22,537	97,536	133,242
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$ 22,781	\$ 6,862	\$ 22,537	\$ 97,536	\$ 149,716

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, 2015

	Capital Projects Fund	Parks and Recreation Fund	Public Buildings Fund	Transport- ation and Transit Fund	TOTALS
REVENUES:					
Intergovernmental revenues	\$ 82,101	\$ -	\$ -	\$ 67,869	\$ 149,970
Use of money and property	-	14	9	57	80
TOTAL REVENUES	82,101	14	9	67,926	150,050
EXPENDITURES:					
Current:					
Streets and public works	91,439	-	-	-	91,439
TOTAL EXPENDITURES	91,439	-	-	-	91,439
EXCESS (DEFICIENCY) OF REV- ENUES OVER EXPENDITURES	(9,338)	14	9	67,926	58,611
OTHER FINANCING SOURCES (USES):					
Transfers in	64,981	-	-	-	64,981
Transfers out	(36,900)	(28,881)	-	-	(65,781)
TOTAL OTHER FINANCING	28,081	(28,881)	-	-	(800)
NET CHANGE IN FUND BALANCE	18,743	(28,867)	9	67,926	57,811
FUND BALANCE (DEFICIT), JULY 1	(12,436)	35,729	22,528	29,610	75,431
FUND BALANCE, JUNE 30	\$ 6,307	\$ 6,862	\$ 22,537	\$ 97,536	\$ 133,242



CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - AGENCY FUNDS AS OF JUNE 30, 2015

	Levee Commission Fund	Mary Aaron Museum Fund	TOTALS
ASSETS:			
Cash and investments	\$ 251,472	\$ 7,147	\$ 258,619
Receivables:			
Interest receivable	85	3	88
Prepaid costs	7,839	-	7,839
Due from other governments	13,994	-	13,994
TOTAL ASSETS	\$ 273,390	\$ 7,150	\$ 280,540
 LIABILITIES:			
Accounts payable	\$ 28,101	\$ 6,316	\$ 34,417
Accrued payroll liabilities	5,258	-	5,258
Due to other agencies	240,031 ✓	834 ✓	240,865
TOTAL LIABILITIES	\$ 273,390	\$ 7,150	\$ 280,540

CITY OF MARYSVILLE, CALIFORNIA

COMBINING BALANCE SHEET - AGENCY FUNDS AS OF JUNE 30, 2015

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
<u>LEVEE COMMISSION FUND:</u>				
ASSETS:				
Cash and investments	\$ 252,931	\$ 258,364	\$ (259,823)	\$ 251,472
Receivables:				
Interest receivable	-	85	-	85
Prepaid costs	5,686	7,839	(5,686)	7,839
Due from other governments	18,924	13,994	(18,924)	13,994
TOTAL ASSETS	\$ 277,541	\$ 280,282	\$ (284,433)	\$ 273,390
LIABILITIES:				
Accounts payable	\$ 35,994	\$ 288,389	\$ (296,282)	\$ 28,101
Accrued payroll liabilities	5,549	80,415	(80,706)	5,258
Due to other agencies	235,998	667,070	(663,037)	240,031
	\$ 277,541	\$ 1,035,874	\$ (1,040,025)	\$ 273,390
<u>MARY AARON MUSEUM FUND:</u>				
ASSETS:				
Cash and investments	\$ 10,656	\$ 6,554	\$ (10,063)	\$ 7,147
Interest receivable	-	12	(9)	3
TOTAL ASSETS	\$ 10,656	\$ 6,566	\$ (10,072)	\$ 7,150
LIABILITIES:				
Accounts payable	\$ 353	\$ 20,155	\$ (14,192)	\$ 6,316
Due to other agencies	10,303	10,812	(20,281)	834
	\$ 10,656	\$ 30,967	\$ (34,473)	\$ 7,150
<u>TOTAL AGENCY FUNDS</u>				
ASSETS:				
Cash and investments	\$ 263,587	\$ 264,918	\$ (269,886)	\$ 258,619
Receivables:				
Interest receivable	-	97	(9)	88
Prepaid costs	5,686	7,839	(5,686)	7,839
Due from other governments	18,924	13,994	(18,924)	13,994
TOTAL ASSETS	\$ 288,197	\$ 286,848	\$ (294,505)	\$ 280,540
LIABILITIES:				
Accounts payable	\$ 36,347	\$ 308,544	\$ (310,474)	\$ 34,417
Accrued payroll liabilities	5,549	80,415	(80,706)	5,258
Due to other agencies	246,301	677,882	(683,318)	240,865
	\$ 288,197	\$ 1,066,841	\$ (1,074,498)	\$ 280,540

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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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marysville, California as of and for the fiscal year ended June 30, 2015, which collectively comprise the City of Marysville, California's basic financial statements and have issued our report thereon dated October 25, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and other matters

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

Purpose of this Report

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



October 25, 2015

BOLER & ASSOCIATES

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City Council
City of Marysville, California
Marysville, California

Report on Compliance for Each Major Federal Program

We have audited the City of Marysville, California's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Marysville, California's major federal programs for the year ended June 30, 2015. The City of Marysville, California's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Marysville, California's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Marysville, California's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Marysville, California, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



October 25, 2015

CITY OF MARYSVILLE, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantors' Number</u>	<u>Disburse- ments or Expenditures</u>
<u>DIRECT PROGRAMS:</u>			
Federal Emergency Management Agency			
Assistance to Firefighters Grant Program	* 97.083	EMV-2013-FH-00055	\$ 338,264
Firefighters Grant	* 97.044	EMV-2013-FV-01204	285,000
<u>INDIRECT PROGRAMS:</u>			
U.S. Department of Transportation			
<i>Passed through the State</i>			
Department of Transportation			
National Highway Traffic Safety Administration	20.608	AL1540	38,336
		AL1412	554
		AL1424	303
		PT15111	32,727
TOTAL FEDERAL AWARDS			\$ 695,184

*Major program

NOTES TO THE SCHEDULE OF EXPENDITURES FEDERAL AWARDS

NOTE 1 – GENERAL

The 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, 2015. The City of Marysville, California reporting entity is defined in Note A 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

STATUS OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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
97.083	Staffing for Adequate Fire and Reponse Grant (SAFER)
97.044	Assistance Firefighters Grant

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

\$300,000

Auditee qualified as low-risk auditee? Yes No