

# **CITY OF MARYSVILLE, CALIFORNIA**

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

FOR THE FISCAL YEAR  
ENDED JUNE 30, 2017



# CITY OF MARYSVILLE, CALIFORNIA

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# CITY OF MARYSVILLE, CALIFORNIA

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# CITY OF MARYSVILLE, CALIFORNIA

CITY OFFICIALS  
AS OF JUNE 30, 2017

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## CITY COUNCIL

- *Ricky Samayoa* ..... Mayor
- *Chris Pedigo*..... Vice Mayor
- *Bill Simmons*..... Council member
- *Stephanie McKenzie* ..... Council member
- *Dale Whitmore* ..... Council member

## OTHER CITY OFFICIALS

- *Walter Munchheimer* ..... City Manager
- *Brant Bordsen* ..... City Attorney
- *Vacant* ..... Administrative Services  
Director
- *Aaron Easton* ..... Police Chief
- *Vacant*..... City Services Director
- *Billie Fangman* ..... City Clerk

# **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, 2017, 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, 2017, 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 4 through 15 and schedules related to the net pension liability on pages 68 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marysville, California's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2018, 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.



July 22, 2018

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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This section of the City of Marysville's Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City of Marysville exceeded liabilities by \$6.51 million (net position). This is an increase of \$0.49 million from the balance of \$6.46 million reported in the prior fiscal year. The City has an unrestricted deficit of \$7.4 million (due to the issuance of the Sewer Fund Series 2012 Revenue Bonds and the effects of the GASB Statement No. 68 implementation), \$3.1 million is restricted for specific purposes such as loan programs, street projects, and other community development, and \$10.80 million is net investment in capital assets.
- The City's current year's change in net position was an increase of \$750,000.
- The General Fund has a fund surplus of \$2 million as of June 30, 2017.

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

The financial section of this report consists of six parts:

- Independent Auditor's Report;
- Management's Discussion and Analysis (this section);
- Basic Financial Statements that include:
  - Government-Wide Financial Statements;
  - Fund Financial Statements;
  - Notes to Basic Financial Statements
- Required Supplementary Information
- Combining 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 16 and 17) presents information on all of the City's assets and liabilities, with the difference between the two reported as "net position." Over time, increases or decreases in net position may serve as a useful indicator of the City's financial improvement or deterioration.

The Statement of Activities (pages 18 and 19) 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

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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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 30 and 31).

### *FUND FINANCIAL STATEMENTS*

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

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

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

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

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

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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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 20):

- General Fund

Data from the remaining non-major 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 78.

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 16-17) 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 32-68 of this report.

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

This section of the report includes additional detailed information about non-major governmental, proprietary and agency funds and can be found beginning on page 78.

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year ended June 30, 2017 is the thirteenth 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 \$6.51 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, 2017

	Governmental Activities		Business-type Activities		TOTALS	
	2017	2016	2017	2016	2017	2016
<b>ASSETS:</b>						
Current and other assets	\$ 4,839,776	\$ 4,246,515	\$ 4,061,723	\$ 5,915,260	\$ 8,901,499	\$ 10,161,775
Capital assets, net	13,007,719	12,765,965	28,383,635	26,354,880	41,391,354	39,120,845
<b>TOTAL ASSETS</b>	<b>\$17,847,495</b>	<b>\$17,012,480</b>	<b>\$32,445,358</b>	<b>\$32,270,140</b>	<b>\$50,292,853</b>	<b>49,282,620</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	\$ 2,654,765	\$ 1,389,734	\$ 136,424	\$ 671,108	\$ 2,791,189	\$ 2,060,842
<b>LIABILITIES:</b>						
Liabilities due after one year	18,983,652	16,885,322	23,049,876	23,678,934	42,033,528	40,564,256
Other liabilities	1,181,524	988,333	1,390,138	1,168,601	2,571,662	2,156,934
<b>TOTAL LIABILITIES</b>	<b>\$20,165,176</b>	<b>\$17,873,655</b>	<b>\$24,440,014</b>	<b>\$24,847,535</b>	<b>\$44,605,190</b>	<b>\$ 42,721,190</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	\$ 981,952	\$ 1,138,410	\$ 983,071	\$ 1,019,423	\$ 1,965,023	\$ 2,157,833
<b>NET POSITION:</b>						
Investment in capital assets	6,167,719	6,163,591	4,629,750	6,318,079	10,797,469	12,481,670
Restricted	841,315	841,083	2,230,425	4,146,360	3,071,740	4,987,443
Unrestricted	(7,649,993)	(7,614,525)	298,522	(3,390,149)	(7,351,471)	(11,004,674)
<b>TOTAL NET POSITION</b>	<b>\$ (640,959)</b>	<b>\$ (609,851)</b>	<b>\$ 7,158,697</b>	<b>\$ 7,074,290</b>	<b>\$ 6,517,738</b>	<b>\$ 6,464,439</b>

- Total Net Position increased by \$52,300 from 2016 to 2017.
- \$10.80 million (165.76% of total Net Position) investment in capital assets (e.g., land, buildings, other improvements, construction in progress and equipment), less any outstanding related debt used to acquire these assets. The City uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the City's

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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.

- \$3.1 million (47%) in net position are earmarked and represent resources that are subject to external restrictions on how they may be used. The decrease in this figure from 2016 to 2017 can be found in the Restricted Net position in the Governmental Activities.
- The remaining unrestricted deficit is \$7.4 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  
AS OF JUNE 30, 2017

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>TOTALS</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>PROGRAM REVENUES:</b>						
Charges for services	\$ 1,243,880	\$ 1,367,490	\$2,855,878	\$2,765,382	\$ 4,099,758	\$ 4,132,872
Operating grants	524,211	659,555			524,211	659,555
Capital grants	591,522	333,150			591,522	333,150
<b>TOTAL PROGRAM REVENUES</b>	<b>2,359,613</b>	<b>2,360,195</b>	<b>2,855,878</b>	<b>2,765,382</b>	<b>5,215,491</b>	<b>5,125,577</b>
<b>GENERAL REVENUES:</b>						
Property taxes	1,222,313	1,075,652	-	v	1,222,313	#VALUE!
Sales and use taxes	3,232,183	1,881,909	-		3,232,183	1,881,909
Motor vehicle in-lieu	831,628	815,092	-		831,628	815,092
Franchise fees	517,659	483,311	-		517,659	483,311
Transient occupancy tax	121,164	96,749	-		121,164	96,749
Business license tax	137,437	136,776	-		137,437	136,776
Reimbursements	239,402	203,112	-		239,402	203,112
Proceeds from insurance recovery	508,276	8,828	-		508,276	8,828
Miscellaneous sales	549	5,198	-		549	5,198
Debt forgiven by County	-	-	-		-	-
Loss on disposition of asset	-	-	-		-	-
Loan balance written off	-	43,451	-		-	43,451
Program income	-	9,269	-		-	9,269
Unrealized loss	-	-	-		-	-
Other revenues	27,259	30,280	62,320	10,422	89,579	40,702
Investment income	176,405	173,297	29,779	30,448	206,184	203,745
<b>TOTAL GENERAL REVENUES</b>	<b>7,014,275</b>	<b>4,962,924</b>	<b>92,099</b>	<b>40,870</b>	<b>7,106,374</b>	<b>#VALUE!</b>
<b>TOTAL REVENUES:</b>	<b>\$ 9,373,888</b>	<b>\$ 7,323,119</b>	<b>\$ 2,947,977</b>	<b>\$ 2,806,252</b>	<b>\$ 12,321,865</b>	<b>#VALUE!</b>

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Governmental Activities		Business-type Activities		TOTALS	
	2017	2016	2017	2016	2017	2016
<b>EXPENSES:</b>						
Governmental activities:						
General government	\$2,103,215	\$ 762,630			\$ 2,103,215	\$ 762,630
Public safety	5,160,769	4,582,475			5,160,769	4,582,475
Streets and public works	1,025,743	1,087,037			1,025,743	1,087,037
Parks and recreation	331,813	320,451			331,813	320,451
Interest on long-term debt	1,063,084	503,191			1,063,084	503,191
Business-type activities:						
Sewer			1,934,418	1,133,028	1,934,418	1,133,028
Interest on long-term debt			85,718	531,221	85,718	531,221
<b>TOTAL EXPENSES</b>	<b>\$9,684,624</b>	<b>\$7,255,784</b>	<b>\$2,020,136</b>	<b>\$ 1,664,249</b>	<b>\$11,704,760</b>	<b>\$8,920,033</b>
<b>EXCESS OF REVENUES</b>						
<b>OVER EXPENDITURES</b>	(199,076)	(19,567)	927,841	1,142,003	728,765	1,122,436
Capital contributions		255,000				255,000
Transfers in (out)	255,702	508,329	(235,801)	(428,329)	19,901	80,000
	\$ 56,626	\$ 743,762	\$ 692,040	\$ 713,674	\$ 748,666	\$1,457,436
<b>CHANGE IN NET POSITION</b>						
NET POSITION, JULY 1:						
As originally reported	(609,851)	(1,320,454)	7,074,290	6,360,616	6,464,439	5,040,162
Prior period adjustment	(87,734)	(33,159)	(607,633)		(695,367)	(33,159)
As restated	(697,585)	(1,353,613)	6,466,657	6,360,616	5,769,072	5,007,003
<b>NET POSITION, JUNE 30</b>	<b>\$ (640,959)</b>	<b>\$ (609,851)</b>	<b>\$7,158,697</b>	<b>\$7,074,290</b>	<b>\$ 6,517,738</b>	<b>\$6,464,439</b>

Governmental Activities and Business-type Activities increased (decreased) the City's net position by (\$640,959) and \$7,158,697, respectively.

### REVENUES

The Governmental Activities total revenues were \$9.37 million and Business-Type Activity revenues were \$2.95 million for the year ended June 30, 2017. This represented a total increase of \$2.2 million from 2016. This increase in revenues was attributed primarily to an increase in sales and use tax revenue of \$1.4 million.

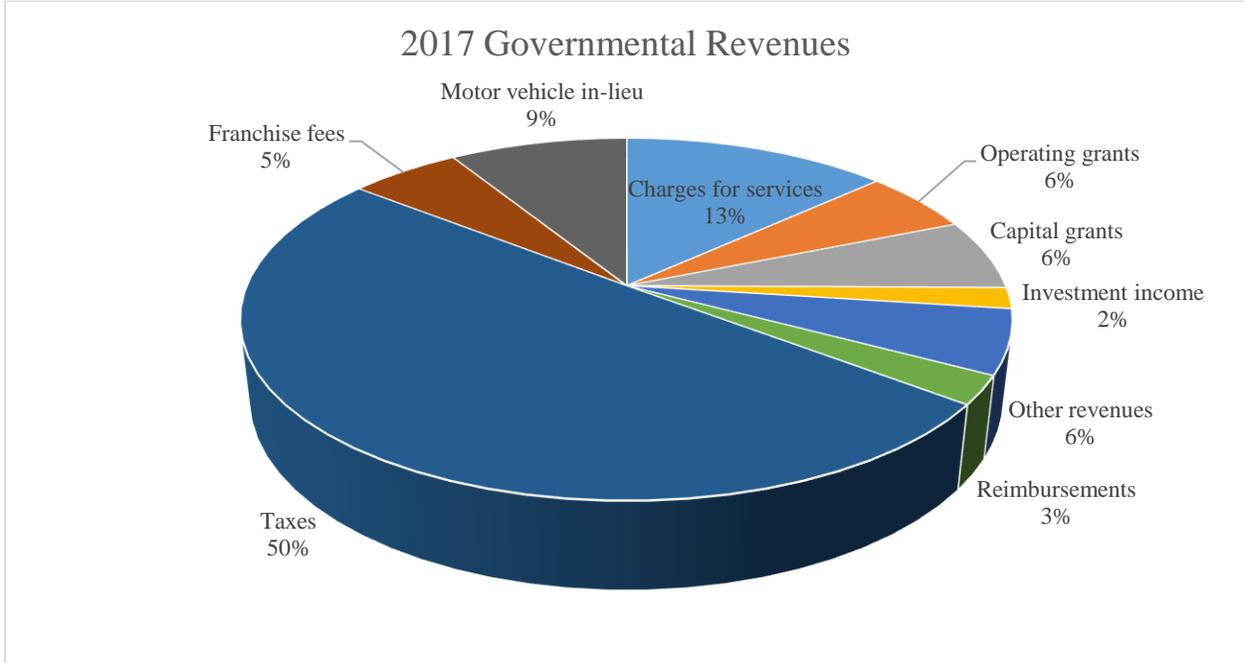
Program revenues include charges for services and grants and contributions. Program revenues provided \$2.36 million (19% of total revenues) for governmental activities and approximately \$2.86 million for business-type activities (23% of total revenues).

General revenues include, among other things, taxes, assessments and intergovernmental revenues. General revenues provided \$7.1 million (58% of total revenues). The majority of general revenues came from property, sales and use taxes.

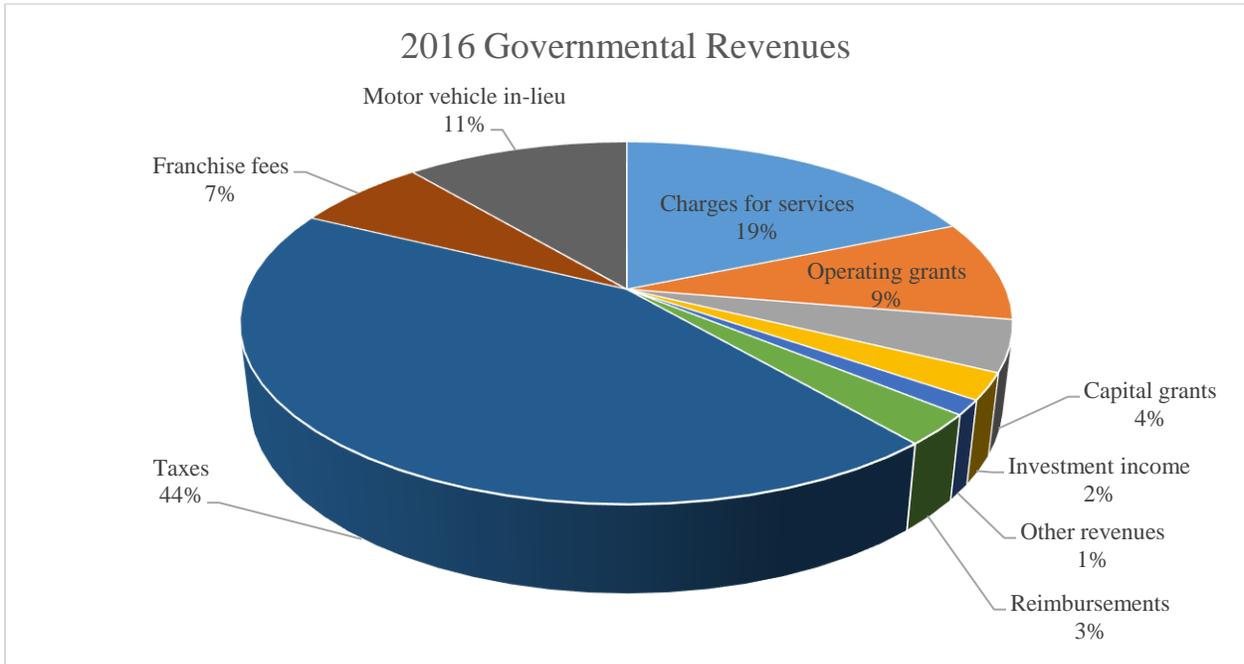
# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The fiscal year ended June 30, 2017 revenues are reflected graphically as follows:



The fiscal year ended June 30, 2016 revenues are reflected graphically as follows:



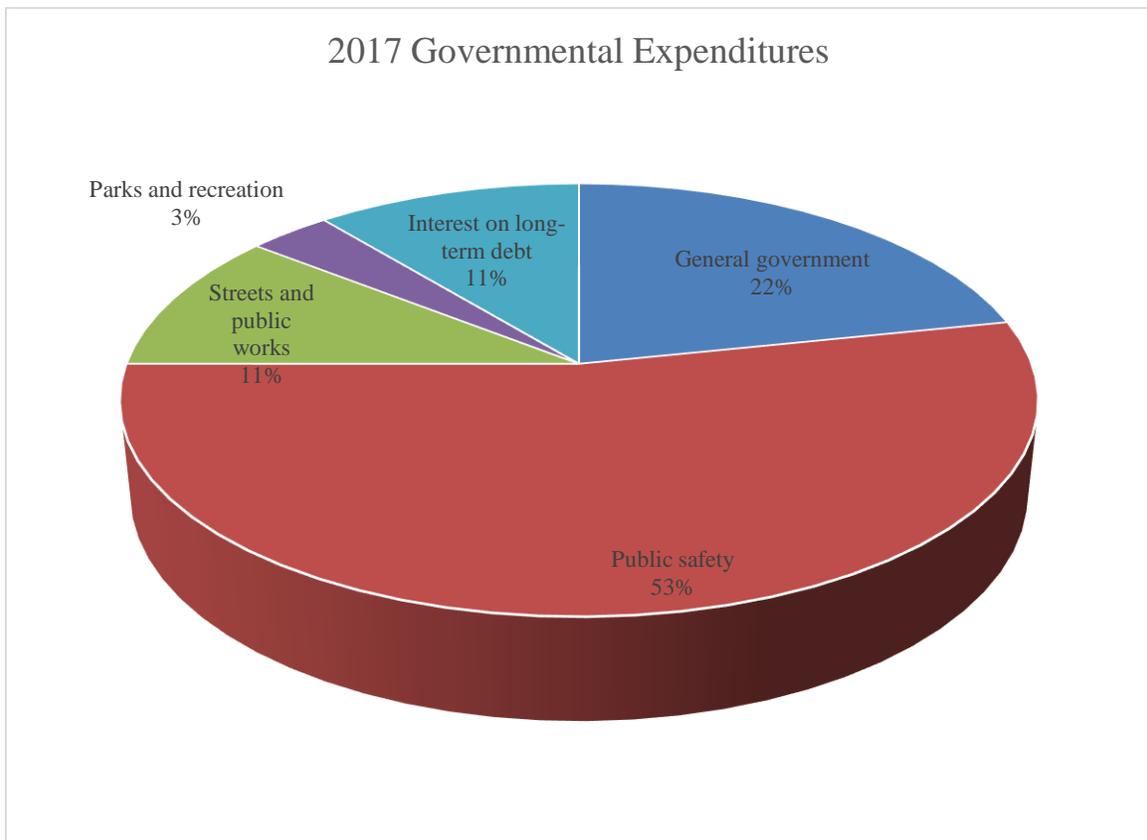
# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### EXPENSES

Expenses for the City totaled \$11.70 million. Governmental activities incurred \$9.68 million in expenses and business-type activities incurred \$2.02 million in expenses during the year. Governmental activities expenses were 25.25% 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 70.74% funded by program revenues, with the exception of interest and investment earnings.

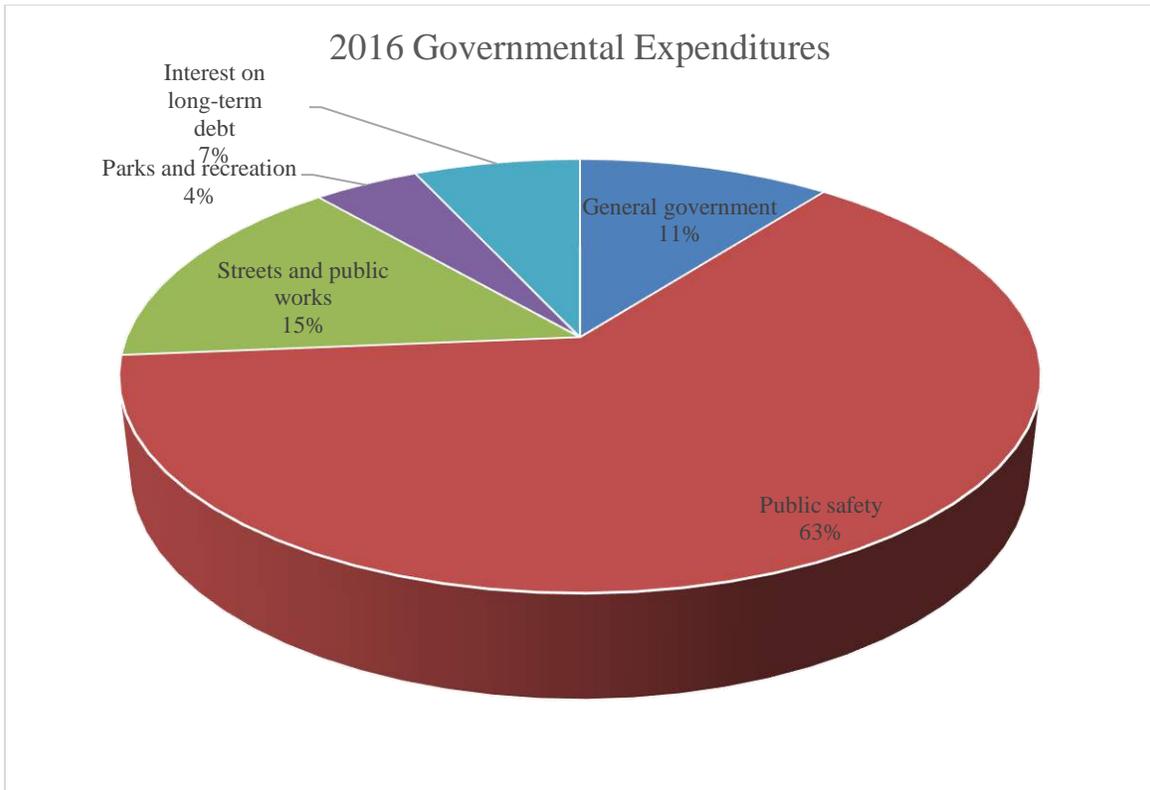
The fiscal year ended June 30, 2017 expenses are reflected graphically as follows:



# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The fiscal year ended June 30, 2016 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 2016-17, the City's governmental funds reported combined fund balance of \$4.33 million. The City has an unassigned fund balance of \$1.55 million. The remainder of the governmental ending fund balance of \$2.78 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.

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### *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.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year General Fund revenue was \$1.2 million higher than the amended budget estimate, which was primarily due to the under projection of the Measure C sales tax revenue that began in October of 2016. Another primary increase was the amount of insurance proceeds that were received for multiple repairs incurred with the high water event in February of 2017.

The General Fund expense budget was \$66,356 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.

### **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, 2017

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Fiduciary Activities</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Capital assets, not being depreciated:</b>						
Construction in progress	\$ -	\$ -	\$ 12,083,822	\$ 9,764,071	\$ -	\$ -
Land	6,057,051	6,057,051	-	-	29,120	78,797
<b>Depreciable capital assets, net:</b>						
Sewer plant	-	-	2,697,660	2,919,240	-	-
Intangible asset	-	-	12,300,000	12,300,000	-	-
Infrastructure	2,772,908	2,566,853	-	-	-	-
Buildings	1,841,361	1,645,765	296,654	315,196	19,465	21,087
Machinery and equipment	918,147	991,160	472,574	515,605	-	-
Vehicles	1,418,252	1,505,136	43,877	55,343	-	-
<b>TOTAL</b>	<b>\$ 13,007,719</b>	<b>\$ 12,765,965</b>	<b>\$ 27,894,587</b>	<b>\$ 25,869,455</b>	<b>\$ 48,585</b>	<b>\$ 99,884</b>

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017, was \$40.9 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 2015-16 of \$2.2 million. The increase principally resulted from the current fiscal year's construction in progress in the Sewer Enterprise Fund of \$2.3 million. Infrastructure acquired prior

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

to FY 2003-04 has not been recorded. The City is not required to record those infrastructure costs expended in those previous fiscal years.

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

### *DEBT ADMINISTRATION*

At the end of FY 2016-17, the City of Marysville had long-term liabilities of \$7.07 million and \$24.21 million for governmental activities and business-type activities, respectively. Also, the fiduciary activities' long-term liabilities were \$325,706. 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, 2017

	Governmental Activities		Business-type Activities		Fiduciary Activities	
	2017	2016	2017	2016	2017	2016
Sewer Revenue Bonds, 2012 Series A	\$ -	\$ -	\$12,260,000	\$12,485,000	\$ -	\$ -
Certificates of participation, 2011	6,840,000	7,000,000	-	-	-	-
Lease revenue bonds, 2001 Series A	-	-	184,294	214,894	325,706	380,106
Obligations under capital lease	-	-	142,762	210,418	-	-
Linda County Water District	-	-	10,503,558	10,871,468	-	-
State Water Resources Loan	-	-	174,223	343,371	-	-
Add: Bond premium, net	-	-	925,236	972,049	-	-
Less: Bond discount, net	-	(397,626)	-	(9,320)	-	-
Less: Issuance costs, net	-	-	-	(610,395)	-	-
Compensated absences	227,870	243,264	15,030	25,078	-	-
<b>TOTALS</b>	<b>\$7,067,870</b>	<b>\$6,845,638</b>	<b>\$24,205,103</b>	<b>\$24,502,563</b>	<b>\$325,706</b>	<b>\$380,106</b>

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

The property assessed valuations grew 6.6% in FY 2016-17 compared to 3.9% in FY 2015-16, positive increases over the two year period indicates property values continue to rise with the pattern of an increasing economy in the City. The City's general fund reserves have increased and the fund balance as of June 30, 2017 is \$2,016,104. This is a positive outlook as the ending fund balance as of June 30, 2017 was estimated to be \$651,795 for budgeting purposes going into FY 2017-18.

# CITY OF MARYSVILLE, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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Economic activity appears to be increasing with the approval of a new upscale 70 unit market rate apartment complex bringing new residents to the City as well as the official opening of the regional medical center resulting in new job creation in the City and surrounding community.

The voters passed Measure C in June 2016 which called for a 1% transactions and use tax that took effect October 1, 2016. The sales tax was estimated to generate approximately \$1,080,000 in FY 2016-17 and approximately \$1,600,000 each full fiscal year for a period of ten years. Actual Measure C revenue received in FY 2016-17 was \$1,500,924. This new revenue source will help restore City service levels to pre-recession levels, rebuild deteriorated public works infrastructure, fund public safety, offset debt service payments, increase financial reserve funds and help rebuild levels of services in all areas of City services provided to the residents.

The voters passed consider Measure F in November 2016, which called for a cannabis business tax on medical marijuana dispensaries. Measure F has the potential to generate approximately \$600,000 a year to the general fund which will help pay for City services, the City generated \$54,981 in FY 2016-17.

The City has been awarded approximately \$5,000,000 in grant funds to be used for street improvements, public safety personnel and equipment, housing rehabilitation, park improvements, planning and the design of 5th Street from E Street to J Street, which will complement the new 5th Street bridge replacement project. The City will continue to aggressively pursue grant funding for much needed projects and to offset personnel costs.

Both Moody's Investor Service and S&P Raters have recently upgraded the City's credit rating and have listed a positive outlook for the City based on the City's financial rebuilding strategy that has resulted in a increase in the fund balance reserves. The increase in the City's credit rating also signals that the financial markets have confidence in the City's policies and an improved financial future.

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

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Marysville's finances for all those 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, 2017

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>TOTALS</b>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash and investments	\$ 1,300,104	\$ 1,599,357	\$ 2,899,461
Receivables:			
Accounts receivable	160,726	219,451	380,177
Interest receivable	1,759	4,856	6,615
Taxes receivable	170,849	-	170,849
Loans receivable	1,750,894	-	1,750,894
Due from other governments	712,450	7,634	720,084
Internal balances	-	-	-
Restricted cash with fiscal agent	742,994	2,230,425	2,973,419
	<b>4,839,776</b>	<b>4,061,723</b>	<b>8,901,499</b>
<b>NONCURRENT ASSETS:</b>			
Advances to fiduciary funds	-	489,048	489,048
Nondepreciable capital assets	6,057,051	12,083,822	18,140,873
Depreciable capital assets, net	6,950,668	15,810,765	22,761,433
	<b>13,007,719</b>	<b>28,383,635</b>	<b>41,391,354</b>
	<b>17,847,495</b>	<b>32,445,358</b>	<b>50,292,853</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred outflows related to pensions	2,654,765	136,424	2,791,189
	<b>2,654,765</b>	<b>136,424</b>	<b>2,791,189</b>
	<b>\$ 20,502,260</b>	<b>\$ 32,581,782</b>	<b>\$ 53,084,042</b>

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>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 133,993	\$ 394,368	\$ 528,361
Accrued payroll liabilities	324,435	22,247	346,682
Interest payable	307,292	81,971	389,263
Deposits payable	12,934	-	12,934
Compensated absences	227,870	15,030	242,900
Obligation under capital lease, due within one year	-	70,110	70,110
Long-term debt, due within one year	175,000	806,412	981,412
	<u>1,181,524</u>	<u>1,390,138</u>	<u>2,571,662</u>
<b>TOTAL CURRENT LIABILITIES</b>			
<b>NONCURRENT LIABILITIES:</b>			
Net pension liability	12,275,582	661,561	12,937,143
Other post employment benefits payable	43,070	-	43,070
Obligation under capital lease, due within one year	-	72,652	72,652
Long-term debt, due after one year	6,665,000	22,315,663	28,980,663
	<u>18,983,652</u>	<u>23,049,876</u>	<u>42,033,528</u>
<b>TOTAL NONCURRENT LIABILITIES</b>			
<b>TOTAL LIABILITIES</b>			
	<u>\$ 20,165,176</u>	<u>\$ 24,440,014</u>	<u>\$ 44,605,190</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflows related to pensions	\$ 936,624	\$ 57,835	\$ 994,459
Business license fees to be earned	41,419	-	41,419
Unamortized bond premium	-	925,236	925,236
	<u>\$ 978,043</u>	<u>\$ 983,071</u>	<u>\$ 1,961,114</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>			
<b>NET POSITION:</b>			
Net investment in capital assets	\$ 6,167,719	\$ 4,629,750	\$ 10,797,469
Restricted	841,315	2,230,425	3,071,740
Unrestricted	(7,649,993)	298,522	(7,351,471)
	<u>\$ (640,959)</u>	<u>\$ 7,158,697</u>	<u>\$ 6,517,738</u>
<b>TOTAL NET POSITION</b>			

# CITY OF MARYSVILLE, CALIFORNIA

## GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Operating Expenses	Charges for Services	Program Revenues	
			Grants and other contributions	
			Operating	Capital
<b>GOVERNMENTAL ACTIVITIES:</b>				
General government	\$ 2,103,215	\$ 755,259	\$ -	\$ -
Public safety	5,160,769	253,450	427,596	-
Streets and public works	1,025,743	183,005	96,615	691,522
Parks and recreation	331,813	52,166	-	-
Interest on long-term debt	1,063,084	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>9,684,624</b>	<b>1,243,880</b>	<b>524,211</b>	<b>691,522</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Sewer	1,934,418	2,855,878	-	-
Interest on long-term debt	85,718	-	-	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>2,020,136</b>	<b>2,855,878</b>	<b>-</b>	<b>-</b>
<b>TOTAL GOVERNMENT</b>	<b>\$ 11,704,760</b>	<b>\$ 4,099,758</b>	<b>\$ 524,211</b>	<b>\$ 691,522</b>

**GENERAL REVENUES:**

- Property taxes
- Sales and use taxes
- Motor vehicle in-lieu
- Franchise fees
- Transient occupancy tax
- Business license tax
- Reimbursements
- Proceeds from insurance recovery
- Miscellaneous sales
- Program income
- 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.

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>TOTALS</b>
\$ (1,347,956)	\$ -	\$ (1,347,956)
(4,479,723)	-	(4,479,723)
(54,601)	-	(54,601)
(279,647)	-	(279,647)
<u>(1,063,084)</u>	<u>-</u>	<u>(1,063,084)</u>
<u>(7,225,011)</u>	<u>-</u>	<u>(7,225,011)</u>
-	921,460	921,460
<u>-</u>	<u>(85,718)</u>	<u>(85,718)</u>
-	835,742	835,742
<u>(7,225,011)</u>	<u>835,742</u>	<u>(6,389,269)</u>
1,222,313	-	1,222,313
3,232,183	-	3,232,183
831,628	-	831,628
517,659	-	517,659
121,164	-	121,164
137,437	-	137,437
239,402	-	239,402
508,276	-	508,276
549	-	549
11,660	-	11,660
27,259	62,320	89,579
176,405	29,779	206,184
<u>255,702</u>	<u>(235,801)</u>	<u>19,901</u>
<u>7,281,637</u>	<u>(143,702)</u>	<u>7,137,935</u>
<u>56,626</u>	<u>692,040</u>	<u>748,666</u>
(609,851)	7,074,290	6,464,439
<u>(87,734)</u>	<u>(607,633)</u>	<u>(695,367)</u>
<u>(697,585)</u>	<u>6,466,657</u>	<u>5,769,072</u>
<u>\$ (640,959)</u>	<u>\$ 7,158,697</u>	<u>\$ 6,517,738</u>

# CITY OF MARYSVILLE, CALIFORNIA

## BALANCE SHEET GOVERNMENTAL FUNDS AS OF JUNE 30, 2017

	General Fund	Aggregate Nonmajor Governmental Funds	TOTALS
<b>ASSETS</b>			
Cash and investments	\$ 683,653	\$ 616,451	\$ 1,300,104
Receivables:			
Accounts receivable, net	156,559	4,167	160,726
Interest receivable	977	782	1,759
Taxes receivable	170,849	-	170,849
Notes receivable	-	1,750,894	1,750,894
Due from other governments	676,849	35,601	712,450
Due from other funds	45,855	-	45,855
Restricted cash	742,994	-	742,994
	<b>TOTAL ASSETS</b>	<b>\$ 2,407,895</b>	<b>\$ 4,885,631</b>
	<b>\$ 2,477,736</b>	<b>\$ 2,407,895</b>	<b>\$ 4,885,631</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 100,888	\$ 33,105	\$ 133,993
Accrued payroll liabilities	306,391	18,044	324,435
Deposits	12,934	-	12,934
Due to other funds	-	45,855	45,855
	<b>TOTAL LIABILITIES</b>	<b>97,004</b>	<b>517,217</b>
	<b>420,213</b>	<b>97,004</b>	<b>517,217</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Business license fees to be earned	41,419	-	41,419
	<b>TOTAL DEFERRED INFLOWS</b>	<b>-</b>	<b>41,419</b>
	<b>41,419</b>	<b>-</b>	<b>41,419</b>
<b>FUND BALANCES (DEFICITS)</b>			
Non-spendable:			
Notes receivable	-	1,750,894	1,750,894
Committed:			
Subsequent year's expenditures	-	185,155	185,155
Restricted:			
Road improvements and repairs	-	98,321	98,321
B Street projects and improvement	742,994	-	742,994
Unassigned:			
General fund	1,273,110	-	1,273,110
Special revenue funds	-	298,958	298,958
Capital project funds	-	(22,437)	(22,437)
	<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>2,310,891</b>	<b>4,326,995</b>
	<b>2,016,104</b>	<b>2,310,891</b>	<b>4,326,995</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 2,477,736</b>	<b>\$ 2,407,895</b>	<b>\$ 4,885,631</b>

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, 2017

<b>TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>		\$ 4,326,995
<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.		13,007,719
Long-term credits not due and available in the current period and therefore are not reported in the governmental funds balance sheet:		
Deferred outflows - pension payments for future benefits		2,654,765
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	\$ (6,840,000)	
Compensated absences	(227,870)	
Net pension liability	(12,275,582)	
Deferred inflows - pension payments	(936,624)	
OPEB payable	<u>(43,070)</u>	(20,323,146)
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>(307,292)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<u><u>\$ (640,959)</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, 2017

	General Fund	Aggregate Nonmajor Governmental Funds	TOTALS
<b>REVENUES:</b>			
Tax revenues	\$ 6,062,384	\$ -	\$ 6,062,384
Intergovernmental revenues	268,852	946,881	1,215,733
Licenses, fees and permits	202,979	-	202,979
Charges for services	740,361	143,453	883,814
Fines, forfeitures and penalties	104,922	-	104,922
Reimbursements and refunds	239,402	-	239,402
Use of money and property	172,305	4,100	176,405
Program income	-	11,660	11,660
Miscellaneous sales	549	-	549
Proceeds from insurance recovery	500,000	8,276	508,276
Recreation and event fees	46,616	-	46,616
Donations	5,550	-	5,550
Other revenue	27,259	-	27,259
	<u>8,371,179</u>	<u>1,114,370</u>	<u>9,485,549</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES:</b>			
Current:			
General government	1,576,327	365,267	1,941,594
Public safety	4,599,723	45,654	4,645,377
Streets and public works	485,374	483,653	969,027
Parks and recreation	286,753	-	286,753
Debt service:			
Principal retirement	160,000	-	160,000
Interest and other charges	478,635	-	478,635
Capital outlay	66,356	598,226	664,582
	<u>7,653,168</u>	<u>1,492,800</u>	<u>9,145,968</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>718,011</u>	<u>(378,430)</u>	<u>339,581</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	1,033,276	72,032	1,105,308
Transfers out	(4,913)	(844,693)	(849,606)
	<u>1,028,363</u>	<u>(772,661)</u>	<u>255,702</u>
<b>TOTAL OTHER FINANCING</b>			
<b>NET CHANGE IN FUND BALANCES</b>			
	<u>1,746,374</u>	<u>(1,151,091)</u>	<u>595,283</u>
<b>FUND BALANCES, July 1:</b>			
As originally stated	269,730	3,454,803	3,724,533
Prior period adjustment	-	7,179	7,179
As restated	<u>269,730</u>	<u>3,461,982</u>	<u>3,731,712</u>
<b>FUND BALANCES, JUNE 30</b>			
	<u>\$ 2,016,104</u>	<u>\$ 2,310,891</u>	<u>\$ 4,326,995</u>

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

# CITY OF MARYSVILLE, CALIFORNIA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 595,283

*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	\$ 674,567	
Depreciation expense	<u>(337,900)</u>	336,667

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:

Principal repayment	\$ 160,000	
Amortization of issuance costs and discounts	<u>(397,626)</u>	(237,626)

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	\$ 5,264	
Change in long-term interest payable	(186,823)	
Change in pension liability	(459,480)	
Change in compensated absences	<u>3,341</u>	<u>(637,698)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL FUNDS** \$ 56,626

# 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, 2017

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES:</b>				
Tax revenues	\$ 5,546,497	\$ 5,546,497	\$ 6,062,384	\$ 515,887
Intergovernmental revenues	367,817	367,817	268,852	(98,965)
Licenses, fees and permits	131,500	131,500	202,979	71,479
Charges for services	585,300	660,300	740,361	80,061
Fines, forfeitures and penalties	72,250	72,250	104,922	32,672
Reimbursements and refunds	203,005	203,005	239,402	36,397
Use of money and property	182,450	182,450	172,305	(10,145)
Proceeds from insurance recovery	-	-	500,000	500,000
Miscellaneous sales	300	300	549	249
Recreation and event fees	36,000	36,000	46,616	10,616
Donations	5,500	5,500	5,550	50
Other revenue	10,100	10,100	27,259	17,159
	<b>7,140,719</b>	<b>7,215,719</b>	<b>8,371,179</b>	<b>1,155,460</b>
<b>EXPENDITURES:</b>				
Current:				
General government	1,500,738	1,635,738	1,576,327	59,411
Public safety	4,487,463	4,487,463	4,599,723	(112,260)
Streets and public works	583,387	583,387	485,374	98,013
Parks and recreation	241,327	241,327	286,753	(45,426)
Debt service:				
Principal retirement	160,000	160,000	160,000	-
Interest and other charges	478,875	478,875	478,635	240
Capital outlay	-	-	66,356	(66,356)
	<b>7,451,790</b>	<b>7,586,790</b>	<b>7,653,168</b>	<b>(66,378)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(311,071)</b>	<b>(371,071)</b>	<b>718,011</b>	<b>1,089,082</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	707,886	755,636	1,033,276	277,640
Transfers out	(2,500)	(2,500)	(4,913)	(2,413)
	<b>705,386</b>	<b>753,136</b>	<b>1,028,363</b>	<b>275,227</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>394,315</b>	<b>382,065</b>	<b>1,746,374</b>	<b>1,364,309</b>
FUND BALANCE, July 1	269,730	269,730	269,730	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 664,045</b>	<b>\$ 651,795</b>	<b>\$ 2,016,104</b>	<b>\$ 1,364,309</b>

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

# CITY OF MARYSVILLE, CALIFORNIA

## STATEMENT OF NET POSITION - WASTEWATER PROPRIETARY FUND AS OF JUNE 30, 2017

### ASSETS:

#### CURRENT ASSETS:

Cash and investments	\$ 1,599,357
Receivables, net	
Accounts receivable, net	219,451
Interest receivable	4,856
Due from other governments	7,634
Restricted cash with fiscal agent	<u>2,230,425</u>

**TOTAL CURRENT ASSETS** 4,061,723

#### NONCURRENT ASSETS:

Advance to other funds	489,048
Non-depreciable capital assets	12,083,822
Depreciable capital assets, net	<u>15,810,765</u>

**TOTAL NONCURRENT ASSETS** 28,383,635

**TOTAL ASSETS** 32,445,358

#### DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows related to pensions	<u>136,424</u>
---------------------------------------	----------------

**TOTAL DEFERRED OUTFLOWS OF RESOURCES** 136,424

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** \$ 32,581,782

**LIABILITIES:****CURRENT LIABILITIES:**

Accounts payable	\$ 394,368
Accrued payroll liabilities	22,247
Interest payable	81,971
Compensated absences	15,030
Obligation under capital lease, due within one year	70,110
Long-term debt, due within one year	806,412

**TOTAL CURRENT LIABILITIES** 1,390,138

**NONCURRENT LIABILITIES:**

Net pension liability	661,561
Obligation under capital lease, due after one year	72,652
Long-term debt, due after one year, net	22,315,663

**TOTAL LIABILITIES** 24,440,014

**DEFERRED INFLOWS OF RESOURCES:**

Deferred inflows related to pensions	57,835
Unamortized bond premium	925,236

**TOTAL DEFERRED INFLOWS OF RESOURCES** 983,071

**NET POSITION:**

Invested in capital assets, net of related debt	4,629,750
Restricted for debt service	2,230,425
Unrestricted	298,522

**TOTAL NET POSITION** 7,158,697

**TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION** \$ 32,581,782

# CITY OF MARYSVILLE, CALIFORNIA

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION WASTEWATER PROPRIETARY FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>OPERATING REVENUES:</b>	
Utility revenue	\$ 2,855,878
Other revenue	62,320
	<hr/>
<b>TOTAL OPERATING REVENUES</b>	<b>2,918,198</b>
	<hr/>
<b>OPERATING EXPENSES:</b>	
Salaries and benefits	495,172
Operations and maintenance	1,191,439
Depreciation and amortization expense	247,807
	<hr/>
<b>TOTAL OPERATING EXPENSES</b>	<b>1,934,418</b>
	<hr/>
<b>OPERATING INCOME</b>	<b>983,780</b>
	<hr/>
<b>NONOPERATING INCOME (EXPENSE):</b>	
Interest income	29,779
Interest expense	(85,718)
	<hr/>
<b>TOTAL NONOPERATING INCOME (EXPENSE)</b>	<b>(55,939)</b>
	<hr/>
<b>INCOME BEFORE TRANSFERS</b>	<b>927,841</b>
	<hr/>
<b>OTHER FINANCING USES:</b>	
Transfers out	(235,801)
	<hr/>
<b>TOTAL OTHER FINANCING USES</b>	<b>(235,801)</b>
	<hr/>
<b>CHANGE IN NET POSITION</b>	<b>692,040</b>
<b>NET POSITION, JULY 1</b>	<b>7,074,290</b>
Prior period adjustment	(607,633)
As restated	6,466,657
	<hr/>
<b>NET POSITION, JUNE 30</b>	<b>\$ 7,158,697</b>
	<hr/>

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

# CITY OF MARYSVILLE, CALIFORNIA

## STATEMENT OF CASH FLOWS - WASTEWATER PROPRIETARY FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers and users	\$ 2,955,476
Cash paid to suppliers	(922,873)
Cash paid to employees and related benefits	(506,124)
Interfund borrowings	543,458

### NET CASH PROVIDED BY OPERATING ACTIVITIES

2,069,937

### CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Payments on obligations under capital lease	(67,656)
Additions of capital assets	(2,319,751)
Interest paid	(138,003)
Payments on long term debt	(792,658)

### NET CASH USED BY CAPITAL FINANCING ACTIVITIES

(3,305,986)

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Increase in advances to other funds	(3,623)
Deferred inflows for pension payments	10,461
Deferred outflows for pension receipts	(85,031)
Reduction of net pension liability	247,464
Intergovernmental revenues	5,394
Transfers out	(235,801)

### NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES

(61,136)

### CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	26,222
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### DECREASE IN CASH AND CASH EQUIVALENTS

(1,270,963)

Cash and cash equivalents, July 1

5,100,745

### CASH AND CASH EQUIVALENTS, JUNE 30

\$ 3,829,782

### RECONCILIATION OF CASH AND CASH EQUIVALENTS:

Cash and cash equivalents	\$ 1,599,357
Restricted cash with fiscal agent	2,230,425

### TOTAL CASH AND CASH EQUIVALENTS

\$ 3,829,782

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

**Reconciliation of operating income from operations to cash provided by operating activities:**

Operating income	\$ 983,780
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation and amortization	247,807
(Increase) decrease in assets:	
Accounts receivable	37,278
Increase (decrease) in liabilities:	
Accounts payable	268,566
Accrued payroll liabilities	(904)
Compensated absences	(10,048)
Due to other funds	543,458
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 2,069,937</b>

# CITY OF MARYSVILLE, CALIFORNIA

## STATEMENT OF FIDUCIARY NET POSITION AS OF JUNE 30, 2017

	<u>Redevelopment Successor Agency Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS:</b>		
Cash and investments	\$ 382,899	\$ 247,901
Receivables:		
Accounts receivable	468	619
Interest receivable	467	371
Prepaid costs	-	9,338
Due from other governments	-	26,160
Restricted assets:		
Investments with fiscal agent	104,853	-
Land held for redevelopment	29,120	-
Depreciable capital assets, net	19,465	-
	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 537,272</u></u>	<u><u>\$ 284,389</u></u>
 <b>LIABILITIES:</b>		
Accounts payable	\$ -	\$ 12,417
Interest payable	8,232	-
Advances from other City funds	489,048	-
Due to other agencies	-	271,972
Long-term debt:		
Due within one year	57,600	-
Due after one year	268,106	-
	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 822,986</u></u>	<u><u>\$ 284,389</u></u>
 <b>NET POSITION:</b>		
Held in trust for other purposes	<u><u>\$ (285,714)</u></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, 2017

### ADDITIONS:

Property taxes	\$ 170,629
Use of money and property	3,641
Disposition of assets	<u>67,743</u>

### TOTAL ADDITIONS

242,013

### DEDUCTIONS:

Depreciation expense	1,622
Interest and fiscal agency expenses of former redevelopment agency	<u>20,879</u>

### TOTAL DEDUCTIONS

22,501

### CHANGE IN NET POSITION BEFORE TRANSFERS

219,512

### OTHER FINANCING USES:

Transfers out	<u>(19,901)</u>
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### CHANGE IN NET POSITION

199,611

### NET POSITION, JULY 1

(485,325)

### NET POSITION, JUNE 30

\$ (285,714)

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

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### 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, 2017

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### 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, 2017

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### 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, 2017

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### 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, 2017

### 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, 2017, the allowance for doubtful accounts were as follows:

	Accounts receivable	Allowance for doubtful account	Accounts receivable, net
Major funds:			
General fund	\$ 156,559	\$ -	\$ 156,559
Sewer enterprise fund	260,222	(40,770)	219,452
Non-major funds	4,167	-	4,167
TOTAL	\$ 420,948	\$ (40,770)	\$ 380,178

**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, 2017

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### 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, 2017

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### 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 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.

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.

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

Restricted Net Position — This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. As of June 30, 2017, 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, 2017

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Type	Amount	Action
Major Funds:		
B Street projects and improvements		
General Fund	\$ 742,994	Imposed by funding source
Debt service:		
Wastewater Enterprise Fund	2,230,425	Imposed by debt indebtedure
Non-major Funds:		
Road improvements and repairs:		
Nonmajor capital projects funds	98,321	Imposed by funding source
	\$ 3,071,740	

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
Notes receivable:	
Nonmajor special revenue fund	\$ 1,750,894

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### 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
Subsequent year's expenditures:		
Nonmajor special revenue fund	\$ 185,555	Council budget resolution

The City has restricted fund balances as follows:

Fund Type	Amount	Action
Major Funds:		
B Street projects and improvements		
General Fund	\$ 742,994	Imposed by funding source
Non-major Funds:		
Road improvements and repairs:		
Nonmajor capital projects funds	98,321	Imposed by funding source
	<u>\$ 841,315</u>	

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, 2017

### 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
Major Funds:			
General Fund	\$ 7,589,290	\$ 7,658,082	\$ (68,792)
Non-Major Special Revenue Funds:			
Sidewalk Fund*	-	2,424	(2,424)
LAFCO Fund	241,512	291,271	(49,759)
	<u>\$ 241,512</u>	<u>\$ 293,695</u>	<u>\$ (52,183)</u>

\* Fund is unbudgeted

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### 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, 2017 are classified in the accompanying financial statements as follows:

	Government-wide Statement of Net Position		Fiduciary Fund State- ment of Net Position	Total
	Governmental Activities	Business-type Activities		
Cash and investments	\$ 1,300,104	\$ 1,599,357	\$ 630,800	\$ 3,530,261
Restricted cash	742,994	2,230,425	104,853	3,078,272
TOTAL	\$ 2,043,098	\$ 3,829,782	\$ 735,653	\$ 6,608,533

As of June 30, 2017, the City's cash and investments consisted of the following:

Cash on hand	\$ 900
Deposits in financial institutions	2,650,395
Add: deposits in transit	3,200
Less: outstanding checks and withholding	(186,598)
Total cash and cash equivalents	2,467,897
LAIF	3,233,812
Held by bond trustee:	
Money market mutual fund	847,324
Repurchase agreement	59,500
Total investments	4,140,636
Total cash and investments	\$ 6,608,533

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, 2017

### 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, 2017

### 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	\$ 3,233,812	\$ 3,233,812	\$ -	\$ -
Held by bond trustee:				
Money market mutual funds	847,324	847,324	-	-
Repurchase agreements	59,500	-	-	59,500
TOTAL	\$ 4,140,636	\$ 4,081,136	\$ -	\$ 59,500

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The current rating of the money market mutual 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, 2017, the repurchase agreement with a reported amount of \$59,500 represented more than 5% of the total investments (other than mutual funds and external investment pools) in any one issuer. The issuer of the repurchase agreement is Chase Manhattan Bank. The repurchase agreement represents the reserve fund for the 2001 Series A Lease Revenue Bonds.

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

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE B - CASH AND INVESTMENTS (Continued)

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

At June 30, 2017, the carrying amount of the City's deposits was \$2,466,997 and the balances at the financial institutions were \$2,650,395. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$2,400,395 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, 2017, a repurchase agreement with a reported amount of \$59,500 was held by the same broker-dealer (counterparty) that was used by the City to purchase the security.

Investments by Fair Value Level: In accordance with GASB Statement No. 72, the City's investments in its brokerage account are categorized into the following fair value categories:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the City can access at the year end.
- Level 2 inputs – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs - Unobservable inputs for an asset or liability.

Fair value can be determined using the market approach, cost approach, and income approach. The Town's brokerage investments are valued with the market approach by using the available quoted market prices at year end.

	Balance as of June 30, 2017	Fair Value Measurements Using		
		Quoted prices in active mar- kets for iden- ticle assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobserv- able inputs (Level 3)
Securities:				
Local agency investment fund	\$ 3,233,812	\$ 3,233,812	\$ -	\$ -
Mutual funds	847,324	847,324	-	-
Repurchase agreement	59,500	59,500	-	-
<b>TOTAL INVESTMENTS BY FAIR VALUE LEVEL</b>	<b>\$ 4,140,636</b>	<b>\$ 4,140,636</b>	<b>\$ -</b>	<b>\$ -</b>

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE B - CASH AND INVESTMENTS (Continued)

Investment in Local Agency Investment Fund (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, 2017 invested by all public agencies in LAIF is \$77,539,216,146 and is managed by the State Treasurer. The investments are as follows:

	<b>As a percent of portfolio</b>
Structured notes and medium-term asset backed securities	2.25%
Short-term asset-backed commercial paper	0.64%
All other investments	97.11%
	100.00%

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

### NOTE C - INTERFUND TRANSACTIONS

Interfund long-term advances at June 30, 2017 were as follows:

<b>Fund</b>	<b>Advances to Other Funds</b>	<b>Advances From Other Funds</b>
Enterprise Funds:		
Wastewater Fund	\$ 489,048	\$ -
Fiduciary Funds - Private-Purpose Trust:		
Redevelopment Successor Agency	-	489,048
	\$ 489,048	\$ 489,048

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE C - INTERFUND TRANSACTIONS (Continued)

The changes in the interfund advances for the fiscal year ended June 30, 2017 were as follows:

	Balance at July 1, 2016	Additions	Adjustment/ Retirement	Balance at June 30, 2017
Advance from the General Fund	\$ 93,600	\$ -	\$ (93,600)	\$ -
Advance from the Wastewater Enterprise Fund	485,425	3,623	-	489,048
TOTAL ADVANCES	\$ 579,025	\$ 3,623	\$ (93,600)	\$ 489,048

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, 2017 due to a lack of monies in the Trust Fund.

Interfund balances at June 30, 2017 were as follows:

Fund	Due From Other Funds	Due To Other Funds
General Fund	\$ 45,855	\$ -
Enterprise Funds:		
Wastewater Fund	-	-
Nonmajor funds:		
Special revenue funds	-	8,204
Capital projects funds	-	37,651
<b>Total</b>	\$ 45,855	\$ 45,855

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.

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE C - INTERFUND TRANSACTIONS (Continued)

Interfund transfers for the year ended June 30, 2017 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 1,033,276	\$ 4,913
Enterprise Funds:		
Wastewater Fund	-	235,801
Fiduciary Funds - Private-Purpose Trust:		
Redevelopment Successor Agency	-	19,901
Nonmajor funds:		
Special revenue funds	69,278	101,472
Debt service fund	-	743,221
Capital projects funds	2,754	-
<b>Total</b>	<b>\$ 1,105,308</b>	<b>\$ 1,105,308</b>

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

### NOTE D - LOANS RECEIVABLE

The following is a summary of the various types of loans receivable outstanding as of June 30, 2017:

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 Principal and Interest 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%.

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

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE D - LOANS RECEIVABLE (continued)

Activity in notes receivable for the year ended June 30, 2017 is as follows:

	Balance at July 1, 2016	Additions	Payments Received	Balance at June 30, 2017
Major Governmental Funds:				
General Fund:				
Employees - computers	\$ 1,684	\$ -	\$ (1,684)	\$ -
Nonmajor Governmental Funds:				
CDBG Principal and Interest				
Special Revenue Fund:				
Block grant loans	1,199,502	-	(11,805)	1,187,697
HOME Program Income Fund:				
HOME loans	577,707	41,083	(55,593)	563,197
<b>TOTAL LOANS RECEIVABLE</b>	<b>\$ 1,778,893</b>	<b>\$ 41,083</b>	<b>\$ (69,082)</b>	<b>\$ 1,750,894</b>

### NOTE E - CAPITAL ASSETS

Governmental capital asset activities for the year ended June 30, 2017 were as follows:

	Balance at July 1, 2016	Additions	Deletions	Adjustments/ Transfers	Balance at June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 6,057,051	\$ -	\$ -	\$ -	\$ 6,057,051
Total capital assets not being depreciated	6,057,051	-	-	-	6,057,051
Capital assets being depreciated:					
Infrastructure	2,731,989	350,284	-	-	3,082,273
Buildings	3,702,289	247,556	-	-	3,949,845
Machinery and equipment	2,158,066	43,727	-	-	2,201,793
Vehicles	2,812,543	33,000	-	-	2,845,543
	11,404,887	674,567	-	-	12,079,454
Less: accumulated depreciation:					
Infrastructure	(165,136)	(69,707)	-	(74,522)	(309,365)
Buildings	(2,056,524)	(51,960)	-	-	(2,108,484)
Machinery and equipment	(1,166,906)	(116,740)	-	-	(1,283,646)
Vehicles	(1,307,407)	(99,493)	-	(20,391)	(1,427,291)
	(4,695,973)	(337,900)	-	(94,913)	(5,128,786)
Total capital assets being depreciated, net	6,708,914	336,667	-	(94,913)	6,950,668
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<b>\$ 12,765,965</b>	<b>\$ 336,667</b>	<b>\$ -</b>	<b>\$ (94,913)</b>	<b>\$ 13,007,719</b>

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE E - CAPITAL ASSETS (Continued)

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

General government	\$ 97,536
Public safety	173,785
Streets and public works	26,895
Parks and recreation	<u>39,684</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 337,900</u></b>

Business-type capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments/ Transfers</u>	<u>Balance at June 30, 2017</u>
Capital assets, not being depreciated:					
Construction in progress	\$ 9,764,071	\$ 2,319,751	\$ -	\$ -	\$ 12,083,822
Total capital assets not being depreciated	<u>9,764,071</u>	<u>2,319,751</u>	<u>-</u>	<u>-</u>	<u>12,083,822</u>
Capital assets being depreciated:					
Sewer plant	6,805,519	-	-	-	6,805,519
Buildings	1,483,400	-	-	-	1,483,400
Machinery and equipment	1,285,131	-	-	-	1,285,131
Vehicles	310,101	-	-	-	310,101
Equipment under capital lease	570,426	-	-	-	570,426
Intangible asset - franchise license	12,300,000	-	-	-	12,300,000
	<u>22,754,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,754,577</u>
Less: accumulated depreciation:					
Sewer plant	(3,886,278)	(221,581)	-	-	(4,107,859)
Buildings	(1,168,204)	(18,542)	-	-	(1,186,746)
Machinery and equipment	(1,134,578)	(14,509)	-	-	(1,149,087)
Vehicles	(254,759)	(11,465)	-	-	(266,224)
Equipment under capital lease	(205,374)	(28,522)	-	-	(233,896)
	<u>(6,649,193)</u>	<u>(294,619)</u>	<u>-</u>	<u>-</u>	<u>(6,943,812)</u>
Total capital assets being depreciated, net	<u>16,105,384</u>	<u>(294,619)</u>	<u>-</u>	<u>-</u>	<u>15,810,765</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
<b>CAPITAL ASSETS, NET</b>	<u>\$ 25,869,455</u>	<u>\$ 2,025,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,894,587</u>

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

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE E - CAPITAL ASSETS (Continued)

Fiduciary fund capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance at July 1, 2016	Additions	Deletions	Transfers	Balance at June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 78,797	\$ -	\$(49,677)	\$ -	\$ 29,120
Capital assets being depreciated:					
Buildings	48,663	-	-	-	48,663
Less: accumulated depreciation:					
Buildings	(27,576)	(1,622)	-	-	(29,198)
<b>FIDUCIARY CAPITAL ASSETS, NET</b>	<b>\$ 99,884</b>	<b>\$ (1,622)</b>	<b>\$(49,677)</b>	<b>\$ -</b>	<b>\$ 48,585</b>

### NOTE F — LONG-TERM LIABILITIES

The activity of the long-term liabilities of the City for the year ended June 30, 2017 follows:

	Balance at July 1, 2016	Incurred	Retired	Balance at June 30, 2017	Due within one year
Governmental activities:					
Certificates of participation, 2011	\$ 7,000,000	\$ -	\$ (160,000)	\$ 6,840,000	\$ 175,000
Compensated absences	243,264	364,218	(379,612)	227,870	-
	7,243,264	364,218	(539,612)	7,067,870	175,000
Less: unamortized bond issuance costs and discounts	(397,626)	-	397,626	-	-
<b>TOTAL</b>	<b>\$ 6,845,638</b>	<b>\$364,218</b>	<b>\$ (141,986)</b>	<b>\$ 7,067,870</b>	<b>\$ 175,000</b>
Business-type activities:					
Lease revenue bonds, 2001 Series A	\$ 214,894	\$ -	\$ (30,600)	\$ 184,294	\$ 32,400
Sewer revenue bonds, 2012 Series A	12,485,000	-	(225,000)	12,260,000	230,000
Linda County Water District	10,871,468	-	(367,910)	10,503,558	371,589
State Water Resources loan	343,371	-	(169,148)	174,223	174,223
Obligation under capital lease	210,418	-	(67,656)	142,762	70,110
Compensated absences	25,078	36,639	(46,687)	15,030	-
	24,150,229	36,639	(907,001)	23,279,867	878,322
Add: unamortized bond premium	972,049	-	(46,813)	925,236	-
Less: unamortized bond issuance costs and discounts	(619,715)	-	619,715	-	-
<b>TOTAL</b>	<b>\$ 24,502,563</b>	<b>\$ 36,639</b>	<b>\$ (334,099)</b>	<b>\$ 24,205,103</b>	<b>\$ 878,322</b>
Fiduciary activities:					
Lease revenue bonds, 2001 Series A	\$ 380,106	\$ -	\$ (54,400)	\$ 325,706	\$ 57,600

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### NOTE F — LONG-TERM LIABILITIES (Continued)

Long-term debt consists of the following:

#### BONDS AND LOANS PAYABLE:

\$7,000,000 Taxable Certificates of Participation, 2011: Issued on September 26, 2011 by the City of Marysville to refund the prior 2006 Taxable Certificates of Participation of the City of Marysville Public Financing Authority. The stated interest rates are 6.25% to 7.25%. Principal payments ranging from \$160,000 to \$615,000 are due annually beginning October 1, 2017 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.

\$6,840,000

\$2,725,000 Lease Revenue Bonds, 2001 Series A: Issued on July 20, 2001 to refinance the two outstanding debt issues of the City issued in 1992: Certificates of Participation (1992 Capital Improvement Financing Project) and Marysville Community Development Agency 1992 Tax Allocation Refunding Bonds. The bonds were issued by the Association of Bay Area Governments (the Authority) with three other cities for a total bond issuance of \$15,110,000. The City's bonds are due beginning July 1, 2002 through July 1, 2021 and have stated interests rates from 3.25% to 5.25%. Principal payments ranging from \$110,000 to \$200,000 are due annually on July 1 through July 1, 2021 and interest payments ranging from \$2,750 to \$46,354 are due semi-annually on January 1 and July 1 through July 1, 2021. To provide for repayment of the bonds, the City has leased the city hall to the Authority under a leaseback agreement. The refinancing involved both governmental activities and business-type activities. The liability has been allocated based on the debt service requirements of the respective bond issues refinanced: \$184,294 business-type activities and \$325,706 fiduciary activities.

510,000

\$13,135,000 Sewer Revenue Bonds, 2012 Series A: Issued on November 9, 2012 to finance the acquisition and construction of certain improvements and facilities for the Sewer System. The serial bonds with principal payments of \$215,000 to \$315,000 are due beginning November 1, 2013 through November 1, 2027 with term bonds maturing on November 1 of 2023, 2032, 2038, and 2045. The serial bonds have stated interest rates of 0.55% to 3% and the term bonds have interest rates of 4.00% and 5.00%. Repayment is secured by a pledge and lien of the net revenues of the sewer system.

12,260,000

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE F — LONG-TERM LIABILITIES (Continued)

Linda County Water District Agreement: 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%. 10,503,558

State Water Resources Board Loan: Dated June 6, 1995 to finance improvements to the wastewater system. The stated interest rate is 3.0% and accrues as of the date of each disbursement. The maximum allowable loan is \$2,633,254. On June 26, 1995, the City received the initial drawdown. Payments of \$179,449 are due annually through December 19, 2017, including interest at 3%. 174,223

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 with accumulated amortization of \$34,464 as of June 30, 2017. 142,762

The annual requirements to amortize the outstanding debt as of June 30, 2017 are as follows:

Year Ending June 30	Governmental Activities Certificates of Particip- ation, 2011	Fiduciary Activities Lease Revenue Bonds, 2001 Series A	Total
2018	\$ 641,406	\$ 72,552	\$ 713,958
2019	640,156	75,840	715,996
2020	638,281	72,640	710,921
2021	635,782	75,680	711,462
2022	637,500	71,466	708,966
2023 - 2027	3,179,150	-	3,179,150
2028 - 2032	3,176,988	-	3,176,988
2033 - 2037	3,181,850	-	3,181,850
2038 - 2042	-	-	-
	12,731,113	368,178	13,099,291
Less: interest	(5,891,113)	(42,472)	(5,933,585)
	6,840,000	325,706	7,165,706
Due within one year	(175,000)	(57,600)	(232,600)
Due after one year	\$ 6,665,000	\$ 268,106	\$ 6,933,106

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### 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	
2018	\$ 40,811	\$ 775,638	\$ 179,449	\$ 476,625	\$ 75,287	\$ 1,547,810
2019	42,660	771,038	-	476,625	75,288	1,365,611
2020	40,860	781,288	-	476,625	-	1,298,773
2021	42,570	781,338	-	476,625	-	1,300,533
2022	41,284	780,969	-	476,625	-	1,298,878
2023 - 2027	-	3,915,075	-	2,383,125	-	6,298,200
2028 - 2032	-	3,920,725	-	2,383,125	-	6,303,850
2033 - 2037	-	3,924,375	-	2,383,125	-	6,307,500
2038 - 2042	-	3,920,000	-	2,391,808	-	6,311,808
2043 - 2047	-	3,138,375	-	-	-	3,138,375
	208,185	22,708,821	179,449	11,924,308	150,575	35,171,338
Add (Less): Interest	(23,891)	(10,448,821)	(5,226)	(1,420,750)	(7,813)	(11,906,501)
Unamortized premium	-	925,236	-	-	-	925,236
	184,294	13,185,236	174,223	10,503,558	142,762	24,190,073
Due within one year	(32,400)	(230,000)	(174,223)	(371,589)	(70,110)	(878,322)
Due after one year	<u>\$ 151,894</u>	<u>\$ 12,955,236</u>	<u>\$ -</u>	<u>\$ 10,131,969</u>	<u>\$ 72,652</u>	<u>\$ 23,311,751</u>

**Interest costs:**

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

	Interest capitalized	Interest costs	Total
Governmental funds:			
Non-major governmental funds	\$ -	\$ 483,635	\$ 483,635
Proprietary fund:			
Wastewater fund	549,176	85,718	634,894
	<u>\$ 549,176</u>	<u>\$ 569,353</u>	<u>\$ 1,118,529</u>

The change in capitalized interest follows:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
Capitalized interest	<u>\$ 206,769</u>	<u>\$ 549,176</u>	<u>\$ -</u>	<u>\$ 755,945</u>

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### 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, 2017 are as follows:

1992 Refunding bonds payable	\$	420,000
2006 Taxable certificates of participation		4,210,000
		\$ 4,630,000

Operating leases:

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

<u>Year Ending June 30</u>	<u>Copier leases by department</u>		
	<u>Police</u>	<u>Admini- stration</u>	<u>Total</u>
2018	\$ 3,518	\$ 3,518	\$ 7,036
2019	3,518	3,518	7,036
2020	3,518	3,518	7,036
2021	3,518	3,518	7,036
2022	3,517	3,517	7,034
	\$ 17,589	\$ 17,589	\$ 35,178
Monthly payment	\$ 293	\$ 293	\$ 586
Term for all leases:	June 1, 2017 to June 1, 2022		

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE F — LONG-TERM LIABILITIES (Continued)

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

	<u>Amount</u>
Copier leases	\$ 13,188
Facilities rent	3,000
Equipment rental	50,289
Other rent costs	<u>4,072</u>
TOTAL	<u>\$ 70,549</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, 2017, conduit debt issues were as follows:

Fremont-Rideout Health Group:	
Insured Revenue Bonds, Series 2003a	\$ 2,200,000
Master lease-purchase and sublease agreement, 2011	6,869,089
Revenue Bonds, Series 2011	<u>112,460,000</u>
TOTAL	<u>\$ 121,529,089</u>

### NOTE H— DEFICIT FUND EQUITY

The following funds had deficit fund balances at June 30, 2017:

<u>Fund</u>	<u>Deficit</u>
Non-major special revenue funds:	
2015 CDBG Fund	\$ (162)
LAFCO Fund	(4,218)
Non-major capital projects fund:	
Capital Projects Fund	(22,437)

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE I – DEFINED BENEFIT PENSION PLAN

#### CalPERS Miscellaneous and Safety Employees’ Pension Plans

##### *Miscellaneous and Safety, Cost-Sharing Multiple-Employer Defined Benefit Pension Plans*

###### Plan Description

The City’s Miscellaneous and Safety plans became part of CalPERS Miscellaneous and Safety Risk Pools for employers with less than 100 active plan members. When these risk pools were established, CalPERS assigned each entity in the pool a share of the net pension liability. The Miscellaneous and Safety employees are part of a three-tier cost-sharing multiple-employer defined benefit plan administered by CalPERS. The second tier retirement program provides a lower level of retirement benefits than the first tier. Employees hired on or after January 1, 1982 who meet eligibility requirements, are enrolled in the second tier program.

The third tier program was implemented in January 2013 following the passage of AB340 (PEPRA) by the California Legislature. Employees hired on or after January 1, 2013, who were not previously enrolled in the PERS system elsewhere or who have had a break in service of at least 6 months are required to be enrolled in this retirement program which provides a benefit level that is lower than the first two tiers.

###### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The basic death benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The Cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. Benefit provisions and all other requirements are established by State statute and may be amended by city contracts with employee bargaining groups.

The Miscellaneous Rate Plan provisions and benefits in effect at June 30, 2017, are summarized as follows:

	MISCELLANEOUS PLAN		
	Hire date: Prior to January 1, 1982 Classic Tier 1	On or after January 1, 1982 Classic Tier 2	On or after January 1, 2013 PEPRA Tier 3
Formula	2% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	55	55
Monthly benefits, as a % of annual salary	2%	2%	2%
Required employee contribution rates	6.886%	6.886%	6.250%
Required employer contribution rates	8.88% + \$60,835	8.377% + \$80,664	6.55% + \$10

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

The Police and Fire Safety Rate Plan provisions and benefits in effect at June 30, 2017, are summarized as follows:

	SAFETY POLICE PLAN		SAFETY FIRE PLAN	
	Hire date:	Prior to January 1, 2013 Classic Tier 1	On or after January 1, 2013 PEPRA Tier 3	Prior to January 1, 2013 Classic Tier 1
Formula		3% @ 55	2.7% @ 57	3% @ 50
Benefit vesting schedule		5 years of service	5 years of service	5 years of service
Benefit payments		Monthly for life	Monthly for life	Monthly for life
Retirement age		50	57	50
Monthly benefits, as a % of annual salary		3%	2.7%	3%
Required employee contribution rates		8.987%	11.5%	8.925%
Required employer contribution rates		18.428% + \$397,782	12.082% + \$88	14.785% + \$80,724

#### Contributions

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.

Miscellaneous plan participants (tier 1 and tier 2) are required to contribute 6.886% of their annual covered salary. Miscellaneous tier 3 plan participants are required to contribute 6.25% of their annual covered salary. In addition, the City is required to make an employer contribution at an actuarial determined rate of 8.880% (tier 1), 8.377% (tier 2), and 6.555% (tier 3) of annual covered payroll for the year ended June 30, 2017. For the year ended June 30, 2017, contributions to the Plan were \$336,072; \$240,397 employer contributions and \$95,675 employee contributions.

Safety Police tier 1 plan participants are required to contribute 8.987% of their annual covered salary. Safety Fire tier 1 plan participants are required to contribute 8.925% of their annual covered salary. Safety Police tier 3 plan participants are required to contribute 11.5% of their annual covered salary. In addition, the City is required to make an employer contribution at an actuarial determined rate of 18.428% (Police tier 1), 14.785% (Fire tier 1), and 12.082% (Police tier 3) of annual covered payroll for the year ended June 30, 2017. For the year ended June 30, 2017, contributions to the Plan were \$841,997; \$657,296 employer contributions and \$184,701 employee contributions.

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2017, the City reported liability of \$12,937,143 for its proportionate share of the Plan’s net pension liability; Miscellaneous risk pool proportionate share of \$3,756,736, and Safety risk pool proportionate share of \$9,180,407.

The City's net pension liability is measured as the proportionate share of net pension liability. The net pension liability is measured as of June 30, 2016, and the total pension liability for used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016. The City's proportion of the net pension liability based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2016, the City’s proportion was 0.1081 percent of the Miscellaneous risk pool and 0.17725 percent of the Safety risk pool; which was an increase of 0.005 percent and decrease of 0.007 percent, respectively, from their proportions measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$1,429,756; Miscellaneous plan pension expense \$715,453, and Safety plan pension expense \$714,303. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	MISCELLANEOUS PLAN		SAFETY PLAN	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,492	\$ 1,717	\$ -	\$ 52,263
Changes in assumptions	-	70,885	-	227,873
Differences between projected and and actual investment earnings	368,931	-	1,119,528	
Differences between employer's contributions and proportionate share of contributions	-	255,818	-	385,903
Change in employer's proportion	157,875	-	239,669	
Pension contributions made subsequent to measurement date	240,397	-	657,296	
	<u>\$ 774,695</u>	<u>\$ 328,420</u>	<u>\$ 2,016,493</u>	<u>\$ 666,039</u>

The \$897,693 (\$240,397 for the Miscellaneous plan, and \$657,296 for the Safety plan) reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

<u>Year ended June 30</u>	<u>Miscellaneous Plan Deferred Outflows/ (Inflows) of Resources</u>	<u>Safety Plan Deferred Outflows/ (Inflows) of Resources</u>
2018	\$ (4,475)	\$ (67,490)
2019	(19,785)	(36,666)
2020	134,582	461,978
2021	<u>95,557</u>	<u>291,446</u>
TOTAL	<u>\$ 205,879</u>	<u>\$ 649,268</u>

#### Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuation were determined using the following actuarial assumptions:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry Age Normal Cost Method
Actuarial assumptions:	
Discount rate	7.65%
Inflation rate	2.75%
Payroll growth	3.00%
Projected Salary increases	Varies by entry age and service
Investment rate of return	7.50% net of pension plan investment expenses, including inflation
Mortality	Based on the 2010 CalPRES Experience Study

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increases, mortality, and retirement rates. The Experience Study Report may be accessed on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

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.

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. 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 on the next page 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.

Asset class	Current Target Allocation	Real Re- turn Years 1-10 (a)	Real Re- turn Years 11+ (b)
Global equity	51.0%	5.25%	5.71%
Global fixed income	20.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	10.0%	6.83%	6.95%
Real estate	10.0%	4.50%	5.13%
Infrastructure and forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
	100.0%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

#### Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 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.

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the City's proportionate share of the net pension liability for the Miscellaneous and Safety plans, calculated using the discount rate of 7.65 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 - percentage point lower or 1 - percentage point higher than the current rate:

	Discount Rate		
	1% Decrease	Current	1% Increase
	6.65%	7.65%	8.65%
Plan's net pension liability:			
Miscellaneous plan	\$ 5,868,742	\$ 3,756,736	\$ 2,011,267
Safety plan	13,111,226	9,180,407	5,953,609
City's proportionate share of the net pension liability	\$ 18,979,968	\$ 12,937,143	\$ 7,964,876

*Pension Plan Fiduciary Net Position* – Detailed information about the pension plans' fiduciary net position is available in the separately issued CalPERS financial reports.

As of June 30, 2017, the City reported total net pension liability, deferred outflows of resources and deferred inflows of resources for both Miscellaneous and Safety plans as follows:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities:			
Miscellaneous Plan	\$ 3,756,736	\$ 774,695	\$ (328,420)
Safety Plan	9,180,407	2,016,493	(666,039)
Total	\$ 12,937,143	\$ 2,791,188	\$ (994,459)

### 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.

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE J – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

#### **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, 2017, the City contributed \$-0- to the plan of the projected \$48,460 net obligation. The City paid a total of \$7,250 to the medical insurance provider during the year.

#### **Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 1,900
Interest on net OPEB obligation	86
Payments made	<u>(7,250)</u>
Decrease in net OPEB obligation	(5,264)
Net OPEB obligation, July 1	<u>48,334</u>
Net OPEB obligation, June 30	<u>\$ 43,070</u>

The ARC was determined as part of the June 30, 2017 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, 2017, 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, 2017 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>
2015	\$ 3,866	100.00%	-
2016	6,536	100.00%	-
2017	7,250	100.00%	-

#### **Funded Status and Funding Process**

The funded status of the liability as of June 30, 2017, was as follows:

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE J – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Accrued liability (AL)	\$ 48,460
Value of plan assets contributed	<u>-</u>
Unfunded accrued liability (UAL)	<u>\$ 48,460</u>
Funded ratio (value of plan assets/AL)	<u>0.00%</u>
Covered payroll (active plan members)	<u>\$ -</u>
UAL as a percentage of covered payroll	<u>n/a</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts 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, 2017, 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.

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE K — RISK MANAGEMENT (Continued)

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

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

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

<u>Amount</u>	<u>Coverage provider</u>	<u>Payment Source</u>
<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.

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### NOTE M - COMMITMENTS

The City has committed to various projects summarized as follows:

Project	Contract Amount	Incurred to June 30, 2017	Balance remaining
Major funds:			
Sewer Enterprise Fund - improvements	\$ 1,323,333	\$ 1,289,641	\$ 33,692
Non-major funds:			
Capital Projects Fund - improvements	<u>77,767</u>	<u>32,977</u>	<u>44,790</u>
TOTALS	<u>\$ 1,401,100</u>	<u>\$ 1,322,618</u>	<u>\$ 78,482</u>

### NOTE N – SUBSEQUENT EVENTS

The City entered into the following bond and lease agreements subsequent to June 30, 2017:

\$1,027,762 Clean Renewable Energy Bonds (CREB), Series A: On September 1, 2017, the Marysville Financing Authority issued bonds and entered into a lease agreement with the City to finance its clean renewable energy projects consisting of solar photovoltaic energy systems at the City Hall and Police Department, City Fire Department, and City Corporation Yard. Principal payments ranging from \$2,985 to \$134,966 are due annually on September 1 through September 1, 2038 and interest payments, at a rate of 5.62%, ranging from \$420 to \$28,880 are due semiannually on March 1 and September 1 through September 1, 2038. To provide for repayment of the bonds, the City has leased three parcels of land bordered by or near F and 15<sup>th</sup> Streets to the Marysville Financing Authority under a leaseback agreement.

\$176,907 Clean Renewable Energy Bonds (CREB), Series B: On September 1, 2017, the Marysville Financing Authority issued bonds and entered into a lease agreement with the City to finance its clean renewable energy projects consisting of solar photovoltaic energy systems at the City Hall and Police Department, City Fire Department, and City Corporation Yard. Principal payments ranging from \$190 to \$31,292 are due annually on September 1 through September 1, 2031 and interest payments, at a rate of 5.42% ranging from \$483 to \$4,794 are due semiannually on March 1 and September 1 through September 1, 2031. To provide for repayment of the bonds, the City has leased three parcels of land bordered by or near F and 15<sup>th</sup> Streets to the Marysville Financing Authority under a leaseback agreement.

Obligation under capital lease: The City entered into a purchase option lease agreement with Ford Motor Credit Company, LLC dated September 20, 2017 for the acquisition of 19 2017 Ford Police Interceptor Utility vehicles. Due in annual installments of \$175,728 beginning September 20, 2017 and ending September 20, 2021, including interest at 4.70%. Total principal of \$803,219 includes cash price of vehicles at \$802,674 and underwriting fee of \$545.

Obligation under capital lease: The City and Ford Motor Credit Company, LLC amended the above lease terms to include an additional vehicle. Amendment dated June 25, 2018 for the acquisition of one 2018 Ford Police Interceptor Utility vehicle. Due in annual installments of \$9,795 beginning June 25, 2018 and ending June 25, 2022, including interest at 6.95%. Total principal of \$43,009 includes cash price of vehicle at \$42,464 and underwriting fee of \$545.

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### NOTE O – PRIOR PERIOD ADJUSTMENTS

#### CORRECTION OF ERRORS

##### **Allowance for Wastewater Proprietary Fund doubtful accounts**

The allowance for doubtful accounts for the Wastewater Proprietary Fund for the fiscal year ended June 30, 2016 was overstated by \$12,082 with a corresponding understatement of fund equity.

##### **Understatement of Governmental Activities accumulated depreciation**

The accumulated depreciation balance for certain street lighting assets with a total costs of \$2,136,508 was understated by \$74,522 due to a formula error in the underlying accounting records.

In addition, the accumulated depreciation balance for certain police vehicles with a total costs of \$81,800 was understated by a \$20,391 due to a formula error in the underlying accounting records.

The total understatement was \$94,913.

##### **Misclassification of Compensated Absences**

For the fiscal year ended June 30, 2016, compensated absences totaling \$7,179 were recorded in the nonmajor Gas Tax Special Revenue Fund resulting in a corresponding understatement of fund equity by the same amount. The measurement focus of the Gas Tax Fund is for current financial resources. Compensated absences are long-term in nature.

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.

#### APPLICATION OF GASB NO. 65

For the fiscal year ended June 30, 2017, the City has elected to apply GASB No. 65 whereby certain bond related costs and discounts have been written off. As a result, bond issuance costs and bond discounts totaling \$619,715 have been reduced with a corresponding decrease in fund equity.

**REQUIRED SUPPLEMENTARY  
INFORMATION**



## CITY OF MARYSVILLE, CALIFORNIA

### CITY OF MARYSVILLE MISCELLANEOUS PLAN, A COST SHARING DEFINED BENEFIT PENSION PLAN SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST TEN FISCAL YEARS\*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the net pension liability	0.04506%	0.102732%	0.10814%
Proportionate share of the net pension liability	\$ 1,113,659	\$ 2,818,412	\$ 3,756,736
Covered payroll	\$ 1,243,549	\$ 1,228,822	\$ 1,172,974
Proportionate share of the net pension liability as a percentage of covered payroll	89.55%	229.36%	320.27%
Plan fiduciary net position as a percentage of the pension liability	16.96%	18.44%	23.95%
Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016

\* Fiscal year 2015 was the first year of implementation, therefore, only 3 years are shown.

# CITY OF MARYSVILLE, CALIFORNIA

## CITY OF MARYSVILLE MISCELLANEOUS PLAN, A COST SHARING DEFINED BENEFIT PENSION PLAN SCHEDULE OF CONTRIBUTIONS LAST TEN FISCAL YEARS\*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contributions	\$ 185,501	\$ 795,066	\$ 444,287
Contributions in relation to the actuarially determined contribution	<u>(185,501)</u>	<u>(210,371)</u>	<u>(240,397)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 584,695</u>	<u>\$ 203,890</u>
Covered payroll	\$ 1,228,822	\$ 1,172,974	\$ 1,209,884
Contributions as a percentage of covered payroll	15.10%	17.93%	19.87%

\* Fiscal year 2015 was the first year of implementation, therefore, only 3 years are shown.

## CITY OF MARYSVILLE, CALIFORNIA

### CITY OF MARYSVILLE SAFETY PLAN, A COST SHARING DEFINED BENEFIT PENSION PLAN SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST TEN FISCAL YEARS\*

	<b>2015</b>	<b>2016</b>	<b>2017</b>
Proportion of the net pension liability	0.27225%	0.184268%	0.17725%
Proportionate share of the net pension liability	\$ 6,728,712	\$ 7,592,673	\$ 9,180,407
Covered payroll	\$ 996,792	\$ 1,011,871	\$ 1,366,046
Proportionate share of the net pension liability as a percentage of covered payroll	675.04%	750.36%	672.04%
Plan fiduciary net position as a percentage of the pension liability	23.77%	26.77%	31.70%
Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016

\* Fiscal year 2015 was the first year of implementation, therefore, only 3 years are shown.

## CITY OF MARYSVILLE, CALIFORNIA

### CITY OF MARYSVILLE MISCELLANEOUS PLAN, A COST SHARING DEFINED BENEFIT PENSION PLAN SCHEDULE OF CONTRIBUTIONS LAST TEN FISCAL YEARS\*

	<b>2015</b>	<b>2016</b>	<b>2017</b>
Actuarially determined contributions	\$ 313,745	\$ 1,030,147	\$ 683,361
Contributions in relation to the actuarially determined contribution	(313,745)	(663,872)	(657,296)
Contribution deficiency (excess)	\$ -	\$ 366,275	\$ 26,065
Covered payroll	\$ 1,011,871	\$ 1,366,046	\$ 1,395,874
Contributions as a percentage of covered payroll	31.01%	48.60%	47.09%

\* Fiscal year 2015 was the first year of implementation, therefore, only 3 years are shown.

# CITY OF MARYSVILLE, CALIFORNIA

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### NOTE 1 - CHANGE IN BENEFIT TERMS

The amounts above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statements as CalPERS considers such amount to be separately financed employer-specific liabilities.

### NOTE 2 - SIGNIFICANT METHODS AND ASSUMPTIONS

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry Age Normal Cost Method
Actuarial assumptions:	
Discount rate	7.65%
Inflation rate	2.75%
Payroll growth	3.00%
Projected Salary increases	Varies by entry age and service
Investment rate of return	7.50% net of pension plan investment expenses, including inflation
Mortality	Based on the 2010 CalPRES Experience Study

### NOTE 3 - PENSION EXPENSE RECOGNIZED

The pension expense recognized by the employer for the fiscal year ended June 30, 2017 was \$1,429,756.

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



# CITY OF MARYSVILLE, CALIFORNIA

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS AS OF JUNE 30, 2017

	Special Revenue Funds	Debt Service 2011 Taxable Certificates of Participation Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS:</b>				
Cash and investments	\$ 518,255	\$ -	\$ 98,196	\$ 616,451
Receivables:				
Accounts receivable	4,167	-	-	4,167
Interest receivable	657	-	125	782
Loans receivable	1,750,894	-	-	1,750,894
Due from other governments	-	-	35,601	35,601
<b>TOTAL ASSETS</b>	<b>\$ 2,273,973</b>	<b>\$ -</b>	<b>\$ 133,922</b>	<b>\$ 2,407,895</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 12,718	\$ -	\$ 20,387	\$ 33,105
Accrued payroll liabilities	18,044	-	-	18,044
Due to other funds	8,204	-	37,651	45,855
<b>TOTAL LIABILITIES</b>	<b>38,966</b>	<b>-</b>	<b>58,038</b>	<b>97,004</b>
<b>FUND BALANCES:</b>				
Non-spendable:				
Notes receivable	1,750,894	-	-	1,750,894
Committed:				
Subsequent year's expenditures	185,155	-	-	185,155
Restricted:				
Road improvements and repairs	-	-	98,321	98,321
Unassigned				
Special revenue funds	298,958	-	-	298,958
Capital projects funds	-	-	(22,437)	(22,437)
<b>TOTAL FUND BALANCES</b>	<b>2,235,007</b>	<b>-</b>	<b>75,884</b>	<b>2,310,891</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,273,973</b>	<b>\$ -</b>	<b>\$ 133,922</b>	<b>\$ 2,407,895</b>

# 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, 2017

	<b>Special Revenue Funds</b>	<b>Debt Service 2011 Taxable Certificates of Participation Fund</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES:</b>				
Intergovernmental revenue	\$ 497,958	\$ -	\$ 448,923	\$ 946,881
Charges for services	143,453	-	-	143,453
Use of money and property	3,641	-	459	4,100
Program income	11,660	-	-	11,660
Insurance recovery	8,276	-	-	8,276
	<b>TOTAL REVENUES</b>	-	449,382	1,114,370
<b>EXPENDITURES:</b>				
Current:				
General government	365,267	-	-	365,267
Public safety	45,654	-	-	45,654
Streets and public works	427,006	-	56,647	483,653
Capital outlay	247,942	-	350,284	598,226
	<b>TOTAL EXPENDITURES</b>	-	406,931	1,492,800
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(420,881)</b>	-	42,451	<b>(378,430)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	69,278	-	2,754	72,032
Transfers out	(101,472)	(743,221)	-	(844,693)
	<b>TOTAL OTHER FINANCING</b>	(743,221)	2,754	(772,661)
<b>NET CHANGE IN FUND BALANCE</b>	<b>(453,075)</b>	(743,221)	45,205	<b>(1,151,091)</b>
<b>FUND BALANCE, JULY 1:</b>				
As originally stated	2,680,903	743,221	30,679	3,454,803
Prior period adjustment	7,179	-	-	7,179
As restated	2,688,082	743,221	30,679	3,461,982
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 2,235,007</b>	<b>\$ -</b>	<b>\$ 75,884</b>	<b>\$ 2,310,891</b>

# CITY OF MARYSVILLE, CALIFORNIA

## COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS AS OF JUNE 30, 2017

	<b>Business Develop- ment Cen- ter Fund</b>	<b>Gas Tax Fund</b>	<b>Narcotics Enforce- ment Fund</b>	<b>Asset Seizure Fund</b>	<b>Sidewalk Fund</b>
<b>ASSETS:</b>					
Cash and investments	\$ -	\$ 263,981	\$ 1,192	\$ 297	\$ 13,472
Receivables:					
Accounts receivable	-	419	-	-	1,545
Interest receivable	-	294	2	-	17
Notes receivable	-	-	-	-	-
	<b>TOTAL ASSETS</b>	<b>\$ 264,694</b>	<b>\$ 1,194</b>	<b>\$ 297</b>	<b>\$ 15,034</b>
<b>LIABILITIES:</b>					
Accounts payable	\$ -	\$ 9,713	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	18,044	-	-	-
Due to other funds	-	-	-	-	-
	<b>TOTAL LIABILITIES</b>	<b>27,757</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE:</b>					
Non-spendable:					
Notes receivable	-	-	-	-	-
Committed:					
Subsequent year's expenditures	-	75,584	-	-	-
Unassigned	-	161,353	1,194	297	15,034
	<b>TOTAL FUND BALANCE (DEFICIT)</b>	<b>236,937</b>	<b>1,194</b>	<b>297</b>	<b>15,034</b>
	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 264,694</b>	<b>\$ 1,194</b>	<b>\$ 297</b>	<b>\$ 15,034</b>

Revolving Loan Funds			Law Enforcement Grants				TOTALS
CDBG Principal and Interest Fund	HOME Program Income Fund	2015 CDBG Fund	Avoid The 9 Fund	COPS/SLESF Grant Fund	Office of Traffic Safety Traffic Grant	LAFCO Fund	
\$ 14,753	\$ 96,536	\$ 2,843	\$ -	\$ 125,181	\$ -	\$ -	\$ 518,255
-	1,813	-	-	140	-	250	4,167
50	155	-	-	139	-	-	657
1,187,697	563,197	-	-	-	-	-	1,750,894
<u>\$ 1,202,500</u>	<u>\$ 661,701</u>	<u>\$ 2,843</u>	<u>\$ -</u>	<u>\$ 125,460</u>	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ 2,273,973</u>
\$ -	\$ -	\$ 3,005	\$ -	\$ -	\$ -	\$ -	\$ 12,718
-	-	-	-	-	-	-	18,044
-	3,736	-	-	-	-	4,468	8,204
-	3,736	3,005	-	-	-	4,468	38,966
1,187,697	563,197	-	-	-	-	-	1,750,894
14,803	94,768	-	-	-	-	-	185,155
-	-	(162)	-	125,460	-	(4,218)	298,958
1,202,500	657,965	(162)	-	125,460	-	(4,218)	2,235,007
<u>\$ 1,202,500</u>	<u>\$ 661,701</u>	<u>\$ 2,843</u>	<u>\$ -</u>	<u>\$ 125,460</u>	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ 2,273,973</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, 2017

	Business Develop- ment Cen- ter Fund	Gas Tax Fund	Narcotics Enforce- ment Fund	Asset Seizure Fund	Sidewalk Fund
<b>REVENUES:</b>					
Intergovernmental revenue	\$ -	\$ 292,445	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Use of money and property	-	901	7	2	77
Program income	-	-	-	-	-
Insurance recovery	-	8,276	-	-	-
	<u>-</u>	<u>301,622</u>	<u>7</u>	<u>2</u>	<u>77</u>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Streets and public works	-	427,006	-	-	-
Capital outlay	-	-	-	-	-
	<u>-</u>	<u>427,006</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>(125,384)</u>	<u>7</u>	<u>2</u>	<u>77</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	4,913	-	-	-	-
Transfers out	-	(32,839)	-	-	(2,424)
<b>TOTAL OTHER FINANCING</b>	<u>4,913</u>	<u>(32,839)</u>	<u>-</u>	<u>-</u>	<u>(2,424)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>4,913</u>	<u>(158,223)</u>	<u>7</u>	<u>2</u>	<u>(2,347)</u>
<b>FUND BALANCE (DEFICIT), JULY 1:</b>					
As originally stated	(4,913)	387,981	1,187	295	17,381
Prior period adjustment	-	7,179	-	-	-
As restated	<u>(4,913)</u>	<u>395,160</u>	<u>1,187</u>	<u>295</u>	<u>17,381</u>
<b>FUND BALANCE (DEFICIT), JUNE 30</b>	<u>\$ -</u>	<u>\$ 236,937</u>	<u>\$ 1,194</u>	<u>\$ 297</u>	<u>\$ 15,034</u>

Revolving Loan Funds			Law Enforcement Grants				TOTALS
CDBG Principal and Interest Fund	HOME Program Income Fund	2015 CDBG Fund	Avoid The 9 Fund	COPS/SLESF Grant Fund	Office of Traffic Safety Traffic Grant	LAFCO Fund	
\$ -	\$ -	\$ -	\$ 39,861	\$ 125,109	\$ 40,543	\$ -	\$ 497,958
-	-	-	-	-	-	143,453	143,453
1,345	551	-	-	351	-	407	3,641
9,842	1,818	-	-	-	-	-	11,660
-	-	-	-	-	-	-	8,276
<u>11,187</u>	<u>2,369</u>	<u>-</u>	<u>39,861</u>	<u>125,460</u>	<u>40,543</u>	<u>143,860</u>	<u>664,988</u>
5,850	3,736	64,410	-	-	-	291,271	365,267
-	-	-	28,280	-	17,374	-	45,654
-	-	-	-	-	-	-	427,006
<u>247,750</u>	<u>-</u>	<u>-</u>	<u>192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,942</u>
<u>253,600</u>	<u>3,736</u>	<u>64,410</u>	<u>28,472</u>	<u>-</u>	<u>17,374</u>	<u>291,271</u>	<u>1,085,869</u>
<u>(242,413)</u>	<u>(1,367)</u>	<u>(64,410)</u>	<u>11,389</u>	<u>125,460</u>	<u>23,169</u>	<u>(147,411)</u>	<u>(420,881)</u>
-	-	64,365	-	-	-	-	69,278
<u>(64,367)</u>	<u>(1,842)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101,472)</u>
<u>(64,367)</u>	<u>(1,842)</u>	<u>64,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,194)</u>
<u>(306,780)</u>	<u>(3,209)</u>	<u>(45)</u>	<u>11,389</u>	<u>125,460</u>	<u>23,169</u>	<u>(147,411)</u>	<u>(453,075)</u>
1,509,280	661,174	(117)	(11,389)	-	(23,169)	143,193	2,680,903
-	-	-	-	-	-	-	7,179
<u>1,509,280</u>	<u>661,174</u>	<u>(117)</u>	<u>(11,389)</u>	<u>-</u>	<u>(23,169)</u>	<u>143,193</u>	<u>2,688,082</u>
<u>\$ 1,202,500</u>	<u>\$ 657,965</u>	<u>\$ (162)</u>	<u>\$ -</u>	<u>\$ 125,460</u>	<u>\$ -</u>	<u>\$ (4,218)</u>	<u>\$ 2,235,007</u>

# CITY OF MARYSVILLE, CALIFORNIA

## COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS AS OF JUNE 30, 2017

	<u>Capital Projects Fund</u>	<u>Transport- ation and Transit Fund</u>	<u>TOTALS</u>
<b>ASSETS:</b>			
Cash and investments	\$ -	\$ 98,196	\$ 98,196
Receivables:			
Interest receivable	-	125	125
Due from other governments	<u>35,601</u>	<u>-</u>	<u>35,601</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 35,601</u></u>	<u><u>\$ 98,321</u></u>	<u><u>\$ 133,922</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 20,387	\$ -	\$ 20,387
Due to other funds	<u>37,651</u>	<u>-</u>	<u>37,651</u>
<b>TOTAL LIABILITIES</b>	<u><u>58,038</u></u>	<u><u>-</u></u>	<u><u>58,038</u></u>
 <b>FUND BALANCE:</b>			
Restricted for:			
Road improvements and repairs	-	98,321	98,321
Unassigned	<u>(22,437)</u>	<u>-</u>	<u>(22,437)</u>
<b>TOTAL FUND BALANCE</b>	<u><u>(22,437)</u></u>	<u><u>98,321</u></u>	<u><u>75,884</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 35,601</u></u>	<u><u>\$ 98,321</u></u>	<u><u>\$ 133,922</u></u>

# 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, 2017

	Capital Projects Fund	Transport- ation and Transit Fund	TOTALS
<b>REVENUES:</b>			
Intergovernmental revenues	\$ 448,923	\$ -	\$ 448,923
Use of money and property	-	459	459
<b>TOTAL REVENUES</b>	448,923	459	449,382
<b>EXPENDITURES:</b>			
Current:			
Streets and public works	56,647	-	56,647
Capital outlay	350,284	-	350,284
<b>TOTAL EXPENDITURES</b>	406,931	-	406,931
<b>EXCESS (DEFICIENCY) OF REV- ENUES OVER EXPENDITURES</b>	41,992	459	42,451
<b>OTHER FINANCING SOURCES:</b>			
Transfers in	2,754	-	2,754
<b>TOTAL OTHER FINANCING SOURCES</b>	2,754	-	2,754
<b>NET CHANGE IN FUND BALANCE</b>	44,746	459	45,205
FUND BALANCE, JULY 1	(67,183)	97,862	30,679
<b>FUND BALANCE, JUNE 30</b>	\$ (22,437)	\$ 98,321	\$ 75,884

# CITY OF MARYSVILLE, CALIFORNIA

## COMBINING BALANCE SHEET - AGENCY FUNDS AS OF JUNE 30, 2017

	<u>Levee Commission Fund</u>	<u>Mary Aaron Museum Fund</u>	<u>TOTALS</u>
<b>ASSETS:</b>			
Cash and investments	\$ 238,071	\$ 9,830	\$ 247,901
Receivables:			
Accounts receivable	607	12	619
Interest receivable	359	12	371
Prepaid costs	9,338	-	9,338
Due from other governments	<u>26,160</u>	<u>-</u>	<u>26,160</u>
<b>        TOTAL ASSETS</b>	<b><u>\$ 274,535</u></b>	<b><u>\$ 9,854</u></b>	<b><u>\$ 284,389</u></b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 11,968	\$ 449	\$ 12,417
Due to other agencies	<u>262,567</u>	<u>9,405</u>	<u>271,972</u>
<b>        TOTAL LIABILITIES</b>	<b><u>\$ 274,535</u></b>	<b><u>\$ 9,854</u></b>	<b><u>\$ 284,389</u></b>

# CITY OF MARYSVILLE, CALIFORNIA

## COMBINING BALANCE SHEET - AGENCY FUNDS AS OF JUNE 30, 2017

	<b>Balance at July 1, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at June 30, 2017</b>
<b><u>LEVEE COMMISSION FUND:</u></b>				
<b>ASSETS:</b>				
Cash and investments	\$ 291,715	\$ 398,463	\$ (452,207)	\$ 237,971
Receivables:				
Accounts receivable	299	607	(299)	607
Interest receivable	270	359	(270)	359
Prepaid costs	9,808	9,338	(9,808)	9,338
Due from other governments	20,168	26,160	(20,168)	26,160
<b>TOTAL ASSETS</b>	<b>\$ 322,260</b>	<b>\$ 434,927</b>	<b>\$ (482,752)</b>	<b>\$ 274,435</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 46,226	\$ 277,400	\$ (311,658)	\$ 11,968
Accrued payroll liabilities	6,834	6,208	(13,042)	-
Due to other agencies	269,200	676,782	(683,515)	262,467
	<b>\$ 322,260</b>	<b>\$ 960,390</b>	<b>\$ (1,008,215)</b>	<b>\$ 274,435</b>
<b><u>MARY AARON MUSEUM FUND:</u></b>				
<b>ASSETS:</b>				
Cash and investments	\$ 5,876	\$ 8,328	\$ (4,374)	\$ 9,830
Receivables:				
Accounts receivable	-	12	-	12
Interest receivable	5	12	(5)	12
<b>TOTAL ASSETS</b>	<b>\$ 5,881</b>	<b>\$ 8,352</b>	<b>\$ (4,379)</b>	<b>\$ 9,854</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 195	\$ 4,930	\$ (4,675)	\$ 450
Due to other agencies	5,686	11,755	(8,037)	9,404
	<b>\$ 5,881</b>	<b>\$ 16,685</b>	<b>\$ (12,712)</b>	<b>\$ 9,854</b>
<b><u>TOTAL AGENCY FUNDS</u></b>				
<b>ASSETS:</b>				
Cash and investments	\$ 297,591	\$ 406,791	\$ (456,581)	\$ 247,801
Receivables:				
Accounts receivable	299	619	(299)	619
Interest receivable	275	371	(275)	371
Prepaid costs	9,808	9,338	(9,808)	9,338
Due from other governments	20,168	26,160	(20,168)	26,160
<b>TOTAL ASSETS</b>	<b>\$ 328,141</b>	<b>\$ 443,279</b>	<b>\$ (487,131)</b>	<b>\$ 284,289</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 46,421	\$ 282,330	\$ (316,333)	\$ 12,418
Accrued payroll liabilities	6,834	6,208	(13,042)	-
Due to other agencies	274,886	688,537	(691,552)	271,871
	<b>\$ 328,141</b>	<b>\$ 977,075</b>	<b>\$ (1,020,927)</b>	<b>\$ 284,289</b>

**OTHER REPORTS**



***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, 2017, which collectively comprise the City of Marysville, California’s basic financial statements and have issued our report thereon dated July 22, 2018.

***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.



July 22, 2018