

City Council Meeting

COUNCIL CHAMBERS, 33 SOUTH MAIN STREET, COLFAX, CA

← · Mayor Sean Lomen · Mayor Pro Tem Trinity Burruss
Councilmembers · David Ackerman · Joe Fatula · Marnie Mendoza →

REGULAR MEETING AGENDA

February 10, 2021

Closed Session 5:30PM

Regular Session: 6:00PM

The open session will be performed via TELECONFERENCE

Join via ZOOM on a computer or mobile device by visiting
<https://us02web.zoom.us/j/82902723776>

Dial in by calling one of the numbers listed below and enter the Webinar ID:
829 0272 3776

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Or join via Facebook Live on our City of Colfax page: City of Colfax California

Submit public comments to the City Clerk via email at city.clerk@colfax-ca.gov, by mail to PO BOX 702, Colfax CA 95713, or drop them off in the office at 33 S. Main Street, Colfax CA 95713.

Comments received will be submitted to Council and made part of the record.

1 CLOSED SESSION

1A. **Call Closed Session to Order**

1B. **Roll Call**

1C. **Public Comment on Closed Session Items**

1D. **Closed Session:**

Conference with Labor Negotiators pursuant to Government Code Section 54957.6.

City's designated representatives: City Manager Wes Heathcock and Labor Consultant Dennis Batchelder.

Employee organization: General unit employees represented by IUOE, Stationary Engineers, Local 39

2 OPEN SESSION

2A. **Call Open Session to Order**

2B. **Closed Session Report**

2B. **Pledge of Allegiance**

2C. **Roll Call**

2D. **Approval of Agenda Order**

This is the time for changes to the agenda to be considered including removal, postponement, or change to the agenda sequence.

Recommended Action: By motion, accept the agenda as presented or amended.



3 **AGENCY REPORTS**

- 3A. **Placer County Sheriff**
- 3B. **CHP**
- 3C. **City of Colfax Volunteer Fire Department/PCFD**

4 **PRESENTATION** (NO PRESENTATIONS)

5 **PUBLIC HEARING** (NO PUBLIC HEARING)

6 **CONSENT CALENDAR**

Matters on the Consent Calendar are routine in nature and will be approved by one blanket motion with a Council vote. No discussion of these items ensues unless specific items are pulled for discussion and separate action. If you wish to have an item pulled from the Consent Agenda for discussion, please notify the Mayor.

Recommended Action: Approve Consent Calendar

- 6A. **Minutes** (pages 5-8)

Recommendation: By Motion, approve the Colfax City Council minutes of 1/27/2021.

- 6B. **CDBG CV 2/3 Application Approval** (pages 9-12)

Recommendation: By Resolution __-2021, authorize the City Manager to submit CDBG CV 2/3 grant application upon completion on behalf of the community.

- 6C. **WWTP Powerlines Vegetation Clearing** (pages 13-24)

Recommendation: By Resolution __-2021, authorize the City Manager to execute an agreement with Sierra West Development, LLC for the WWTP powerlines vegetation maintenance in an amount not to exceed \$14,850.

- 6D. **Kneeland Street Pavement Rehabilitation Project – Final Reconciliation** (pages 25-26)

Recommendation: Review and file.

*** End of Consent Calendar ***

7 **PUBLIC COMMENT**

The purpose of these reports is to provide information to the Council and public on projects, programs, and issues discussed at committee meetings and other items of Colfax related information. No decisions will be made on these issues. If a member of the Council prefers formal action be taken on any committee reports or other information, the issue will be placed on a future Council meeting agenda.

8 **COUNCIL AND STAFF**

The purpose of these reports is to provide information to the Council and public on projects, programs, and issues discussed at committee meetings and other items of Colfax related information. No decisions will be made on these issues. If a member of the Council prefers formal action be taken on any committee reports or other information, the issue will be placed on a future Council meeting agenda.

- 8A. **Committee Reports and Colfax Informational Items – All Councilmembers**

- 8B. **City Operations Update – City Manager**



9 **COUNCIL BUSINESS**

9A. **City of Colfax Audit Report as of Fiscal Year Ended June 30, 2020** (pages 27-114)

Presentation: Brian Nash, Managing Partner (Richardson and Co.), Auditor

Recommendation: Receive Audit Reports as of June 30, 2020 - Discuss and approve as appropriate.

9B. **Council Committee Assignment – Flood Control District** (pages 115-126)

Presentation: Wes Heathcock, City Manager

Recommendation: Discuss and appoint a member of Council to the Flood Control District Board.

9C. **City Use Of Facebook And Other Social Media** (pages 127-128)

Presentation: Mick Cabral, City Attorney

Recommendation: Discuss and possibly take action to discontinue or modify the City’s use of Facebook and other social media.

10 **GOOD OF THE ORDER**

Informal statements, observation reports and inquiries regarding the business of the City may be presented by council members under this agenda item or requests for placement of items of interest on a future agenda. No action will be taken.

11 **ADJOURNMENT**

I, Amy Lind, Interim City Clerk for the City of Colfax, declare that this agenda was posted at Colfax City Hall and Colfax Post Office. The agenda is also available on the City website at <http://colfax-ca.gov/>

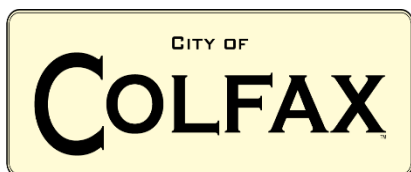
Amy M. Lind

Amy Lind, Interim City Clerk

Administrative Remedies must be exhausted prior to action being initiated in a court of law. If you challenge City Council action in court, you may be limited to raising only those issues you or someone else raised at a public hearing described in this notice/agenda, or in written correspondence delivered to the City Clerk of the City of Colfax at, or prior to, said public hearing.



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City Council Minutes

Regular Meeting of Wednesday, January 27, 2021

City Hall Council Chambers

33 S. Main Street, Colfax CA via Zoom Meetings

1 CLOSED SESSION

No closed session

2 OPEN SESSION

- 2A. Call Open Session to Order at 6:06 p.m.
- 2B. Pledge of Allegiance led by Council Member Ackerman
- 2C. Roll Call
- 2D. Approval of Agenda Order

Recommendation: By motion, accept the agenda as presented.

MOTION made by Councilmember Ackerman and seconded Councilmember Fatula and approved by the following roll call vote:

AYES: Mendoza, Ackerman, Burruss, Fatula, Lomen

NOES:

ABSTAIN:

ABSENT:

3 AGENCY REPORTS

- 3A. Placer County Sheriff – Sgt Griffiths provided a report.
- 3B. CalFIRE – Battalion Chief Eagan, Placer County Chief Estes and East Division Chief Mike Rufenacht reported.
- 3C. CHP – not available

4 PRESENTATION (no presentations)

5 PUBLIC HEARING

5A. Public Hearing – CDBG – CV 2/3 Coronavirus Aid, Relief, and Economic Security Act

City Manager Heathcock introduced the item. Paul Ashby, from Adams & Ashby, provided a presentation (available in record). Council opened the public hearing and asked for public comment regarding the Community Development Block Grant Coronavirus Aid, Relief and Economic Security Act (CDBG-CV2 and CV3) program and possible activities and projects to be considered for funding under the upcoming Notice of Funding Availability (NOFA) process.

No public comment was received. Council member questions and comments followed.

Provide direction for staff to prepare an application (when available) in response to the release of the Notice of Funding Availability (NOFA) for CDBG-CV2 and CV3 funds for COVID-19 related activities that benefit low and moderate-income residents.

MOTION made by Mayor Pro Tem Burruss and seconded Councilmember Mendoza and approved by the following roll call vote:

AYES: Mendoza, Ackerman, Burruss, Fatula, Lomen

NOES:

ABSTAIN:

ABSENT:

5B. Public Hearing - Fireworx Farms, LLC Commercial Cannabis Cultivation Business Permit

City Manager Heathcock introduced this item. Kyle Tankard, from SCI Consulting provided a presentation. Representatives from Fireworx Farms provided a presentation to Council: Angelica Sanchez and Arturo Sanchez. Council opened the Public Hearing.

Public comment: Gloria Freeman, Heath Nagy, Mary Walker, Nichole Trujillo Rice, Pete (no last name provided), property owner in area (name not provided) and Jarrod (no last name provided).

Council questions and comments followed regarding the proposed Commercial Cannabis Cultivation Business Permit for Fireworx Farms, LLC.

By MOTION, continue to the 2/24/2021 Colfax City Council meeting (6pm) to allow time for Council to view the applicants existing facilities and to allow the applicant to bring back a conceptual water plan. MOTION made by Mayor Pro Tem Burruss and seconded Councilmember Ackerman and approved by the following roll call vote:

AYES: Mendoza, Ackerman, Burruss, Fatula, Lomen

NOES:

ABSTAIN:

ABSENT:

6 CONSENT CALENDAR

6A. Cash Summary – December 2020

Recommendation: Accept and File.

6B. Unconditional Acceptance of an Existing Public Storm Drainage Easement on John McLaughlin Properties

Recommendation: Adopt Resolution 7-2020 Authorizing Unconditional Acceptance of an Existing Storm Drainage Easement on John McLaughlin Properties (APN 006-061-43 & 44).

6C. Minutes

Recommendation: By Motion, approve the Colfax City Council minutes of 1/13/2021.

6D. Kneeland Street Pavement Rehabilitation Project – Notice of Completion

Recommendation: Adopt Resolution 8-2021 accepting the Kneeland Street Pavement Rehabilitation Project as complete and authorizing the recording of the notice of completion.

6E. Shadow Wood Place Subdivision – Notice of Completion

Recommendation: Adopt Resolution 9-2021 accepting the Shadow Wood Place Subdivision Improvements as complete and authorizing the recording of the Notice of Completion.

*** End of Consent Calendar ***

By MOTION, approve the consent calendar.

MOTION made by Mayor Pro Tem Burruss and seconded by Council Member Fatula and approved by the following roll call vote:

AYES: Mendoza, Ackerman, Burruss, Fatula, Lomen

NOES:
ABSTAIN:
ABSENT:

7 PUBLIC COMMENT (no public comment received)

8 COUNCIL AND STAFF REPORTS

- 8A. Council Member Ackerman spoke about the tour of the CAL FIRE facility this Friday. Council Member Mendoza reported on COVID resources. Mayor Pro Tem Burruss reported on conversations with local schools, PCTPA and Green Machine (3rd of July event). Mayor Lomen provided COVID updates.
- 8B. City Manager Heathcock reported on a CDBG project.

9 COUNCIL BUSINESS

- 9A. **Colfax Fire Service Placer County – Ad hoc Committee**
City Manager Heathcock introduced this item. Council discussed the option of establishing an Ad hoc committee for the Colfax Fire Service Placer County contract renewal.
Public comment: Cindy Gustafson, Supervisor - District Five, Board of Supervisors
After council questions and comments, consensus of the Council was to review this contract at a public workshop with all council members in attendance.
By MOTION, plan a public workshop meeting regarding the contract renewal for Colfax Fire Service (Placer County/CAL FIRE).
MOTION made by Councilmember Mendoza and seconded by Council Member Ackerman and approved by the following roll call vote:
AYES: Mendoza, Ackerman, Burruss, Fatula, Lomen
NOES:
ABSTAIN:
ABSENT:
- 9B. **Small Business Grant Program – Colfax CARES**
Laurie Van Groningen, Finance Director, provided an update on the small business programs in partnership with the Placer Shares Grant and Sierra Business Council.
Council member questions and comments followed.
By MOTION, reopen a third round of funding for Colfax businesses, then use any remaining funds for Colfax non-profits.
MOTION made by Mayor Pro Tem Burruss and seconded by Council Member Fatula and approved by the following roll call vote:
AYES: Mendoza, Ackerman, Burruss, Fatula, Lomen
NOES:
ABSTAIN:
ABSENT:

10 GOOD OF THE ORDER

Council Member Fatula spoke about using platforms (other than Facebook) to stream the meeting and for other general city communications.

Council Member Ackerman asked about resuming meetings in person.

Council Member Mendoza asked city staff to check condition of flags.

Mayor Pro Tem Burruss spoke about concerns about school closure on a snow days and social media outreach and communications. Consensus was to have this discussion on the next agenda.

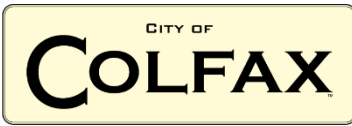
Mayor Lomen spoke about returning to in person Council Meetings, using COVID precautions.

11 ADJOURNMENT

As there was no further business on the agenda, Mayor Lomen adjourned the meeting, by motion and without objection at 8:27 p.m.

Respectfully submitted to City Council this 10th day of February, 2021

Amy Lind, Interim City Clerk



Staff Report to City Council

FOR THE FEBRUARY 10, 2021 REGULAR CITY COUNCIL MEETING

From: Wes Heathcock, City Manager
Prepared by: Wes Heathcock, City Manager, Lorie Adams, Adams Ashby Group
Subject: CDBG CV 2/3 Application Approval

Budget Impact Overview:

N/A: ✓	Funded:	Un-funded:	Amount:	Fund(s):
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RECOMMENDED ACTION: Authorize the City Manager to submit CDBG CV 2/3 grant application upon completion on behalf of the community.

Summary/Background

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act in response to the impacts of the COVID-19 pandemic. The California State Department of Housing and Community Development (HCD) published a Notice of Funding Availability (NOFA) for Community Development Block Grant Coronavirus Aid, Relief, and Economic Security (CDBG-CV1) funds on June 5, 2020 for \$18.7 million in funds. Additional funding has been made available to the department and will be allocated to the Cities and Counties and the NOFA was released late December. The State has received a total \$113,263,490 in CV2 and \$18,031,478 in CV3 funding and the City of Colfax has been allocated \$219,150. The City has already made an application for CV1 Funds for a Subsistence Payment Program and we are awaiting our contract to begin implementation. A maximum of two (2) additional activities will be allowed under this application cycle. Each activity must expend all funds within 24 months of the contract execution. The City may also allocate addition funding to the Subsistence Program awarded under the CV1 funding contract.

Eligible activities paid for with State CDBG funds must meet one of the three National Objectives listed in CDBG Federal Statutes as follows: benefit to low-income households or persons (also called Low/Mod Benefit), slum and blight (addressing physical problems in specific neighborhoods) or meeting urgent community development need (a need resulting from a state or federal declared disaster or posing unforeseen risks to health and safety). In addition, eligible activities must be used directly to prevent, prepare for or respond to COVID-19 and meet CDBG requirements as provided and directed by HCD in the published NOFA and outlined in their plan as follows:

- Public services to respond to COVID-19 impacts
- Public facility improvements to increase capacity for healthcare facilities and improve public facility safety
- Housing facilities for persons experiencing homelessness, including acquisition and rehabilitation
- Economic development to support needs of local businesses to retain and bring back jobs impacted by COVID-19

All activities are required to meet a National Objective as outlined under Section IV of the attached NOFA.

On January 27, 2021, the City Council held a Public Hearing at their Council Meeting to accept public input and participation on how these funds should be used in the City of Colfax. After providing a public comment period, the Council directed staff to expand the funding in the CV1 Subsistence Payment Program.

Staff has provided the proposed resolution to support the Subsistence Payment Program and provide additional funds from the CV 2/3 allocation provided by the Department of Housing and Community Development CDBG Program. A Resolution has been prepared for Council approval. Based on recent directive from CDBG, the program will be adjusted to support mortgage and utility payments. Rent will be covered by the direct State program and provide 12 months assistance.

Since the last meeting and Council discussion, a change has been made by the State that will impact the program and required adjustment and consideration. The State has/will be implementing a Rental Payment Program that will eliminate the use of our funding for rental payments. The City program will be specifically for mortgage payments and/or utility payments (water, sewer, garbage, gas, electric, cable/internet) and all rent requests would be under the new State program. Additionally, the State program will pay for up to 12 months of rent where the CDBG program will only allow up to 3 months at this time. The State program will have funds allocated to Colfax specifically but will be administered by the State contractor rather by the City.

Environmental Review

CEQA and NEPA review will be considered based on the project or program selected. Programs are provided an exemption and documents will be completed accordingly.

Fiscal Impacts

The costs of the program are included in the funds provided by HCD. The Resolution provided outlines both CV1 and CV2 funding for a total award of \$279,374.

The breakdown of General Administration costs are as follows:

CV1	General Administration Allocation	\$10,238
CV2/3	General Administration Allocation	<u>\$28,490</u>
Total		\$38,728

From the General Administration Allocation, the City will cover staff costs and our consultant costs to operate the program.

Attachments:

1. Resolution __-2021

City of Colfax

City Council

Resolution No. __-2021

APPROVING AN AMENDMENT TO THE 2020 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM - CORONAVIRUS RESPONSE ROUND 1 (CDBG-CV1) STANDARD AGREEMENT TO ADD ADDITIONAL FUNDS FROM THE 2020 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM- CORONAVIRUS RESPONSE ROUND 2 AND 3 NOFA DATED DECEMBER 18, 2020

NOW THEREFORE, BE IT RESOLVED the City Council of the City of Colfax as follows:

SECTION 1:

The *City Council* has reviewed and hereby approves the submission to the State of California (“State”) of application(s) to add additional funding to the *City’s* existing CDBG-CV1 Standard Agreement with the State (“Standard Agreement”) for the following new CDBG-CV2 and CV3 activities pursuant to the State’s December 2020 CDBG-CV2 and 3 Notice of Funding Availability (“NOFA”):

List New Activities and Amendment Amounts

Current CDBG-CV1 Activities

Subsistence Payment Program \$ 60,224

Amount of New CDBG-CV2 and 3 Funds to Be Added to Activities

Subsistence Payment Program \$ 219,150

Total Amount of All CDBG-CV Activities

Subsistence Payment Program \$ 279,374

SECTION 2:

The *City* hereby approves the use of Program Income in an amount not to exceed \$0 for the new CDBG-CV2 and CV3 activities described in Section 1 above.

SECTION 3:

The *City* acknowledges compliance with all state and federal public participation requirements in the development of its application(s) for the new CDBG-CV2 and CV-3 activities described in Section 1 above.

SECTION 4:

The *City* hereby authorizes and directs the City Manager to execute and deliver all applications and act on the *City’s* behalf in all matters pertaining to all such applications.

SECTION 5:

If an amendment to the Standard Agreement is approved as contemplated above, the City Manager is authorized to enter in to, execute and deliver an amendment to the Standard Agreement and any and all other documentation which may be required by the State from time to time for the purposes of this grant.

SECTION 6:

If an amendment to the Standard Agreement is approved, the City Manager *or designee*, is authorized to sign and submit Funds Requests and all required reporting forms and other documentation as may be required by the State of California from time to time in connection with this grant.

THE FOREGOING RESOLUTION WAS DULY AND REGULARLY ADOPTED at the Regular Meeting of the City Council of the City of Colfax held on the 10th of February 2021 by the following vote of the Council:

- AYES:**
- NOES:**
- ABSTAIN:**
- ABSENT:**

ATTEST:

Amy Lind, Interim City Clerk

Sean Lomen, Mayor



Staff Report to City Council

FOR THE FEBRUARY 10, 2021 REGULAR CITY COUNCIL MEETING

From: Wes Heathcock, City Manager
Prepared by: Wes Heathcock, City Manager
Subject: WWTP Powerlines Vegetation Clearing

Budget Impact Overview:

N/A:	Funded: √	Un-funded:	Amount: \$14,850	Fund(s): 560
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RECOMMENDED ACTION: Authorize the City Manager to execute an agreement with Sierra West Development, LLC for the WWTP powerlines vegetation maintenance in an amount not to exceed \$14,850.

Summary/Background

The Wastewater Treatment Plant (WWTP) power supply is transferred through privately owned powerlines starting at the south end of the property running north to the electrical control room. The powerlines on the WWTP are considered secondary powerlines, which are privately owned and maintained by the City of Colfax.

The WWTP powerlines do not have adequate separation between the adjacent trees and the conductor cables. In order to reduce the potential fire danger, staff contacted three tree companies to provide costs to perform the necessary vegetation maintenance.

WWTP VEGETATION MAINTENANCE QUOTES		
Vendor	Value	Comments
Sierra West Development, LLC	\$13,500	
Carefree Tree Care	\$16,800	
Tree Pro Tree Service, Inc.	\$32,250	

Based on the quotes staff received, the recommendation is to authorize the City Manager to execute an agreement with Sierra West Development, LLC.

Fiscal Impacts

The cost of the vegetation maintenance service is funded by Fund 560. The project cost estimate is \$13,500 plus a 10% contingency for a total budget of \$14,850.

Attachments:

1. Resolution __-2021
2. Sierra West Development, LLC Agreement
3. Exhibit A

City of Colfax

City Council

Resolution No. __-2021

AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH SIERRA WEST DEVELOPMENT, LLC FOR THE WWTP POWERLINES VEGETATION MAINTENANCE IN AN AMOUNT NOT TO EXCEED \$14,850.

WHEREAS, The powerlines on the WWTP are considered secondary powerlines, which are privately owned and maintained by the City of Colfax; and,

WHEREAS, the WWTP powerlines do not have adequate separation between the adjacent trees and the conductor cables; and,

WHEREAS, staff contacted three vendors for costs to perform the necessary vegetation maintenance and Sierra West Development, LLC was the lowest quote.

NOW THEREFORE, BE IT RESOLVED the City Council of the City of Colfax, authorizes the City Manager to execute an agreement with Sierra West Development, LLC for the WWTP powerlines vegetation maintenance in an amount not to exceed \$14,850.

THE FOREGOING RESOLUTION WAS DULY AND REGULARLY ADOPTED at the Regular Meeting of the City Council of the City of Colfax held on the 10th of February 2021 by the following vote of the Council:

- AYES:**
- NOES:**
- ABSTAIN:**
- ABSENT:**

ATTEST:

Sean Lomen, Mayor

Amy Lind, Interim City Clerk

AGREEMENT FOR CONTRACT SERVICES

THIS AGREEMENT is made and entered into on this **11th day of February, 2021** by and between the City of Colfax, a municipal corporation of the State of California (“City”) and **Sierra West Development, LLC** (“Contractor”).

RECITALS

A. The City desires to retain Contractor to provide the Services set forth in detail in Exhibit A hereto (the “Services”) subject to the terms and conditions of this Agreement.

B. Contractor is duly licensed and sufficiently experienced to undertake and perform the Services in a skilled and workmanlike manner and desires to do so in accordance with the terms and conditions of this Agreement.

Now, therefore, in consideration of the mutual covenants, promises and conditions set forth in this Agreement, the City and Contractor agree as follows:

Section 1. Services.

Subject to the terms and conditions set forth in this Agreement, Contractor shall furnish and perform all of the Services described in detail in Exhibit A hereto and incorporated herein by this reference (the “Services”) to the satisfaction of the City. Contractor shall not perform any work exceeding the scope of the Services described in Exhibit A without prior written authorization from the City.

Section 2. Time of Completion.

Contractor’s schedule for performance of the Services is set forth in Exhibit A hereto which is incorporated herein by this reference. Contractor shall commence performance of the Services promptly upon receipt of written notice from the City to proceed. Performance of the Services shall progress and conclude in accordance with the schedule set forth in Exhibit A. During the performance of the Services, Contractor shall provide the City with written progress reports at least once each month and at such additional intervals as City may from time to time request.

Section 3. Compensation.

A. Except as may otherwise be provided in Exhibit A or elsewhere in this Agreement or its exhibits, Contractor shall invoice City once each month for the Services performed during the preceding month. Such invoices shall itemize all charges in such detail as may reasonably be required by City in the usual course of City business but shall include at least (i) the date of performance of each of the Services, (ii) identification of the person who performed the Services, (iii) a detailed description of the Services performed on each date, (iv) the hourly rate at which the Services on each date are charged, (v) an itemization of all costs incurred and (vi) the total charges for the Services for the month invoiced. As long as the Contractor performs the Services to the satisfaction of the City, the City shall pay the Contractor an all inclusive compensation that shall

not exceed the amount as detailed in Exhibit A except pursuant to an authorized written change order issued pursuant to Section 15 of this Agreement before the Services requiring additional compensation are performed. City shall pay Contractor no later than thirty (30) days after approval of the monthly invoice by City's staff.

B. The Contractor's compensation for the Services shall be full compensation for all indirect and direct personnel, materials, supplies, equipment and services incurred by the Contractor and used in carrying out or completing the Services. Payments shall be in accordance with the payment schedule established in Exhibit A or elsewhere in this Agreement or its exhibits.

C. The City shall have the right to receive, upon request, documentation substantiating charges billed to the City pursuant to this Agreement. The City shall have the right to perform an audit of the Contractor's relevant records pertaining to the charges.

D. Any Services performed more than sixty (60) days prior to the date upon which they are invoiced to the City shall not be compensable.

Section 4. Professional Ability; Standard of Quality.

City has relied upon the professional training and ability of Contractor to perform the Services described in Exhibit A as a material inducement to enter into this Agreement. Contractor shall therefore provide properly skilled professional and technical personnel to perform all Services under this Agreement. All Services performed by Contractor under this Agreement shall be in a skillful, workmanlike manner in accordance with applicable legal requirements and shall meet the standard of quality ordinarily to be expected of competent professionals in Contractor's field of expertise.

Section 5. Indemnification.

Contractor shall hold harmless and indemnify, including without limitation the cost to defend, the City and its officers, agents and employees from and against any and all claims, demands, damages, costs or liability that arise out of, or pertain to, or relate to the negligence, recklessness or willful misconduct of Contractor and/or its agents in the performance of the Services. This indemnity does not apply to liability for damages for death or bodily injury to persons, injury to property, or other loss, arising from the sole negligence, willful misconduct or material defects in design by the City or its agents, servants employees or independent contractors other than Contractor who are directly responsible to the City, or arising from the active negligence of the City officers, agents, employees or volunteers

Section 6. Insurance.

Without limiting Contractor's indemnification obligations provided for above, Contractor shall take out before beginning performance of the Services and maintain at all times during the life of this Agreement the following policies of insurance with insurers possessing a Best rating of not less than A. Contractor shall not allow any subcontractor, professional or otherwise, to commence work on any subcontract until all insurance required of the Contractor has also been obtained by the

subcontractor.

- A. Workers' Compensation Coverage. Statutory Workers' Compensation insurance and Employer's Liability Insurance to cover its employees. In the alternative, Contractor may rely on a self-insurance program to meet its legal requirements as long as the program of self-insurance complies fully with the provisions of the California Labor Code. Contractor shall also require all subcontractors, if such are authorized by the City, to similarly provide Workers' Compensation insurance as required by the Labor Code of the State of California for all of the subcontractor's employees. All Workers' Compensation policies shall be endorsed with the provision that the insurance shall not be suspended, voided, or cancelled until thirty (30) days prior written notice has been provided to City by the insurer. The Workers' Compensation insurance shall also contain a provision whereby the insurance company agrees to waive all rights of subrogation against the City and its elected or appointed officials, officers, agents, and employees for losses paid under the terms of such policy which arise from the Services performed by the insured for the City.
- B. General Liability Coverage. General liability insurance, including personal injury and property damage insurance for all activities of the Contractor and its subcontractors, if such are authorized by the City, arising out of or in connection with the Services. The insurance shall be written on a comprehensive general liability form and include a broad form comprehensive general liability endorsement. In the alternative, the City will accept, in satisfaction of these requirements, commercial general liability coverage which is equivalent to the comprehensive general liability form and a broad form comprehensive general liability endorsement. The insurance shall be in an amount of not less than \$1 million combined single limit personal injury and property damage for each occurrence. The insurance shall be occurrence based insurance. General liability coverage written on a claims made basis shall not be acceptable absent prior written authorization from the City.
- C. Automobile Liability Coverage. Automobile liability insurance covering bodily injury and property damage for all activities of the Contractor arising out of or in connection with this Agreement, including coverage for owned, hired and non-owned vehicles, in an amount of not less than \$1 million combined single limit for each occurrence.
- D. Policy Endorsements. Each general liability and automobile liability insurance policy shall be endorsed with the following provisions:
1. The City, and its elected or appointed officials, employees and agents shall be named as insureds or additional insureds with regard to damages and defenses of claims arising from activities performed by or on behalf of the Contractor.
 2. The insurance afforded by each policy shall apply separately to each insured who is seeking coverage or against whom a claim is made or a suit is brought, except with respect to the insurer's limits of liability.
 3. The insurance shall be primary insurance as respects the City and its elected or appointed officers, officials, employees and agents. Any other insurance maintained by

- the City or its elected or appointed officers, officials, employees, agents or volunteers shall be in excess of this insurance and shall not contribute with it.
4. The insurance shall not be suspended, voided, cancelled, or reduced in coverage or in limits except after thirty (30) days prior written notice has been provided to the City.
 5. Any failure to comply with the reporting requirements of any policy shall not affect coverage provided to the City, its elected or appointed officers, officials, employees, or agents.
- E. Professional Liability Coverage. If required by the City, Contractor shall also take out and maintain professional liability, errors and omissions insurance in an amount not less than \$1 million. The professional liability insurance policy shall be endorsed with a provision stating that it shall not be suspended, voided, cancelled, or reduced in coverage or in limits except after thirty (30) days written notice has been provided to the City.
- F. Insurance Certificates and Endorsements. Prior to commencing the Services under this Agreement, Contractor shall submit to the City documentation evidencing the required insurance signed by the insurance agent and the companies named. This documentation shall be on forms which are acceptable to the City and shall include all required endorsements and verify that coverage is actually in effect. This Agreement shall not be effective until the required insurance forms and endorsements are submitted to and approved by the City. Failure to provide these forms within the time period specified by City may result in the award of this Agreement to another Contractor should the City, in its sole discretion, decide to do so. Current certification of insurance shall be kept on file with the City at all times during the term of this Agreement.
- G. Deductible and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by City.
- H. Termination of Insurance. If the City receives notification that Contractor's insurance will be suspended, voided, cancelled or reduced in coverage or in limits, and if the Contractor does not provide for either the reinstatement of that insurance or for the furnishing of alternate insurance containing all of the terms and provisions specified above prior to the termination of that insurance, City may either terminate this Agreement for that breach, or City may secure the required insurance to satisfy the conditions of this Agreement and deduct the cost thereof from compensation which would otherwise be due and payable to the Contractor for Services rendered under the terms of this Agreement.

Section 7. Subcontracts.

Contractor may not subcontract any portion of the Services without the written authorization of City. If City consents to a subcontract, Contractor shall be fully responsible to the City and third parties for all acts or omissions of the subcontractor to which the Services or any portion thereof are subcontracted. Nothing in this Agreement shall create any contractual relationship between City and any subcontractor, nor shall it create any obligation on the part of the City to pay or cause the

payment of any monies due to any such subcontractor except as otherwise is required by law.

Section 8. Assignment.

Contractor shall not assign any right or obligation under this Agreement without the City's prior written consent. Any attempted assignment of any right or obligation under this Agreement without the City's prior written consent shall be void.

Section 9. Entire Agreement.

This Agreement represents the entire understanding of City and Contractor as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered herein. This Agreement may not be modified or altered except in writing signed by both parties.

Section 10. Jurisdiction.

This Agreement shall be administered and interpreted under the laws of the State of California. Jurisdiction over any litigation arising from this Agreement shall be in the Superior Court of the State of California with venue in Placer County, California.

Section 11. Suspension of Services.

Upon written request by Contractor, City may suspend, in writing, all or any portion of the Services if unforeseen circumstances beyond the control of the City and Contractor make normal progress of the Services impossible, impractical or infeasible. Upon written City approval to suspend performance of the Services, the time for completion of the Services shall be extended by the number of days performance of the Services is suspended.

Section 12. Termination of Services.

City may at any time, at its sole discretion, terminate all or any portion of the Services and this Agreement upon seven (7) days written notice to Contractor. Upon receipt of notice of termination, Contractor shall stop performance of the Services at the stage directed by City. Contractor shall be entitled to payment within thirty (30) days for Services performed up to the date of receipt of the written notice of termination. Contractor shall not be entitled to payment for any Services performed after the receipt of the notice of termination unless such payment is authorized in advance in writing by the City.

Should Contractor fail to perform any of the obligations required of Contractor within the time and in the manner provided for under the terms of this Agreement, or should Contractor violate any of the terms and conditions of this Agreement, City may terminate this Agreement by providing Contractor with seven (7) days written notice of such termination. The Contractor shall be compensated for all Services performed prior to the date of receipt of the notice of termination. However, the City may deduct from the compensation which may be owed to Contractor the amount of damage sustained or estimated by City resulting from Contractor's breach of this

Agreement.

Contractor's obligations pursuant to Sections 5 and 6 of this Agreement shall survive termination, and continue in effect for as long as necessary to fulfill the purposes of Sections 5 and 6.

Section 13. Independent Contractor.

Contractor shall in all respects be an independent contractor and not an agent or employee of City. Contractor has and shall retain the right to exercise full control and supervision of the means and methods of performing the Services. Contractor shall receive no premium or enhanced pay for Services normally understood as overtime; nor shall Contractor receive holiday pay, sick leave, administrative leave or pay for any other time not actually expended in the performance of the Services. It is intended by the parties that Contractor shall not be eligible for benefits and shall receive no compensation from the City, except as expressly set forth in this Agreement. Contractor shall submit completed W-9 and Report of Independent Contractor forms upon execution of this Agreement and prior to the payment of any compensation hereunder.

Section 14. Ownership of Documents.

Within thirty (30) days after the Contractor substantially completes performance of the Services, or within thirty (30) days after the termination of this Agreement, the Contractor shall deliver to the City all files, records, materials and documents drafted or prepared by Contractor's in the performance of the Services. It is expressly understood and agreed that all such files, records, materials and documents are the property of the City and not the property of the Contractor. All finished and unfinished reports, plans, studies, documents and other writings prepared by and for Contractor, its officers, employees and agents in the course of performing the Services shall become the sole property of the City upon payment to Contractor for the Services, and the City shall have the exclusive right to use such materials in its sole discretion without further compensation to Contractor or to any other party. Contractor shall, at Contractor's expense, provide such reports, plans, studies, documents and writings to City or any party the City may designate, upon written request. Contractor may keep file copies of all documents prepared for City. Use of any such documents by the City for projects that are not the subject of this Agreement or for purposes beyond the scope of the Services shall be at the City's sole risk without legal liability or expense to Contractor.

Section 15. Changes and/or Extra Work.

Only the City Council may authorize extra and/or changed Services, modification of the time of completion of the Services, or additional compensation for the tasks to be performed by Contractor. Contractor expressly recognizes that other City personnel are without authorization to order extra and/or changed Services or to obligate the City to the payment of additional compensation. The failure of Contractor to secure the prior written authorization for such extra and/or changed Services shall constitute a waiver of any and all right to adjustment in the contract price due to such unauthorized Services, and Contractor thereafter shall not be entitled to any compensation whatsoever for the performance of such extra or changed Services. In the event Contractor and City agree that extra and/or changed Services are required, or that additional compensation shall be

awarded to Contractor for performance of the Services under this Agreement, a supplemental agreement providing for such compensation shall be prepared and shall be executed by the Contractor and the necessary City officials before the extra and/or changed Services are provided.

Section 16. Compliance with Federal, State and Local Laws.

Contractor shall comply with all applicable federal, state and local laws, statutes, ordinances, rules and regulations affecting the Services, including without limitation laws requiring licensing and prohibiting discrimination in employment because of race, creed, color, sex, age, marital status, physical or mental disability, national origin or other prohibited bases. City shall not be responsible or liable for Contractor's failure to comply with applicable laws, statutes, ordinances, rules or regulations.

Section 17. Retention of Records.

Contractor and any subcontractors authorized by the terms of this Agreement shall keep and maintain full and complete documentation and accounting records, employees' time sheets, and correspondence pertaining to the Services, and Contractor shall make such documents available for review and/or audit by City and City's representatives at all reasonable times during performance of the Services and for at least four (4) years after completion of the Services and/or termination of this Agreement.

Section 18. Alternative Dispute Resolution

- A. Before resorting to mediation, arbitration or other legal process, the primary contacts of the parties shall meet and confer and attempt to amicably resolve any dispute arising from or relating to this Agreement subject to the following provisions. Any party desiring to meet and confer shall so advise the other party pursuant to a written notice. Within 15 days after provision of that written notice by the party desiring to meet and confer, the primary contacts for each party shall meet in person and attempt to amicably resolve their dispute. Each primary contact, or the person acting in their absence with full authority to resolve the dispute, shall attend the meeting and shall be prepared to devote an entire day thereto. If any dispute remains unresolved at the end of the meeting, any party to this Agreement shall have the right to invoke the mediation process provided for in the subparagraph B below.
- B. Subject to the provisions of subparagraph A, any dispute that remains unresolved after the meet and confer shall immediately be submitted to non-binding neutral mediation, before a mutually acceptable, neutral retired judge or justice at the Sacramento Office of the Judicial Arbitration and Mediation Service ("JAMS"). If within five days after the meet and confer the parties are unable to agree upon the selection of a neutral mediator, then the first available retired judge or justice at the Sacramento office of JAMS shall serve as the neutral mediator. The parties agree to commit to at least one full day to the mediation process. Additionally, to expedite the resolution of any dispute that is not resolved by mediation, the parties agree to each bring to the neutral mediation a list of at least five neutral arbitrators, including their resumes, whose availability for an arbitration hearing within 30 days after the mediation has been confirmed.

- C. If mediation is unsuccessful, before the mediation concludes, the parties shall mediate the selection of a neutral arbitrator to assist in the resolution of their dispute. If the parties are unable to agree on an arbitrator, the parties agree to submit selection of an arbitrator to the mediator, whose decision shall be binding on the parties. In that case, the mediator shall select a neutral arbitrator from the then active list of retired judges or justices at the Sacramento Office of the JAMS. The arbitration shall be conducted pursuant to the provisions of the California Arbitration Act, sections 1280-1294.2 of the California Code of Civil Procedure. In such case, the provisions of Code of Civil Procedure Section 1283.05 and 1283.1 shall apply and are hereby incorporated into this Agreement.
- D. This section 18 shall survive the termination or expiration of this Agreement. If there is no Sacramento office of JAMS, then the office of JAMS closest to the City shall be used instead of a Sacramento office.

Section 19. Severability.

The provisions of this Agreement are severable. If any portion of this Agreement is held invalid by an arbitrator or by a court of competent jurisdiction, the remainder of the Agreement shall remain in full force and effect unless amended or modified by the mutual written consent of the parties.

Section 20. Entire Agreement; Amendment.

This Agreement, including all exhibits hereto, constitutes the complete and exclusive expression of the understanding and agreement between the parties with respect to the subject matter hereof. All prior written and oral communications, including correspondence, drafts, memoranda, and representations, are superseded in total by this Agreement. This Agreement may be amended or extended from time to time only by written agreement of the parties hereto.

Section 21. Time of the Essence.

Time is of the essence in the performance of the Services. The Contractor will perform its Services with due and reasonable diligence consistent with sound professional practices and shall devote such time to the performance of the Services as may be necessary for their timely completion.

Section 22. Written Notification.

Except as otherwise specified in this Agreement, any notice, demand, request, consent, approval or communications that either party desires or is required to give to the other party shall be in writing and either served personally or sent by first class mail, postage prepaid and addressed as follows. Either party may change its address by notifying the other party in writing of the change of address. Notice shall be deemed communicated within two business days from the time of mailing if mailed within the State of California as provided in this Section.

If to City:	City of Colfax 33 S. Main Street Colfax, CA 95713
-------------	---

If to Contractor:

Sierra West Development, LLC
P.O. Box 4634
Auburn, CA 95604

Section 23. Execution.

This Agreement may be executed in original counterparts, each of which shall constitute one and the same instrument and shall become binding upon the parties when at least one original counterpart is signed by both parties hereto. In proving this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

Section 24. Successors. This Agreement shall be binding on and inure to the benefit of the respective parties hereto except to the extent of any contrary provision in this Agreement.

Section 25. Attorney's Fees. If any party to this Agreement commences legal proceedings to enforce any of its terms or to recover damages for its breach, the prevailing party shall be entitled to recover its reasonable attorney's fees, costs and the expenses of expert witnesses, including any such fees costs and expenses incurred on appeal.

IN WITNESS WHEREOF, the parties hereby have executed this Agreement on the day first above written:

CITY

CONTRACTOR

Signature_____

Signature_____

Printed Name_____

Printed Name_____

Title_____

Title_____

Date_____

Date_____

APPROVED AS TO FORM:

City Attorney

EXHIBIT A



Sierra West Land Development, LLC.

Anthony Dinatale
Certified Arborist WE-6744A
LTO # A11698P.O. Box 4634
Auburn, CA 95604

530.637.1122

tony@SierraWestLand.com

Date: 12/22/20

Invoice # 1642

• Land Clearing • Fuel Breaks • Logging • Tree removal • Site Prep •

Client Name: City of Colfax
 Address: 23550 Grand View
 Contact Phone # C. Phil Madman H. 916-663-7948
 Email: Phil@Coleman-eng.com
 Project Description:

Clear power lines of tree limbs and
 small trees. (approximately 90 feet) parcel #3.

- 1) Three days of trimming out of a 65' foot lift @ \$3,000 a day = \$ 9,000
- 2) One day of chipping @ \$2,500 a day = \$ 2,500
- 3) Remove two dead trees on back side of baseline. = \$ 2,000

Total = \$ 13,500



Staff Report to City Council

FOR THE FEBRUARY 10, 2021 REGULAR CITY COUNCIL MEETING

From: Wes Heathcock, City Manager
Prepared by: Laurie Van Groningen, Finance Director
Subject: Kneeland Street Pavement Rehabilitation Project – Final Reconciliation

Budget Impact Overview:

N/A: ✓	Funded:	Un-funded:	Amount:	Fund(s):
---------------	----------------	-------------------	----------------	-----------------

RECOMMENDED ACTION: Review and File

Summary/Background

On January 27, 2021 the City Council approved Resolution 08 - 2021 accepting the Kneeland Street Pavement Rehabilitation Project as complete and authorizing the recording of the Notice of Completion.

Fiscal Impacts

Final costs on the January 27, 2021 staff report were understated by \$2,320 (\$500 for preliminary engineering and \$1,820 for construction management). Final reconciled costs for this project are reflected in the chart below:

	Fund 365 - Kneeland Street Project		
	Actual Costs	Budget	Difference
Preliminary Engineering	\$ 43,348	\$ 40,000	\$ (3,348)
Construction	\$ 262,154	\$ 273,336	\$ 11,182
Construction Management	\$ 22,581	\$ 23,220	\$ 639
Total Expenses	\$ 328,083	\$ 336,556	\$ 8,473

Attachments:

N/A

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Staff Report to City Council

FOR THE FEBRUARY 10, 2021 REGULAR CITY COUNCIL MEETING

From: Laurie Van Groningen, Finance Director
Prepared by: Amy Lind, Interim City Clerk
Subject: City of Colfax Audit Report as of Fiscal Year Ended June 30, 2020

Budget Impact Overview:

N/A: ✓	Funded:	Un-funded:	Amount:	Fund(s):
---------------	----------------	-------------------	----------------	-----------------

RECOMMENDED ACTION: Receive Audit Reports as of June 30, 2020 - Discuss and approve as appropriate.

Summary/Background

Presentation By: Brian Nash, Managing Partner (Richardson and Co.), Auditor

Attachments:

- Auditor Presentation Agenda – Outline
- Financial Statements -AFS
- Governance Letter
- APP Limit Report

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**CITY OF COLFAX – Audit Report Presentation
Fiscal Year Ended June 30, 2020**

**Presented by: Brian Nash, Partner
Richardson & Company, LLP**

Partners were rotated according to California Government Code requirements.

The Fiscal Year ended June 30, 2020 Audit Report includes the following communications required by Generally Accepted Auditing Standards:

Reports issued:

1. Audited Financial Statements with auditor's opinion
2. Internal control and compliance reports
3. Schedule of Expenditures of Federal Awards for single audit
4. Governance (required communications) letter
5. Appropriations limit testing report

1) **Audited Financial Statements with auditors opinion**

Independent Auditor's Report

Unmodified (clean) opinion – additional wording due to single audit

Governmental Activities (Includes General Fund, Special Revenues, Capital projects) revenues exceeded expenses by \$3,770,000 – allocated to fund categories as follows:

	Begin Balance	FY 2019-2020	End Balance
Investment in Fixed Assets, net of annual depreciation	\$ 6,294,000	\$ 3,511,000	\$ 9,805,000
Restricted Funds - Capital Projects, Mitigation Fees, Etc	\$ 1,394,000	\$ (89,000)	\$ 1,305,000
Unrestricted - Designated (Operating, Capital, Pension)	\$ 645,000	\$ 50,000	\$ 695,000
Unrestricted - Unassigned	\$ 1,690,000	\$ 298,000	\$ 1,988,000
Total	\$ 10,023,000	\$ 3,770,000	\$ 13,793,000

Roundabout project increased capital revenue, fixed assets and investment in fixed assets.

General Fund revenues exceeded budget by \$375,00 from higher taxes and development fees while expenses exceeded budget by \$141,000 from higher public safety and capital outlay costs. This amount is reflected in Unrestricted – Unassigned Fund balance.

General fund unrestricted fund balance of \$2,574,000 was 131% of 2020 General Fund expenditures. \$695,000 was designated by Council for specific purposes.

Business Activities (Sewer Enterprise Fund) Revenues exceed expenses by \$613,000 – allocated to fund categories as follows:

	Begin Balance	FY 2019-2020	End Balance
Investment in Fixed Assets, net of annual depreciation	\$ 10,001,000	\$ 48,000	\$ 10,049,000
Restricted Funds - Debt Reserves, Insurance/Capital funds	\$ 955,000	\$ 203,000	\$ 1,158,000
Unrestricted - Designated (Operating, Capital)	\$ 425,000	\$ 100,000	\$ 525,000
Unrestricted - Unassigned	\$ 1,278,000	\$ 262,000	\$ 1,540,000
Total	\$ 12,659,000	\$ 613,000	\$ 13,272,000

**CITY OF COLFAX – Audit Report Presentation
Fiscal Year Ended June 30, 2020**

**Presented by: Brian Nash, Partner
Richardson & Company, LLP**

Sewer Enterprise Fund revenues exceeded budget due to unbudgeted connection fees and a planning grant for WWTP while personnel and O&M costs were lower than budget.

Liabilities

Debt of \$7,562,000 to fund sewer system upgrades.

Unfunded pension liability—nominal \$117,000. Lack of retiree health benefits is notable for a City.

Footnotes

Note I—contract commitments for WWT and General Plan and housing update.

Note J—subsequent events reported.

2) Internal control and compliance reports

No internal control weaknesses

City complied with laws, regulations material to the financials

3) Governance (required communications) letter

Few audit adjustments – mainly due to new partner and Finance Manager discussing accounting issues (fresh look).

No difficulties in performing the audit and no unusual accounting practices

4) Management letter with recommendations

No material weaknesses in internal control

Good controls in place

All prior year comments were addressed so no management letter issued

5) Appropriations limit testing report

No exceptions were noted – change in base amount reported

CITY OF COLFAX, CALIFORNIA

Audited Financial Statements, Supplemental Information
and Compliance Reports

June 30, 2020

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CITY OF COLFAX, CALIFORNIA

Audited Financial Statements, Supplemental Information and Compliance Reports

June 30, 2020

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550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

To the City Council
Colfax, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Colfax, California as of and for the year ended June 30, 2020, 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 as of June 30, 2020, 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.

To the City Council
City of Colfax, California

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions 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's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purposes of additional analysis required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Richardson & Company, LLP

January 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Colfax (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. We encourage the readers to consider the information presented here in conjunction with the accompanying basic financial statements and the additional information provided.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of Fiscal Year 2019-2020 by \$27,065,367 (*Net Position*) which represents an increase of 19.3% or \$4,384,055. These assets are allocated as follows:
 - Net Investment in capital assets - \$19,853,729. Total capital additions for the fiscal year were \$4,046,836.
 - Restricted net position - \$2,463,421. This amount is for both governmental and business-type activities and is restricted for capital projects, debt service and legally segregated taxes, grants and fees.
 - Unrestricted net position for combined governmental and business-type activities - \$4,748,217. This is an increase of \$710,634 over the previous year. These funds may be used to meet ongoing obligations of the City. City established reserves for operations, capital improvements, and unfunded pension liability are included in unrestricted net position.
- Total revenue from all sources was \$8,853,757 of which \$3,179,069 was from capital grants and contributions. Total expenses from all sources were \$4,469,702.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide Statement of Net Position on page 12 and the government-wide Statement of Activities on page 13 provide information about the activities as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements explain how programs and services were financed in the short term (the most recently completed fiscal year), as well as the amounts remaining available for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Fund financial statements also provide financial information about activities for which the City acts solely as a trustee or agent (fiduciary) for the benefit of individuals and entities external to this governmental unit.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 12. One of the most important questions asked about the City’s finances is, “*Is the City as a whole better off or worse off as a result of the year’s activities?*” The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector business entities. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City’s net position and related changes. You can think of the City’s net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure the City’s financial health, or *financial position*. Over time, *increases or decreases* in the City’s net position are one indicator of whether its *financial health* is improving or deteriorating. To reach a conclusion on this issue, you may need to consider other matters of a non-financial nature, such as:

- the condition of the City’s infrastructure (streets and roadways, storm drainage improvements, sewer system, city hall), or
- the economic vitality of the core business districts, or
- the adequacy of emergency response times of police and fire personnel,

in order to properly assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two (2) kinds of activities:

1. Governmental activities: most of the City’s basic services are reported here, including the operations of the sheriff, fire, building inspection, public works and general administration. Taxes (primarily property and sales), licenses, permits, state and federal grants, and franchise payments finance most of these activities.
2. Business-type activities: the City charges fees to customers to cover most of the cost of certain services and programs it provides. The City’s wastewater treatment operations are reported here.

Reporting the City’s Most Significant Funds

Our analysis of the City’s major funds begins on page 14. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law (Gas Tax and Law Enforcement Grants funds). However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City’s two (2) kinds of funds – *governmental* and *proprietary* (business activities/enterprise funds) – use different accounting approaches:

- **Governmental funds:** Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds, and the balances left at year-end that are nonspendable, restricted, committed, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the City's fund balances by law, creditors, City council, and the City's annually adopted budget. Unassigned fund balance is available for spending for any purpose. These funds are reported using an accounting method described as *modified accrual* accounting. This accounting method (basis) measures the availability of cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations, and the basic services it provides to residents and visitors of the City. Governmental fund information helps you to determine what financial resources are available to be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and the governmental *funds*, in a reconciliation (see pages 15 and 17).
- **Proprietary funds:** When the City charges customers for the full cost for the services it provides, those services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The City's enterprise funds (Sewer Operations) are the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27,065,367 at the close of the current fiscal year.

By far the largest portion of the City's net position reflects its investment in capital assets (e.g., land, street, sewer and storm drain systems, buildings and park assets, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debts, 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.

The City's combined net position for the years ending June 30, 2020 and 2019 are summarized (Table 1), as follows:

Table 1
City of Colfax, Net Position
(in Thousands)

	Governmental Activities		Business Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	\$ 4,916	\$ 4,320	\$ 2,228	\$ 2,130	\$ 7,144	\$ 6,450
Non-current and capital assets	9,873	6,373	19,322	18,808	29,195	25,181
Total Assets	14,789	10,693	21,550	20,938	36,339	31,631
Deferred Outflows of Resources						
Pension plan	65	63	74	72	139	135
Liabilities:						
Long-term liabilities	484	487	7,276	7,752	7,760	8,239
Other liabilities	575	244	1,073	598	1,648	842
Total Liabilities	1,059	731	8,349	8,350	9,408	9,081
Deferred Inflows of Resources						
Pension plan	2	2	3	2	5	4
Net Position:						
Net investment in capital assets	9,805	6,294	10,049	10,001	19,854	16,295
Restricted	1,305	1,394	1,158	954	2,463	2,348
Unrestricted	2,683	2,335	2,065	1,703	4,748	4,038
Total Net Position	\$13,793	\$10,023	\$13,272	\$12,658	\$27,065	\$22,681

The amount reported for net position of governmental activities does not include the value of the City's infrastructure (roadways, bridges and storm drainage improvements) constructed prior to July 1, 2003.

Governmental Activities

Total revenues for governmental activities increased \$2,229,139 (54.7%) in fiscal year 2019-2020 as compared to the previous year. The majority of the increase can be attributed to the receipt of capital grants and contributions primarily related to the construction of a roundabout project. The City's governmental activities net position increased by \$3,770,539 (38%) for the fiscal year, also due primarily to the increase in capital grants and contributions. Approximately \$3,422,000 of the net position increase is for restricted activities or invested in capital assets. Sources of revenue and expenditures are noted in Table 2 below.

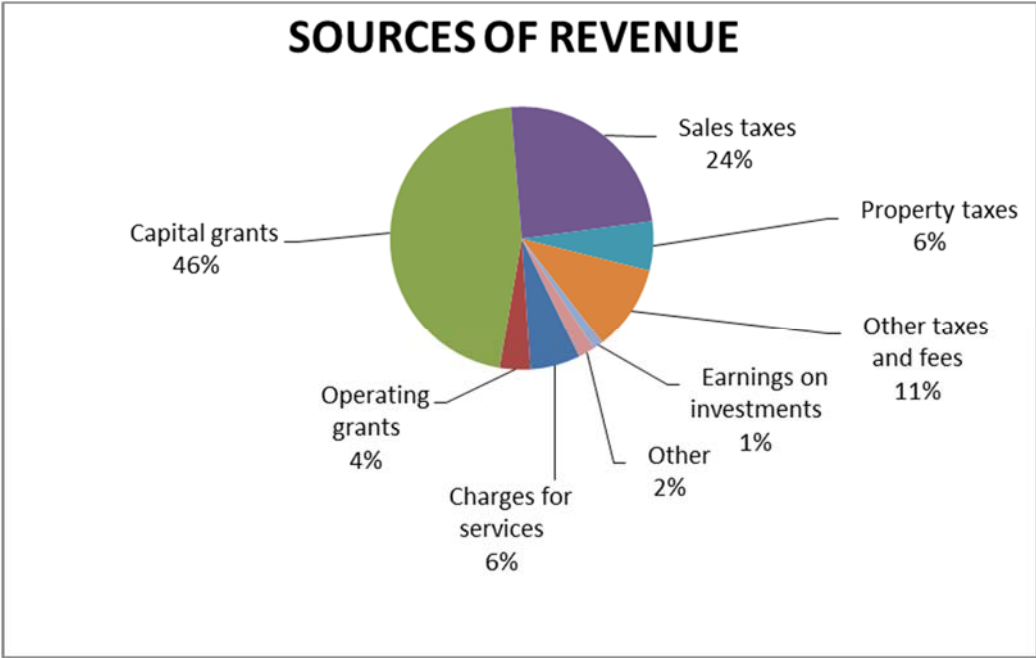
Business-Type Activities

Total revenues for Business-type activities increased \$273,694 (12%) in fiscal year 2019-2020 as compared to the previous year. The majority of the increase can be attributed to capital grant funding from a State Water Resource Control Board Planning Grant for Sewer Collection System and Wastewater Treatment Plant Improvements in the amount of \$280,246. Business-type activities increased the City's net position by \$613,516 for the fiscal year, an increase of \$145,982 over the previous year. The majority of the net position increase is also primarily attributable to the capital grant funding.

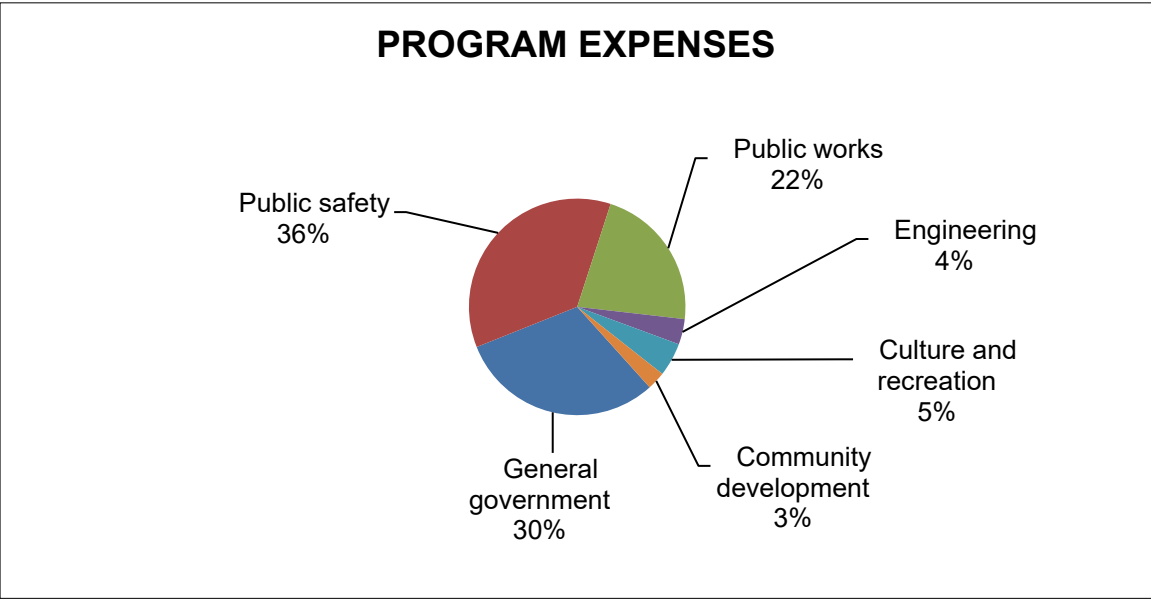
Table 2
City of Colfax, Change in Net Position
(in Thousands)

	Governmental Activities		Business Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 390	\$ 438	\$ 2,214	\$ 2,213	\$ 2,604	\$ 2,651
Operating grants and contributions	236	241	-	-	236	241
Capital grants and contributions	2,899	859	280	5	3,179	864
General revenues:						
Sales taxes	1,524	1,402	-	-	1,524	1,402
Property taxes	379	369	-	-	379	369
Other taxes and fees	670	631	-	-	670	631
Earnings on investments	76	63	54	59	130	122
Other	129	71	3	-	132	71
Total revenues	6,303	4,074	2,551	2,277	8,854	6,351
Expenses:						
General government	775	726	-	-	775	726
Public safety	913	955	-	-	913	955
Public works	553	456	-	-	553	456
Engineering	96	86	-	-	96	86
Culture and recreation	127	126	-	-	127	126
Community development	69	68	-	-	69	68
Interest on long-term debt	-	1	77	80	77	81
Sewer	-	-	1,860	1,730	1,860	1,730
Total expenses	2,533	2,418	1,937	1,810	4,470	4,228
Change in net position	3,770	1,656	614	467	4,384	2,123
Net position, July 1	10,023	8,367	12,658	12,191	22,681	20,558
Net position, June 30	<u>\$ 13,793</u>	<u>\$ 10,023</u>	<u>\$ 13,272</u>	<u>\$ 12,658</u>	<u>\$ 27,065</u>	<u>\$ 22,681</u>

Fiscal Year 2019-2020
Governmental Activities – Sources of Revenue
(Graphic representation of Table 2 in percentages)



Fiscal Year 2019-2020
Governmental Activities – Program Expenses
(Graphic representation of Table 2 in percentages)



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital assets include police, fire and public works equipment, vehicles, buildings, roads, wastewater treatment facilities and sewer lines. At June 30, 2020, net capital assets of the governmental activities totaled \$9,805,169 and the net capital assets of the business-type activities totaled \$17,847,114. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See table 3 and Note D to the financial statements.)

Table 3
City of Colfax, Capital Assets
(in Thousands)

	Governmental Activities		Business Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,355	\$ 1,355	\$ 135	\$ 135	\$ 1,490	\$ 1,490
Construction in progress	164	574	363	75	527	649
Building and improvements	9,816	5,676	24,870	24,841	34,686	30,517
Vehicles	663	663	44	46	707	709
Furniture and fixtures	16	19	684	-	699	19
Machinery and equipment	461	461	-	683	461	1,144
Accumulated depreciation	(2,670)	(2,454)	(8,248)	(7,596)	(10,918)	(10,050)
Total Assets	\$ 9,805	\$ 6,294	\$ 17,847	\$ 18,184	\$ 27,652	\$ 24,478

The City invested \$4,046,836 in capital asset improvements and additions during the current fiscal year included the following:

- Street repairs and improvements – including construction of roundabout project
- Planning grant for sewer collection system and wastewater treatment plant Improvements
- Park and building improvements

Long-Term Debt

At the end of fiscal year 2019-2020, the City had total long-term debts outstanding of \$8,386,013, as compared to a total of \$8,748,005 last year (See Table 4 and Note E to the financial statements).

Table 4
City of Colfax, Outstanding Debt
(in Thousands)

	Governmental Activities		Business Activities		Total	
	2020	2019	2020	2019	2020	2019
Postclosure landfill costs	419	436	-	-	419	436
Compensated absences	20	16	32	21	52	37
Net pension liability	55	43	62	49	117	92
State loan - restructured	-	-	7,561	7,921	7,561	7,921
Note payable	\$ -	\$ -	\$ 237	\$ 262	\$ 237	\$ 262
Total Long-term Debt	\$ 494	\$ 495	\$ 7,892	\$ 8,253	\$ 8,386	\$ 8,748

The City's long-term debt includes: compensated absences due employees for accrued vacation and sick leave pay, Post Closure expenses related to the City's closed landfill site, notes payable for the construction of the sewer plant and improvements projects, legal settlements, and the pension liability.

Major activity in outstanding debt for the fiscal year ended was:

- Annual payment on the State loan associated with Pond 3 liner, I&I mitigation and SCADA project which started in fiscal year 2011-2012. This project completed in early fiscal year 2013-2014.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In considering the City Budget for fiscal year 2020-2021, the City Council and management were cautiously optimistic as to the growth of revenues and expenditures. Conservative estimates were utilized particularly due to the Covid-19 pandemic.

The budget is balanced, with expenditure amounts in the General Fund and Sewer Enterprise Fund within projected revenues and available funds, while providing for contributions toward prudent fund balance reserves and capital asset additions. Staffing projections remain consistent with previous year's projections and no additional staffing is anticipated.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances, and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, City of Colfax, 33 S. Main Street, Colfax, California 95713.

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BASIC FINANCIAL STATEMENTS

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CITY OF COLFAX

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and investments	\$ 4,266,432	\$ 1,881,972	\$ 6,148,404
Accounts receivable, net	125,328	157,990	283,318
Due from other governmental agencies	505,569	157,387	662,956
Interest receivable	15,938	11,517	27,455
Prepaid expenses	3,000	18,830	21,830
Total current assets	<u>4,916,267</u>	<u>2,227,696</u>	<u>7,143,963</u>
Noncurrent assets:			
Restricted cash and investments		1,458,015	1,458,015
Notes receivable	67,872	17,037	84,909
Capital assets, net			
Non-depreciable	1,518,974	497,194	2,016,168
Depreciable, net	8,286,195	17,349,920	25,636,115
Total capital assets, net	<u>9,805,169</u>	<u>17,847,114</u>	<u>27,652,283</u>
Total assets	<u>14,789,308</u>	<u>21,549,862</u>	<u>36,339,170</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension plan	<u>65,062</u>	<u>73,663</u>	<u>138,725</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	415,840	89,568	505,408
Accrued expenses	10,410	67,031	77,441
Unearned revenue	21,514	300,000	321,514
Refundable deposits	117,494		117,494
Current portion of long-term liabilities	9,993	615,921	625,914
Total current liabilities	<u>575,251</u>	<u>1,072,520</u>	<u>1,647,771</u>
Long-term liabilities:			
Loan payable		7,198,409	7,198,409
Postclosure landfill costs	418,777		418,777
Compensated absences	9,993	15,778	25,771
Net pension liability	54,939	62,203	117,142
Total long-term liabilities	<u>483,709</u>	<u>7,276,390</u>	<u>7,760,099</u>
Total liabilities	<u>1,058,960</u>	<u>8,348,910</u>	<u>9,407,870</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension plan	<u>2,185</u>	<u>2,473</u>	<u>4,658</u>
NET POSITION:			
Net investment in capital assets	9,805,169	10,048,560	19,853,729
Restricted	1,305,406	1,158,015	2,463,421
Unrestricted	<u>2,682,650</u>	<u>2,065,567</u>	<u>4,748,217</u>
Total net position	<u>\$ 13,793,225</u>	<u>\$ 13,272,142</u>	<u>\$ 27,065,367</u>

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

CITY OF COLFAX

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

	Expenses	Program Revenues		Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating Grants and Contributions			
GOVERNMENTAL ACTIVITIES:						
General government	\$ 775,319	\$ 303,665		\$ (471,654)		\$ (471,654)
Public safety	912,698	80,822	\$ 183,373	(648,503)		(648,503)
Public works	552,778		52,296	\$ 2,898,823	2,398,341	2,398,341
Community development	68,260			(68,260)		(68,260)
Engineering services	96,378			(96,378)		(96,378)
Culture and recreation	126,502	4,995		(121,507)		(121,507)
Total governmental activities	<u>2,531,935</u>	<u>389,482</u>	<u>235,669</u>	<u>2,898,823</u>	<u>992,039</u>	<u>992,039</u>
BUSINESS-TYPE ACTIVITIES:						
Sewer	1,860,950	2,213,674			\$ 632,970	632,970
Interest on long-term debt	76,817				(76,817)	(76,817)
Total business-type activities	<u>1,937,767</u>	<u>2,213,674</u>		<u>280,246</u>	<u>556,153</u>	<u>556,153</u>
Total government	<u>\$ 4,469,702</u>	<u>\$ 2,603,156</u>	<u>\$ 235,669</u>	<u>\$ 3,179,069</u>	<u>992,039</u>	<u>556,153</u>
GENERAL REVENUES:						
Taxes:						
Sales and use taxes				1,524,302		1,524,302
Property taxes				379,390		379,390
Transient occupancy tax				13,735		13,735
Franchises				76,912		76,912
Gas taxes				50,819		50,819
Construction fee assessments				60,618		60,618
Mitigation fees				315,950		315,950
Motor vehicle in-lieu				151,930		151,930
Investment income				75,904	54,363	130,267
Rental income				81,878	3,000	84,878
Miscellaneous				47,062		47,062
Total general revenues				<u>2,778,500</u>	<u>57,363</u>	<u>2,835,863</u>
Changes in net position				3,770,539	613,516	4,384,055
Net position, beginning of year				10,022,686	12,658,626	22,681,312
Net position, end of year				<u>\$ 13,793,225</u>	<u>\$ 13,272,142</u>	<u>\$ 27,065,367</u>

The accompanying notes are an integral part of these financial statements

CITY OF COLFAX

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2020

	Major Funds			Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
ASSETS:				
Cash and investments	\$ 3,060,443	\$ 313,234	\$ 892,755	\$ 4,266,432
Accounts receivable, net	125,328			125,328
Due from other governmental agencies	314,297	185,789	5,483	505,569
Interest receivable	12,206	291	3,441	15,938
Notes receivable	44,202		23,670	67,872
Prepaid items	3,000			3,000
Due from other funds	151,914			151,914
Total assets	<u>\$ 3,711,390</u>	<u>\$ 499,314</u>	<u>\$ 925,349</u>	<u>\$ 5,136,053</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 127,437	\$ 273,662	\$ 14,741	\$ 415,840
Accrued expenses	8,133		2,277	10,410
Unearned revenue	21,514			21,514
Due to other funds		151,914		151,914
Refundable deposits	117,494			117,494
Total liabilities	<u>274,578</u>	<u>425,576</u>	<u>17,018</u>	<u>717,172</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue		138,195		138,195
Total deferred inflows of resources		<u>138,195</u>		<u>138,195</u>
FUND BALANCES:				
Nonspendable	47,202		23,670	70,872
Restricted	815,852		884,661	1,700,513
Committed	245,000			245,000
Unassigned	2,328,758	(64,457)		2,264,301
Total fund balances	<u>3,436,812</u>	<u>(64,457)</u>	<u>908,331</u>	<u>4,280,686</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,711,390</u>	<u>\$ 499,314</u>	<u>\$ 925,349</u>	<u>\$ 5,136,053</u>

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

CITY OF COLFAX

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

June 30, 2020

Total Governmental Fund Balances	\$ 4,280,686
Amounts reported for governmental activities in the statement of net position are different because:	
Pension contributions subsequent to the valuation measurement date and other items will reduce the pension liability in the future and are reported as deferred outflows of resources on the statement of net position.	65,062
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	9,805,169
Certain receivables are not available to pay current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.	138,195
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	
Compensated absences	(19,986)
Postclosure landfill liability	(418,777)
Net pension liability	(54,939)
Employee pension differences to be recognized in the future as pension expense are reported as deferred inflows of resources on the statement of net position.	<u>(2,185)</u>
Net Position of Governmental Activities	<u><u>\$ 13,793,225</u></u>

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

CITY OF COLFAX

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

For the Year Ended June 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
REVENUES:				
Taxes	\$ 1,994,339		\$ 50,819	\$ 2,045,158
Licenses, fees and permits	169,438	\$ 60,618	316,502	546,558
Intergovernmental revenues	180,255	2,188,780	434,045	2,803,080
Charges for services	216,719			216,719
Reimbursements		346,047		346,047
Fines, forfeitures and penalties	2,425			2,425
Use of money and property	147,930	(6,281)	16,133	157,782
Other revenue	46,510			46,510
Total revenues	<u>2,757,616</u>	<u>2,589,164</u>	<u>817,499</u>	<u>6,164,279</u>
EXPENDITURES:				
Current:				
General government	759,301			759,301
Public safety	729,434		155,948	885,382
Public works	213,628	27,407	223,657	464,692
Engineering services	96,378			96,378
Cultural and recreation	109,402			109,402
Capital outlay	49,155	3,681,084		3,730,239
Total expenditures	<u>1,957,298</u>	<u>3,708,491</u>	<u>379,605</u>	<u>6,045,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>800,318</u>	<u>(1,119,327)</u>	<u>437,894</u>	<u>118,885</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	6,627	769,062	592,734	1,368,423
Transfers out	(524,500)		(843,923)	(1,368,423)
Total other financing sources (uses)	<u>(517,873)</u>	<u>769,062</u>	<u>(251,189)</u>	
Net change in fund balances	282,445	(350,265)	186,705	118,885
Fund balances, beginning of year	<u>3,154,367</u>	<u>285,808</u>	<u>721,626</u>	<u>4,161,801</u>
Fund balances, end of year	<u>\$ 3,436,812</u>	<u>\$ (64,457)</u>	<u>\$ 908,331</u>	<u>\$ 4,280,686</u>

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

CITY OF COLFAX

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

For the Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 118,885
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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. This is the amount of capital assets recorded in the current period.</p>	
Capital outlay	3,730,239
Depreciation expense	(218,997)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-wide Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceed proceeds.</p>	
Postclosure landfill costs	16,795
<p>Some receivables are deferred in the governmental funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the statement of activities.</p>	
Deferred revenue recognized	138,195
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not expenditures in the governmental funds.</p>	
Change in compensated absences	(4,222)
Change in deferred outflow/inflows of resources and net pension liability	(10,356)
Change in Net Position of Governmental Activities	\$ 3,770,539

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

CITY OF COLFAX

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

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis) (See Note A)	Final Budget Positive/ (Negative)
REVENUES:				
Taxes	\$ 1,870,338	\$ 1,870,338	\$ 1,994,339	\$ 124,001
Licenses, fees and permits	100,050	100,050	169,438	69,388
Intergovernmental revenues	161,500	161,500	180,255	18,755
Charges for services	152,100	152,100	216,719	64,619
Fines, forfeitures and penalties	2,500	2,500	2,425	(75)
Use of money and property	95,200	95,200	147,930	52,730
Other revenue	1,000	1,000	46,510	45,510
Total revenues	<u>2,382,688</u>	<u>2,382,688</u>	<u>2,757,616</u>	<u>374,928</u>
EXPENDITURES				
Current:				
General government	752,285	752,285	759,301	(7,016)
Public safety	793,437	793,437	729,434	64,003
Public works	207,995	207,995	213,628	(5,633)
Engineering services	49,400	49,400	96,378	(46,978)
Culture and recreation	149,419	149,419	109,402	40,017
Capital outlay	146,078	146,078	49,155	96,923
Total expenditures	<u>2,098,614</u>	<u>2,098,614</u>	<u>1,957,298</u>	<u>141,316</u>
Excess (deficiency) of revenues over expenditures	284,074	284,074	800,318	516,244
OTHER FINANCING SOURCES (USES):				
Transfers in	6,000	6,000	6,627	627
Transfers out	(575,056)	(575,056)	(524,500)	50,556
Total other financing sources (uses)	<u>(569,056)</u>	<u>(569,056)</u>	<u>(517,873)</u>	<u>51,183</u>
Net change in fund balance	(284,982)	(284,982)	282,445	567,427
Fund balance, beginning of year	<u>3,154,367</u>	<u>3,154,367</u>	<u>3,154,367</u>	
Fund balance, end of year	<u>\$ 2,869,385</u>	<u>\$ 2,869,385</u>	<u>\$ 3,436,812</u>	<u>\$ 567,427</u>

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

CITY OF COLFAX

STATEMENT OF NET POSITION
PROPRIETARY FUND - SEWER FUND

June 30, 2020

ASSETS:

Current assets:

Cash and cash equivalents	\$ 1,881,972
Accounts receivable, net	157,990
Due from other governmental agencies	157,387
Interest receivable	11,517
Prepaid expenses	18,830
Total current assets	<u>2,227,696</u>

Noncurrent assets:

Restricted cash and cash equivalents	1,458,015
Notes receivable	17,037
Capital assets, net:	
Nondepreciable	497,194
Depreciable, net	17,349,920
Total capital assets, net	<u>17,847,114</u>

Total assets	<u>21,549,862</u>
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DEFERRED OUTFLOWS OF RESOURCES:

Pension plan	<u>73,663</u>
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LIABILITIES:

Current liabilities:

Accounts payable	89,568
Accrued expenses	67,031
Unearned revenue	300,000
Current portion of long-term liabilities	615,921
Total current liabilities	<u>1,072,520</u>

Long-term liabilities:

Loan payable	7,198,409
Compensated absences	15,778
Net pension liability	62,203
Total long-term liabilities	<u>7,276,390</u>

Total liabilities	<u>8,348,910</u>
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DEFERRED INFLOWS OF RESOURCES:

Pension plan	<u>2,473</u>
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NET POSITION:

Net investment in capital assets	10,048,560
Restricted	1,158,015
Unrestricted	2,065,567

Total net position	<u><u>\$ 13,272,142</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COLFAX

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

For the Year Ended June 30, 2020

OPERATING REVENUES:	
Service charges	\$ 2,172,280
Miscellaneous	41,394
Total operating revenues	<u>2,213,674</u>
OPERATING EXPENSES:	
Personnel services	631,044
Operation and maintenance	576,231
Depreciation	653,675
Total operating expenses	<u>1,860,950</u>
Net income from operations	<u>352,724</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	54,363
Rental income	3,000
Interest expense	(76,817)
Total nonoperating revenues (expenses)	<u>(19,454)</u>
CAPITAL CONTRIBUTIONS:	
State grant revenue	<u>280,246</u>
Change in net position	613,516
Net position, beginning of year	<u>12,658,626</u>
Net position, end of year	<u><u>\$ 13,272,142</u></u>

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

CITY OF COLFAX

STATEMENT OF CASH FLOWS
PROPRIETARY FUND - SEWER FUND

For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 2,168,636
Cash paid to suppliers	(539,295)
Cash paid to employees and related benefits	(600,943)
Net cash provided by operating activities	<u>1,028,398</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(316,597)
Capital contributions received	428,114
Rental income	3,000
Debt principal paid	(359,760)
Debt interest paid	(79,215)
Net cash used for capital and related financing activities	<u>(324,458)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income received	57,396
Payments on notes receivable	659
Net cash provided by investing activities	<u>58,055</u>
Net increase in cash and cash equivalents	761,995
Cash and cash equivalents, beginning of year	<u>2,577,992</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,339,987</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:	
Cash and cash equivalents	\$ 1,881,972
Restricted cash and cash equivalents	<u>1,458,015</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,339,987</u></u>
RECONCILIATION OF NET INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net income from operations	\$ 352,724
Adjustments to reconcile net income from operations to cash provided by operating activities:	
Depreciation	653,675
Sewer connection fee credits	(24,780)
(Increase) decrease in assets:	
Accounts receivable, net	(20,258)
Prepaid expenses	(17,834)
(Decrease) increase in liabilities:	
Accounts payable	54,770
Accrued expenses	8,017
Compensated absences	10,359
Net pension liability	13,149
Deferred inflows (outflows) related to pension plan	<u>(1,424)</u>
Net cash provided by operating activities	<u><u>\$ 1,028,398</u></u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Sewer connection fee credits applied against notes payable	\$ 24,780

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Colfax was incorporated in 1910, under the laws and regulations of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety, highways and streets, sewer, culture-recreation, public improvements, planning and zoning, and general administrative services. The voters of the City of Colfax, 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 principles. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity: The City operates as a self-governing local government unit within the state of California. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. Voters elect a city council that passes laws and determines broad policies. The council also oversees the operations of the City and approves all budgets, fund transfers and fund balance reserves. 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 City participates in a Joint Exercise of Powers Agreement with the County of Placer establishing the Sierra Valley Energy Authority (the Authority). This agreement was amended in February 2017 to include the unincorporated areas of Placer County and five cities in Placer County. The name was changed to Pioneer Community Energy (Pioneer) on July 17, 2017. Pioneer was established to provide assistance with the development, financing and implementation of public and private sector energy and resource development and conservation programs. The City has not had any financial activity related to the Authority during the year ended June 30, 2020.

The City is a member of the Placer County Transportation Planning Agency (the Agency), a joint powers authority. The City is not directly responsible for the liabilities of the Agency and only has a residual equity interest in the Agency that would result in the City's proportional share of residual assets being distributed to the City, if any of the members vote to terminate the Agency. The Agency issues separate financial statements, which are available on its website.

Government-wide and Fund 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 for support.

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,

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

use, or directly benefit from goods, services and 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 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, proprietary funds, and fiduciary funds, if any, even though the last is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements and fiduciary fund statements, with the exception of agency funds, which have no measurement focus. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

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 90 days of the end of the current fiscal period, with the exception of property taxes. Property taxes are considered to be available if they are collected within 60 days of the current fiscal period. Amounts received after the availability period are reported as unavailable revenues. Expenditures generally are 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.

Major revenues that are determined to be susceptible to accrual include property taxes and assessments, sales taxes, franchise taxes, charges for services, intergovernmental revenues, and earnings on investments. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues (government mandated nonexchange transactions) are recognized when the City has satisfied all applicable eligibility requirements and if the amounts are measurable. If the grant funds are received before the revenue recognition criteria are satisfied, the unearned amounts are reported as unearned revenue.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major enterprise fund:

Sewer Fund – The Sewer Fund is used to account for the operations of the City’s sewer services.

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 (not including private purpose trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – The Capital Projects Funds are used to account for financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets other than those financed by proprietary funds.

PROPRIETARY FUNDS

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

Cash and Cash Equivalents: The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including the City’s investment in California Local Agency Investment Fund (LAIF).

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

collectible. Unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds. An allowance for doubtful accounts of \$20,000 has been provided in the Sewer Fund for accounts that are deemed uncollectible.

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

Property Taxes: The County of Placer (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 January 1 of each year. They become a lien on real property on January 1. 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. These taxes are secured by liens on the property being taxed.

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

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

Capital Assets: Capital assets for governmental fund types of the City are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at their acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Public domain (infrastructure) capital assets consisting of certain improvements other than buildings, but including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have been capitalized prospectively beginning July 1, 2003.

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Buildings and improvements	10 to 50 years
Sewer facility improvements and design costs	20 to 40 years
Safety equipment	5 to 10 years
Vehicles and heavy equipment	5 to 15 years
Furniture and other equipment	5 to 7 years

It is the policy of the City to capitalize all land at any value, building and facility improvements above \$25,000, equipment above \$5,000, and eventually infrastructure assets above \$100,000. Costs of assets sold or retired and the resulting gain or loss is included in the operating statement of the related proprietary fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale. The proceeds reported in the governmental fund are eliminated and the gain or loss on sale is reported in the government-wide presentation.

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

Unused vacation is paid to employees upon termination. The maximum vacation accrual for represented employees is one times the employees' annual vacation leave credits and the maximum vacation accrual for unrepresented employees is two times the employees' annual vacation leave credits. There is no limit as to the accrual of sick leave. Sick leave is not accrued as compensated absences because it is not payable upon termination. However, sick leave may be converted to service credits under the City's defined benefit pension plan.

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

outflow of resources (expenditure/expense) or an inflow of resources (revenue) until the earnings process is complete. The governmental funds report unavailable revenues for grants and other revenues when the amounts meet the asset recognition criteria under GASB 33 and were accrued as receivables, but the amounts were not received in the availability period. Deferred outflows and inflows of resources include amounts deferred related to the City's pension plan under GASB Statement No. 68 as described in Note G.

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

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

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

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

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

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

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

Net Position: The government-wide financial statements present net position. Net position is categorized as the net investment in capital assets, 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 is attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Excess Expenditures Over Appropriations: The following funds had excess expenditures over appropriations. The Supplemental Law Enforcement Fund expenditures exceeded the budget because more state funding was available, resulting in more expenditures being posted in the fund without increasing the budget. The Gas Tax Fund’s transfers out of prior unspent Senate Bill (SB) 1 funds to the Road Maintenance Fund exceeded the amount anticipated in the budget.

Fund	Appropriations	Total Expenditures and Transfers Out	Excess Expenditures
Nonmajor Governmental Funds:			
Supplemental Law Enforcement Fund	\$ 100,000	\$ 155,948	\$ 55,948
Gas Tax	41,600	86,326	44,726

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements: In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the lease guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in the notes to government financial statements and clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences and significant subjective acceleration clauses. For notes to the financial statement there is a requirement that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the reporting periods beginning after June 15, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense rather than being recorded as part of the cost of capital assets in a business-type activity or enterprise fund and interest cost incurred by a fund using the current financial resources measurement focus before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This Statement addresses a number of practice issues identified during the implementation of certain GASB Statements, including 1) the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-03, *Leases*, for interim financial statements; 2) reporting of intra-entity transfers between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan; 3) the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; 4) the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; 5) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; 6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; 7) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and 8) terminology used to refer to derivative instruments. This Statement is applicable for items 1) and 7) above upon its issuance and is effective for the other items above for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement addresses issues related to public-private and public-public partnership arrangements (PPPs). PPPs are arrangements in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This statement requires that PPPs that meet the definition of a lease apply guidance in Statement No. 87, *Leases*, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a service concession arrangement. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement No. 87, as amended. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements that include an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This Statement is effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement provides temporary relief to governments due to the COVID-19 pandemic by postponing the effective dates of Statements and Implementation Guides that first become effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. Effective dates of the following Statements and Implementation Guides were postponed by one year: Statements No. 83, 84 and 88 to 93 as well as Implementation Guide No's 2018-1, 2019-1 and 2019-2. Effective dates for Statement No. 87 and Implementation Guide No. 2019-3 were postponed by 18 months. The requirements of this Statement are effective immediately and the effective dates of the pronouncements above were changed accordingly.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). This Statement 1) defines the term SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs to a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for fiscal years beginning after June 15, 2022.

NOTE B – CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. Cash represents cash on hand, demand deposits in the bank and amounts invested in the State of California Local Agency Investment Fund (LAIF). Cash and investments at June 30, 2020 are classified in the accompanying financial statements as follows:

	Governmental Activities	Business-Type Activities	Total
Cash and investments	\$ 4,266,432	\$ 1,881,972	\$ 6,148,404
Restricted cash and investments		1,458,015	1,458,015
	<u>\$ 4,266,432</u>	<u>\$ 3,339,987</u>	<u>\$ 7,606,419</u>

As of June 30, 2020, the City's cash and investments consisted of the following:

Cash on hand	\$ 300
Deposits in financial institutions	333,464
Investments	
California Local Agency Investment Fund	<u>7,272,655</u>
Total cash and investments	<u>\$ 7,606,419</u>

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 COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE B – CASH AND INVESTMENTS (Continued)

	<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
Local agency bonds	5 years	None	10%
Mortgage-back securities	5 years	20%	None
Bankers acceptances	180 days	40%	30%
High grade commercial paper	270 days	25%	None
Negotiable certificates of deposit	5 years	30%	None
LAIF	N/A	None	None
Medium-term corporate notes	5 years	30%	None
Repurchase Agreements	365 days	None	None
Money market mutual funds	None	20%	None

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

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. The City's investment in LAIF has an average maturity of 191 days.

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 City's only investment is in LAIF, which is not rated.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Governmental Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2020, the carrying amount of the City's deposits was \$333,464 and the balance in financial institutions was \$396,027. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$146,027 was covered by the pledging financial institution with assets held in a common pool for the City and other governmental agencies.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE B – CASH AND INVESTMENTS (Continued)

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$101,607,078,218, which is managed by the State Treasurer. Of that amount, 3.37% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE C – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2020 were as follows:

<u>Due to Other Funds</u>	<u>Due from Other Funds General Fund</u>
Capital Projects Fund	<u>\$ 151,914</u>

The due to/from balance was to provide resources to the Capital Projects Fund to pay project expenditures until receivables are collected.

Transfers during the year ended June 30, 2020 were as follows:

<u>Transfers out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>		
			<u>Transportation and Road</u>	<u>Road Maintenance</u>	
Major Governmental Funds:					
General		\$ 3,799	\$ 20,701	\$ 500,000	\$ 524,500
Nonmajor Governmental Funds:					
CDBG	\$ 6,627	202,689			209,316
Gas Tax			37,769	34,264	72,033
Road Maintenance		370,724			370,724
Mitigation Funds		191,850			191,850
	<u>\$ 6,627</u>	<u>\$ 769,062</u>	<u>\$ 58,470</u>	<u>\$ 534,264</u>	<u>\$ 1,368,423</u>

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE D – CAPITAL ASSETS

Governmental capital assets activity for the year ended June 30, 2020 was as follows:

	Balance at June 30, 2019	Additions	Retirements	Transfers	Balance at June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 1,354,891				\$ 1,354,891
Construction in progress	574,325	\$ 3,698,979		\$ (4,109,221)	164,083
Total capital assets, not being depreciated	<u>1,929,216</u>	<u>3,698,979</u>		<u>(4,109,221)</u>	<u>1,518,974</u>
Capital assets, being depreciated:					
Buildings and improvements	5,675,492	31,260		4,109,221	9,815,973
Vehicles	662,760				662,760
Machinery and equipment	461,439				461,439
Furniture and fixtures	19,298		\$ (3,372)		15,926
Total capital assets, being depreciated	<u>6,818,989</u>	<u>31,260</u>	<u>(3,372)</u>	<u>4,109,221</u>	<u>10,956,098</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,610,059)	(161,558)			(1,771,617)
Vehicles	(456,402)	(31,768)			(488,170)
Machinery and equipment	(376,576)	(23,880)			(400,456)
Furniture and fixtures	(11,241)	(1,791)	3,372		(9,660)
Total accumulated depreciation	<u>(2,454,278)</u>	<u>(218,997)</u>	<u>3,372</u>		<u>(2,669,903)</u>
Capital assets being depreciated, net	<u>4,364,711</u>	<u>(187,737)</u>		<u>4,109,221</u>	<u>8,286,195</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 6,293,927</u>	<u>\$ 3,511,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,805,169</u>

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

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

General governmental	\$ 18,235
Public safety	27,316
Public works	88,086
Culture and recreation	17,100
Community development	68,260
Total governmental activities depreciation expense	<u>\$ 218,997</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE D – CAPITAL ASSETS (Continued)

Business-type capital assets activities for the year ended June 30, 2020 was as follows:

	Balance at June 30, 2019	Additions	Retirements	Transfers	Balance at June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 134,700				\$ 134,700
Construction in progress	75,131	\$ 287,363			362,494
Total capital assets, not being depreciated	209,831	287,363			497,194
Capital assets, being depreciated:					
Buildings and improvements	24,840,924	29,234			24,870,158
Vehicles	46,253		\$ (2,200)		44,053
Machinery and equipment	683,471				683,471
Total capital assets, being depreciated	25,570,648	29,234	(2,200)		25,597,682
Less accumulated depreciation for:					
Buildings and improvements	(7,053,653)	(608,594)			(7,662,247)
Vehicles	(8,480)	(8,810)	2,200		(15,090)
Machinery and equipment	(534,154)	(36,271)			(570,425)
Total accumulated depreciation	(7,596,287)	(653,675)	2,200		(8,247,762)
Capital assets being depreciated, net	17,974,361	(624,441)			17,349,920
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 18,184,192	\$ (337,078)	\$ -	\$ -	\$ 17,847,114

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

Sewer	\$ 653,675
Total business-type activities depreciation expense	\$ 653,675

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE E – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Governmental Activities:					
Postclosure landfill costs	\$ 435,572		\$ (16,795)	\$ 418,777	
Compensated absences	15,764	\$ 15,281	(11,059)	19,986	\$ 9,993
Net pension liability	43,326	11,613		54,939	
Governmental activities long-term liabilities	<u>\$ 494,662</u>	<u>\$ 26,894</u>	<u>\$ (27,854)</u>	<u>\$ 493,702</u>	<u>\$ 9,993</u>
Business-Type Activities:					
State loan - restructured	\$ 7,921,525		\$ (359,760)	\$ 7,561,765	\$ 363,356
Note Payable	261,569		(24,780)	236,789	236,789
Total bonds, loans, settlements payable	8,183,094		(384,540)	7,798,554	600,145
Compensated absences	21,195	\$ 28,285	(17,926)	31,554	15,776
Net pension liability	49,054	13,149		62,203	
Business-type activities long-term liabilities	<u>\$ 8,253,343</u>	<u>\$ 41,434</u>	<u>\$ (402,466)</u>	<u>\$ 7,892,311</u>	<u>\$ 615,921</u>

Long-term debt of the City's governmental activities consisted of the following as of June 30, 2020:

Postclosure Landfill Costs: State and Federal laws and regulations require the City to perform certain maintenance and monitoring functions on its landfill for 30 years after closure. The City has recorded a liability for landfill closure in the General Fund in accordance with GASB 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Costs*. The City hired a private consultant to perform an analysis to determine estimated total cost of the landfill closure, postclosure care costs, total capacity and remaining life. The City's landfill closure liability, based on landfill capacity used to date, is recorded based on the information provided by the consultant's analysis. The consultant's analysis is an estimate only and is subject to yearly changes due to inflation or deflation, technology, or applicable laws and regulations. The City is currently estimating that 100% of the landfill is used and there is no remaining life. As of June 30, 2020, the remaining closure and postclosure maintenance costs to be recognized over the next 18 years is \$418,777.

Long-term debt of the City's business-type activities consisted of the following as of June 30, 2020:

State Loan – Restructured – Private Placement: On September 19, 2011, the City entered into a loan agreement with the State Water Resource Control Board for \$12,825,600 at an interest rate of 1%. The City received total proceeds of \$9,506,600 under the agreement from October 2011 to April 2014, which included the \$36,000 to refund the City's 1978 USDA Sewer Revenue Bonds. The State forgave \$3,319,000 of the loan principal during 2013. Annual principal and interest payments of \$438,974 are due on October 31 each year through October 31, 2038. The loan is secured by a lien on and pledge of net revenues of the Sewer Fund. The agreement requires net revenues, as defined in the agreement, to be at least 1.1 times the total annual debt service payments.

Should the City violate the terms of the loan agreement, the City will be required to pay all principal, accrued interest and penalties at the termination date. Interest will be accrued at the highest legal rate of interest from date of termination to the repayment date.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE E – LONG-TERM LIABILITIES (Continued)

Notes Payable – Private Placement: On August 9, 2017, the City entered into an agreement with Sierra Oaks Estates, LLC to design and construct sewer improvements, whereby the City would reimburse Sierra Oaks actual costs. The note does not bear interest. In lieu of actual principal and interest payments, sewer impact fees for each unit in the development will be credited against the amount owed to Sierra Oaks Estate, LLC until the note is paid in full.

Principal and interest payments on debt are due as follows:

June 30	State Loan - Restructured		Total
	Principal	Interest	
2021	\$ 363,356	\$ 75,618	\$ 438,974
2022	366,990	71,984	438,974
2023	370,660	68,314	438,974
2024	374,366	64,608	438,974
2025	378,110	60,864	438,974
2026-2030	1,948,028	246,841	2,194,869
2031-2035	2,047,397	147,472	2,194,869
2036-2039	1,712,858	43,035	1,755,893
Totals	<u>\$ 7,561,765</u>	<u>\$ 778,736</u>	<u>\$ 8,340,501</u>

Pledged Revenues: The City has pledged future Sewer Fund revenues, net of specified operating expenses, to repay its state loan from the SWRCB issued in June 2012 with total proceeds of \$9,506,600. Proceeds from the loan were used to refinance a previous SWRCB loan used to make improvements on the City's wastewater treatment plant. The loan is payable solely from sewer customer net revenues and is payable through October 2038. Total principal and interest remaining to be paid on the loan was \$8,340,501 at June 30, 2020. Total cash basis principal and interest payments on the loan during the year ended June 30, 2020 were \$438,974 and net revenues were \$1,063,762, respectively.

NOTE F – NET POSITION/FUND BALANCE

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

	Governmental Activities	Business-Type Activities
Landfill	\$ 397,075	
Economic development	23,678	
Mitigation projects	478,145	
Street projects	293,529	
Recycling	22,717	
Fire Department	90,262	
Debt service reserve		\$ 438,974
Replacement of short-lived assets		205,065
Pond 3 fissure resource proceeds		231,945
Capital improvements		282,031
	<u>\$ 1,305,406</u>	<u>\$ 1,158,015</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE F – NET POSITION/FUND BALANCE (Continued)

In addition to these restricted amounts, the City Council had designated \$325,000 from the operating reserve and \$200,000 for capital projects in business-type activities at June 30, 2020.

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

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:				
Nonspendable:				
Long-term receivables	\$ 44,202		\$ 23,670	\$ 67,872
Prepaid expenses	3,000			3,000
Total Nonspendable	<u>47,202</u>		<u>23,670</u>	<u>70,872</u>
Committed for:				
Pension Reserve	45,000			45,000
Capital Reserve	200,000			200,000
Total committed	<u>245,000</u>			<u>245,000</u>
Restricted for:				
Landfill closure	815,852			815,852
Economic development			8	8
Street projects			293,529	293,529
Mitigation projects			478,145	478,145
Recycling			22,717	22,717
Fire Department			90,262	90,262
Total Restricted	<u>815,852</u>		<u>884,661</u>	<u>1,700,513</u>
Unassigned	<u>2,328,758</u>	<u>\$ (64,457)</u>		<u>2,264,301</u>
Total Unassigned	<u>2,328,758</u>	<u>(64,457)</u>		<u>2,264,301</u>
TOTAL FUND BALANCES	<u><u>\$ 3,436,812</u></u>	<u><u>\$ (64,457)</u></u>	<u><u>\$ 908,331</u></u>	<u><u>\$ 4,280,686</u></u>

The City Council has designated \$450,000 of General Fund unrestricted fund balance as an operating reserve to protect against revenue shortfalls and unpredicted one-time expenditures.

NOTE G – PENSION PLAN

Plan Description: All qualified permanent and probationary employees are eligible to participate in the City's cost-sharing multiple-employer defined benefit pension plan (the Plan) administered by the California Public Employees' Retirement System (CalPERS). The City participates in the Miscellaneous Risk Pool and the following cost-sharing rate plans:

- Miscellaneous Rate Plan
- PEPRM Miscellaneous Rate Plan

Benefit provisions under the Plan are established by State statute and Council resolution. CalPERS issues publicly available reports that include a full description of the Plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE G – PENSION PLAN (Continued)

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRM Miscellaneous Rate Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

Hire date	Miscellaneous	PEPRA
	Miscellaneous Rate Plan (Prior to January 1, 2013)	Miscellaneous Rate Plan (On or after January 1, 2013)
Benefit formula (at full retirement)	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	8.563%	6.985%

In addition to the contribution rates above, the City was also required to make payments of \$7,256 toward its unfunded actuarial liability during the year ended June 30, 2020. The Miscellaneous Rate Plan is closed to new members that are not already CalPERS eligible participants.

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

For the year ended June 30, 2020, the employer contribution made to the Plan was \$63,773 for the year ended June 30, 2020.

Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources: As of June 30, 2020, the City reported a net pension liability for its proportionate share of the net pension liability of \$117,142.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE G – PENSION PLAN (Continued)

The City's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the Plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2019 was as follows:

	<u>Miscellaneous Plan</u>
Proportion - June 30, 2019	0.00245%
Proportion - June 30, 2020	0.00293%
Change - Increase (Decrease)	0.00048%

For the year ended June 30, 2020, the City recognized a pension expense of \$85,854. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the Plan combined from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 63,773	
Changes in assumptions	5,586	\$ (1,980)
Net differences between projected and actual earnings on plan investments		(2,048)
Difference between actual and allocated contributions	31,009	
Difference between expected and actual experience	8,136	(630)
Adjustment due to differences in proportions	<u>30,221</u>	
Total	<u>\$ 138,725</u>	<u>\$ (4,658)</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE G – PENSION PLAN (Continued)

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date above will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as net deferred inflows of resources related to the Plan will be recognized as pension expense as follows:

Fiscal Year Ended June 30	
2021	\$ 44,032
2022	17,199
2023	8,649
2024	414
	<u>\$ 70,294</u>

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15% (a)
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	.40% - 8.50% (b)
Mortality (1)	Derived using CalPERS Membership Data

(a) Net of pension plan investment expenses, including inflation

(b) Depending on entry age and service

(1) The underlying mortality assumptions were developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. Further details can be found in the December 2017 experience study report based on demographic data from 1997 to 2015 on the CalPERS website.

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE G – PENSION PLAN (Continued)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class (c)	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%		(0.92)%
Total	100.0%		

(a) An expected inflation of 2.0% used for this period.

(b) An expected inflation of 2.92% used for this period.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE G – 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 Plan, calculated using the discount rate for the Plan, 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:

1% Decrease		6.15%
Net Pension Liability	\$	236,878
Current Discount Rate		7.15%
Net Pension Liability	\$	117,142
1% Increase		8.15%
Net Pension Liability	\$	18,306

Fiduciary Net Position: Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE H – INSURANCE

The City is a member of the Small Cities Organized Risk Effort (SCORE) with other northern California cities. SCORE is a joint powers authority organized in accordance with Article 1, 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 liability insurance. SCORE provides claims processing administrative services, risk management services and actuarial studies. A member from each city governs SCORE. The City of Colfax 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. SCORE is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If SCORE becomes insolvent, the City is responsible only to the extent of any deficiency in its equity balance. SCORE 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 for inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE H – INSURANCE (Continued)

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

Coverage	SCORE	Excess	Banking Layer/ Deductible
Liability	\$ 500,000	\$ 39,500,000	\$ 25,000
Employers liability	250,000	4,750,000	
Property	1,000,000,000		5,000
Boiler and machinery	100,000,000		2,500
Mobile equipment	7,000,000		10,000
Workers Compensation liability	250,000	4,750,000	

The City also carries commercial insurance for additional liability and property insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior fiscal year. Also, settlements have not exceeded the insurance coverage for the past three fiscal years. The audited financial statements of SCORE are available from SCORE at www.scorejpa.org.

NOTE I – COMMITMENTS AND CONTINGENCIES

Contract Commitments: The City had the following contract commitments at June 30, 2020:

	Remaining Contract Amount
Wastewater treatment plant pond 3 fissure project	\$ 424,468
General plan and housing element update	163,530
	\$ 587,998

Grant Contingency: The City participates in various federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. No audits by the grantors have occurred in the current fiscal year. The amount, if any, 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.

Legal Contingency: 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.

Other Contingency: On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the taxpayers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and operations is uncertain. The possible effects include a reduction in the City's sales taxes, property taxes and special assessments, which are some of the City's largest revenue sources.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE J – SUBSEQUENT EVENTS (Continued)

In August 2020, the City entered into an agreement with a contractor for the Kneeland Street Pavement Rehabilitation Project totaling \$162,618.

In October 2020, the City entered into an agreement with a hotel developer requiring the City to reimburse road improvement costs up to \$104,000.

In December 2020, the City entered into a design/build agreement for a solar power collection system at the City's wastewater treatment plant in an amount not to exceed \$1,944,870. The project is dependent upon the City obtaining a Clean Water State Revolving Fund (CWSRF) grant through the State Water Resources Control Board.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLFAX

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2020

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

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.00293%	0.00245%	0.00246%	0.00202%	0.00169%	0.00231%
Proportionate share of the net pension liability	\$ 117,142	\$ 92,380	\$ 97,040	\$ 70,057	\$ 46,274	\$ 57,010
Covered payroll - measurement period	\$ 639,107	\$ 615,095	\$ 595,177	\$ 456,524	\$ 367,481	\$ 353,250
Proportionate share of the net pension liability as a percentage of covered payroll	18.33%	15.02%	16.30%	15.35%	12.59%	16.14%
Plan fiduciary net position as a percentage of the total pension liability	86.84%	88.14%	84.22%	83.56%	78.40%	79.82%

Notes to Schedule:

Change in benefit terms: None

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

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

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution - employer fiscal year (actuarially determined)	\$ 63,773	\$ 52,523	\$ 44,554	\$ 48,319	\$ 33,408	\$ 30,589
Contributions in relation to the actuarially determined contributions	(63,773)	(52,523)	(44,554)	(48,319)	(33,408)	(30,589)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - employer fiscal year	\$ 727,475	\$ 639,107	\$ 615,095	\$ 595,177	\$ 456,524	\$ 367,481
Contributions as a percentage of covered payroll	8.77%	8.22%	7.24%	8.12%	7.32%	8.32%

Notes to schedule:

Contribution valuation date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Reporting valuation date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Reporting measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Methods and assumptions used to determine contribution rates:

Amortization cost method						
Amortized method						
Remaining amortization period						
Asset valuation method						
Inflation	2.625%	2.75%		2.75%	2.75%	2.75%
Salary increases						
Investment rate of return and discount rate	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%
Retirement age	50-67 years. Probabilities of retirement are based on the most recent CalPERS Experience Study.					
Mortality	Most recent CalPERS Experience Study					

Omitted years: GASB 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. Information will be added prospectively as becomes available until 10 years are reported.

COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS

CITY OF COLFAX

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2020

	Special Revenue			
	Supplemental Law Enforcement	CDBG	Transportation & Road Fund	Gas Tax
ASSETS:				
Cash and investments			\$ 19,742	\$ 946
Due from other governmental agencies				
Interest receivable		\$ 8		277
Notes receivable		23,670		
Total assets	\$ -	\$ 23,678	\$ 19,742	\$ 1,223
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable			\$ 13,518	\$ 1,223
Accrued expenses			2,277	
Total liabilities			15,795	1,223
FUND BALANCES:				
Nonspendable	\$ 23,670			
Restricted	8		3,947	
Total fund balances	23,678		3,947	
Total liabilities and fund balances	\$ -	\$ 23,678	\$ 19,742	\$ 1,223

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

Road Maintenance SB1/RSTBG	Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
	Mitigation Funds	Beverage Recycling	Oil Grant	Fire Capital	
\$ 283,470	\$ 476,015	\$ 18,909	\$ 3,728	\$ 89,945	\$ 892,755
5,483					5,483
629	2,130	67	13	317	3,441
					23,670
<u>\$ 289,582</u>	<u>\$ 478,145</u>	<u>\$ 18,976</u>	<u>\$ 3,741</u>	<u>\$ 90,262</u>	<u>\$ 925,349</u>
					\$ 14,741
					2,277
					17,018
					23,670
<u>\$ 289,582</u>	<u>\$ 478,145</u>	<u>\$ 18,976</u>	<u>\$ 3,741</u>	<u>\$ 90,262</u>	<u>884,661</u>
289,582	478,145	18,976	3,741	90,262	908,331
<u>\$ 289,582</u>	<u>\$ 478,145</u>	<u>\$ 18,976</u>	<u>\$ 3,741</u>	<u>\$ 90,262</u>	<u>\$ 925,349</u>

CITY OF COLFAX

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

For the Year Ended June 30, 2020

	Special Revenue			
	Supplemental Law Enforcement	CDBG	Transportation & Road Fund	Gas Tax
REVENUES:				
Taxes				\$ 50,819
Licenses, fees and permits			\$ 552	
Intergovernmental revenues	\$ 155,948		152,684	
Use of money and property		\$ 3,127	(691)	1,243
Total revenues	<u>155,948</u>	<u>3,127</u>	<u>152,545</u>	<u>52,062</u>
EXPENDITURES:				
Current:				
Public safety	155,948			
Public works			209,364	14,293
Total expenditures	<u>155,948</u>		<u>209,364</u>	<u>14,293</u>
Excess (deficiency) of revenues over (under) expenditures		<u>3,127</u>	<u>(56,819)</u>	<u>37,769</u>
OTHER FINANCING SOURCES (USES):				
Transfers in			58,470	
Transfers out		(209,316)		(72,033)
Total other financing sources (uses)		<u>(209,316)</u>	<u>58,470</u>	<u>(72,033)</u>
Net change in fund balances		(206,189)	1,651	(34,264)
Fund balances, beginning of year		<u>229,867</u>	<u>2,296</u>	<u>34,264</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 23,678</u>	<u>\$ 3,947</u>	<u>\$ -</u>

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

Road Maintenance SB1/RSTBG	Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
	Mitigation Funds	Beverage Recycling	Oil Grant	Fire Capital	
					\$ 50,819
	\$ 315,950				316,502
\$ 125,413					434,045
629	9,641	\$ 367	\$ 72	\$ 1,745	16,133
<u>126,042</u>	<u>325,591</u>	<u>367</u>	<u>72</u>	<u>1,745</u>	<u>817,499</u>
					155,948
					223,657
					<u>379,605</u>
<u>126,042</u>	<u>325,591</u>	<u>367</u>	<u>72</u>	<u>1,745</u>	<u>437,894</u>
534,264					592,734
<u>(370,724)</u>	<u>(191,850)</u>				<u>(843,923)</u>
<u>163,540</u>	<u>(191,850)</u>				<u>(251,189)</u>
289,582	133,741	367	72	1,745	186,705
	344,404	18,609	3,669	88,517	721,626
<u>\$ 289,582</u>	<u>\$ 478,145</u>	<u>\$ 18,976</u>	<u>\$ 3,741</u>	<u>\$ 90,262</u>	<u>\$ 908,331</u>

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COMPLIANCE REPORTS



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

City Council
City of Colfax, California
Colfax, 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 Colfax, California (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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.

To the City Council
City of Colfax, California

Compliance and Other Matters

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

Richardson & Company, LLP

January 29, 2021



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

City Council
City of Colfax, California
Colfax, California

Report on Compliance for Each Major Federal Program

We have audited the City of Colfax, California (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2020.

To the City Council
City of Colfax, California

Report on Internal Control Over Compliance

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

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

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

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

Richardson & Company, LLP

January 29, 2021

CITY OF COLFAX, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

A. SUMMARY OF AUDIT RESULTS

<u>Financial Statements</u>	<u>Summary of Auditor's Results</u>
1. Type of auditor's report issued:	Unmodified opinion
2. Internal controls over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
3. Noncompliance material to financial statements noted?	No
 <u>Federal Awards</u>	
4. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
5. Type of auditor's report issued on compliance for major programs:	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
7. Identification of major programs:	
<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	U.S. Department of Transportation, Highway Planning and Construction Cluster Grant
8. Dollar Threshold used to distinguish between Type A and Type B programs?	\$ 750,000
9. Auditee qualified as a low-risk auditee under 2 CFR Section 200.516(a)?	Yes

(Continued)

CITY OF COLFAX, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

B. CURRENT YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

None

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

None

D. PRIOR YEAR FINDINGS

None

CITY OF COLFAX, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors' Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation, Federal Transit</u>			
<u>Administration</u>			
Passed through the California Department of Transportation Highway Planning and Construction (Federal Aid Highway Program)	20.205	HIPCML-5187(010)	<u>\$ 1,017,936</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,017,936</u>

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

CITY OF COLFAX, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Colfax, California under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the Authority's operations, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COSTS

The City did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

NOTE D – SUBRECIPIENTS

There were no subrecipients of the City's programs during the year ended June 30, 2020.

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GOVERNANCE LETTER

To the City Council
City of Colfax
Colfax, California

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Colfax, California (the City), for the year ended June 30, 2020, and have issued our report thereon dated January 29, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 10, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and the Uniform Guidance

As stated in our engagement letter dated July 10, 2020, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing the audit, we will consider the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Guidance.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we will also perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also, in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the City's compliance the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination of the City's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to management's discussion and analysis, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the combining individual fund financial statements and schedules, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate or significant findings at the conclusion of the audit. We noted no findings that needed to be communicated sooner.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note A to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transaction entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were determining the depreciable lives used for capital assets, allowance for doubtful accounts receivable, the accrual of the grant receivables and the computation of the net pension liability. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The net pension liability was determined by an actuarial valuation performed by CalPERS.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the following:

To the City Council
Page 3

- The funds where expenditures exceeded appropriations in the budget were disclosed in Note A on page 28 of the financial statements.
- Information on the City's pension plan including the City's share of the net pension liability of the CalPERS Miscellaneous Risk Pool, is shown in Note G of the financial statements. The City's net pension liability at June 30, 2020, the most recent measurement date, was \$117,142, which is reflected as a liability in the financial statements as of June 30, 2020.
- Disclosures related to the City's postclosure landfill liability, loans and notes payable and other long-term liabilities are reported in Note E to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We posted 18 adjustments and closing entries during the audit, which included reclassifications for reporting purposes determined by the City, but not posted in the general ledger, and balances determined after the audit began. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 29, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the City Council
Page 4

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) listed in the table of contents, which are RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Richardson & Company, LLP

January 29, 2021

CITY OF COLFAX, CALIFORNIA
SUMMARY OF UNADJUSTED AUDIT DIFFERENCES
YEAR ENDED JUNE 30, 2020

GOVERNMENTAL ACTIVITIES

Description (Nature) of Audit Difference	Financial Statement Effect - Amount of Overstatement (Understatement) of:			
	Total Assets/Deferred Outflows	Total Liabilities/Deferred Inflows	Total Net Position	Total Change in Net Position
To adjust investment in LAIF to fair value.	\$ (20,040)		\$ (20,040)	\$ (20,040)
Net Unadjusted Audit Differences - This Year	(20,040)		(20,040)	(20,040)
Financial Statement Caption Totals (Governmental Activities)	\$ 14,854,370	\$ 1,061,145	\$ 13,793,225	\$ 3,770,539
Net Audit Differences as % of F/S Captions	(0.13%)	0.00%	(0.15%)	(0.53%)

CITY OF COLFAX, CALIFORNIA
 SUMMARY OF UNADJUSTED AUDIT DIFFERENCES
 YEAR ENDED JUNE 30, 2020

GENERAL FUND

Description (Nature) of Audit Difference	Financial Statement Effect - Amount of Overstatement (Understatement) of:			
	Total Assets	Total Liabilities	Total Fund Balance	Total Change in Fund Balance
To adjust investment in LAIF to fair value.	\$ (14,376)		\$ (14,376)	\$ (14,376)
Total Net Unadjusted Audit Difference - This year	(14,376)	-	(14,376)	(14,376)
Financial Statement Caption Totals (General Fund)	\$ 3,711,390	\$ 274,578	\$ 3,436,812	\$ 282,445
Net Audit Differences as % of F/S Captions	(0.39%)	0.00%	(0.42%)	(5.09%)

CITY OF COLFAX, CALIFORNIA
SUMMARY OF UNADJUSTED AUDIT DIFFERENCES
YEAR ENDED JUNE 30, 2020

CAPITAL PROJECTS FUND

Description (Nature) of Audit Difference	Financial Statement Effect - Amount of Overstatement (Understatement) of:			
	Total Assets	Total Liabilities	Total Fund Balance	Total Change in Fund Balance
To adjust investment in LAIF to fair value.	\$ (1,471)		\$ (1,471)	\$ (1,471)
Net Unadjusted Audit Differences - This Year	(1,471)		(1,471)	(1,471)
Financial Statement Caption Totals (Capital Projects Fund)	\$ 499,314	\$ 563,771	\$ (64,457)	\$ (350,265)
Net Audit Differences as % of F/S Captions	(0.29%)	0.00%	2.28%	0.42%

CITY OF COLFAX, CALIFORNIA
SUMMARY OF UNADJUSTED AUDIT DIFFERENCES
YEAR ENDED JUNE 30, 2020

AGGREGATE REMAINING FUNDS

Description (Nature) of Audit Difference	Financial Statement Effect - Amount of Overstatement (Understatement) of:			
	Total Assets	Total Liabilities	Total Fund Balance	Total Change in Fund Balance
To adjust investment in LAIF to fair value.	\$ (4,193)		\$ (4,193)	\$ (4,193)
Total Net Unadjusted Audit Difference - This year	(4,193)	-	(4,193)	(4,193)
Financial Statement Caption Totals (Aggregate Remaining Funds)	\$ 925,349	\$ 17,018	\$ 908,331	\$ 186,705
Net Audit Differences as % of F/S Captions	(0.45%)	0.00%	(0.46%)	(2.25%)

CITY OF COLFAX, CALIFORNIA
SUMMARY OF UNADJUSTED AUDIT DIFFERENCES
YEAR ENDED JUNE 30, 2020

SEWER FUND

Description (Nature) of Audit Difference	Financial Statement Effect - Amount of Overstatement (Understatement) of:			
	Total Assets/Deferred Outflows	Total Liabilities/Deferred Inflows	Total Net Position	Total Change in Net Position
To adjust investment in LAIF to fair value.	\$ (15,689)		\$ (15,689)	\$ (15,689)
Net Unadjusted Audit Differences - This Year	(15,689)		(15,689)	(15,689)
Financial Statement Caption Totals (Sewer Fund)	\$ 21,623,525	\$ 8,351,383	\$ 13,272,142	\$ 613,516
Net Audit Differences as % of F/S Captions	(0.07%)	0.00%	(0.12%)	(2.56%)



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Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT TESTING

City Council
City of Colfax
Colfax, California

We have performed the procedures enumerated below to the accompanying calculation of the Appropriation Limit of the City of Colfax (the City) for the year ended June 30, 2020. These procedures, which were agreed to by the City and the League of California Cities (as presented in the publication entitled *Article XIII-B Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed By the California Constitution*) were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The City management is responsible for the appropriations limit calculation. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the City's calculation of the 2019/2020 appropriations limit and compared the limit and annual adjustment factors included in the calculation to the limit and annual adjustment factors that were adopted by resolution of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. We compared the methodology used to determine the cost of living adjustment component to Article XIII B which states that the City may annually adjust the component for either the change in California per capita personal income or, the percentage change in the City's assessed valuation which is attributable to non-residential new construction. We recalculated the factor based on the above information.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the methodology used to determine the population adjustment component to Article XIII B which states that the City may annually choose to adjust the component for either the change in population in the County in which the City is located, or the change in population within the unincorporated area of the County in which the City is located. We recalculated the factor based on the above information.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Calculation to the prior year appropriations limit adopted by the City Council for the prior year.

Finding: We noted the City hired a consultant to recompute the appropriations limit calculation for the fiscal years ended June 30, 1988 to June 30, 2019 using the higher of the change in the population within the City or within the County of Placer. The June 30, 2019 appropriations limit was revised from \$2,357,490 as originally approved by the City Council to \$5,674,579 for the fiscal year ended June 30, 2019.

5. We recalculated the 2019/2020 Appropriation Limit by multiplying the product of the two above factors by the 2018/2019 appropriation limit.

Finding: No exceptions were noted as a result of our procedures. We used the recomputed appropriations limit as of June 30, 2019 in the calculation.

6. We compared the City's actual revenues to the computed appropriation limit for fiscal year 2019/2020.

Finding: For the 2019/2020 fiscal year, the City's actual revenues subject to the appropriations limit did not exceed the appropriation limit adopted by resolution of the City Council.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit calculation. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the use of the City of Colfax and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Richardson & Company, LLP

January 29, 2021

APPENDIX A

CITY OF COLFAX
 APPROPRIATION LIMIT CALCULATION
 Year Ended June 30, 2020

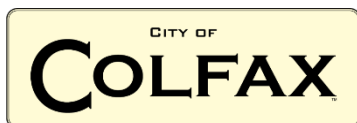
**APPROPRIATIONS LIMIT
 ADOPTED BY CITY:**

Recorded in Final 2019/2020 Budget \$ 5,674,579

**APPROPRIATIONS LIMIT
 COMPUTATION PER REVIEW:**

2018/2019 Appropriations Limit	\$ 5,364,955	1
Cost of living factor:		
Change in California per capita income	1.0385	
Population Adjustment Factor:		
Population change in County of Placer	1.0185	
Auditor computed limitation		5,674,579
Variance		\$ 0

1 City hired a consultant to recompute the appropriations limit using the higher of the change in the population within the City or the within County of Placer for the years ended June 30, 1988 to June 30, 2019. This amount represents the revised appropriations limit as recomputed. The original appropriations limit approved by the City Council for the year ended June 30, 2019 was \$2,357,490.



Staff Report to City Council

FOR THE FEBRUARY 10, 2021 REGULAR CITY COUNCIL MEETING

From: Wes Heathcock, City Manager
Prepared by: Wes Heathcock, City Manager
Subject: Council Committee Assignment – Flood Control District

Budget Impact Overview:

N/A:	Funded: √	Un-funded:	Amount: \$2,500-\$3,000	Fund(s): 100-120
-------------	------------------	-------------------	--------------------------------	-------------------------

RECOMMENDED ACTION: Discuss and appoint a member of Council to the Flood Control District Board.

Summary/Background

The Placer County Flood Control and Water Conservation District (District) jointly coordinates in the development, support, and operation of the special district authorized under the California Water Code, Uncodified Acts, Act 5936 (Stats. 1984, Ch. 689). The District was created to provide countywide water conservation; development of water resources; and control and management of drainage, storm, flood, and other waters; and exercise other powers as provided by law. Placer County and other jurisdictions founded the District in 1987 in response to the devastating floods in the early 1980's. The City of Colfax joined the District in 1994.

The District provides the following list of services and benefits to the City of Colfax:

- Performed a total of 6 reviews for new developments within the City limits since 2016.
- Responds to technical inquiries made by developers, the consulting community, and the public with reference to local hydrology and hydraulic studies including FEMA Floodplain Insurance Studies (FIS) as well as FEMA Floodplain Insurance Rate Maps (FIRM).
- Provides technical support for the District's Stormwater Management Manual.
- The District maintains precipitation and other records related to flooding for general use to developers, the consulting community, and the public.
- Countywide Emergency Operations Center (OES) by monitoring weather, rainfall, and stream gauges warnings and recommendations to member agencies.
- Annually updates the Flood Response Handbook

The attached Flood Control Membership Agency Benefits Letter discusses the benefits to Colfax in more detail.

The City Manager was recently contacted by the District Executive Director Ken Grehm regarding Colfax inactivity on the aforementioned Board. Apparently, the City of Colfax withdrew from the District and its activities in July 2002. Staff is recommending the City Council reactivate Colfax's participation by appointing members of Council to the Board with one member as the primary and a second member as the alternate.

The District Board of Directors meetings are held the second Monday of each month at 4 p.m. These meetings are held several times each year on an as-needed basis. The meetings have historically been held at the Rocklin City Council Chambers. However, meetings are currently being held in a virtual format during the COVID-19 pandemic.

The District Technical Advisory Committee (TAC) meets the third Wednesday of each month at 9 a.m. These meetings are also held several times each year on an as-needed basis to discuss technical issues, policies, and programs that affect agencies and residents in Placer County. These meetings have historically been held at the

Placer County government offices in Auburn, CA. However, meetings are also currently being held in a virtual format during the COVID-19 pandemic.

Fiscal Impacts

The cost of the annual member fees is based on the community's population. Colfax annual fee is estimated at \$2,500 to \$3,000.

Attachments:

1. Flood Control Coordination Agreement
2. Flood Control Membership Agency Benefits Letter



**PLACER COUNTY
FLOOD CONTROL AND WATER CONSERVATION DISTRICT**

Ken Grehm, Executive Director
Brian Keating, District Manager
Andrew Darrow, Development Coordinator

MEMORANDUM

DATE: February 2012
TO: Readers of the Directors Handbook
FROM: Flood Control District Staff
SUBJECT: Coordination Agreement Template

Following this page is a blank copy of the current coordination agreement between the District and the member organizations. Each of the jurisdictions signed a similar separate agreement with the District. A single copy signed by all agencies is not available since the various councils and Board signed the agreements over the course of several months.

Following the coordination agreement is the Board memorandum from 1996 requesting permission from the Board of Directors to take this agreement to each of the member jurisdictions for signature. This memo provides a record and context for the changes between this and the previous agreement.

Finally, this section contains a copy of recent District workplans.

3091 County Center Drive, Suite 220, Auburn, CA 95603 / Tel: 530/745-7510 / Fax: 530/745-3531

**COORDINATION AGREEMENT FOR
THE PLACER COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT**

This Agreement, dated _____, by and between Placer County ("County"), a political subdivision of the State of California; the cities of Auburn, Colfax, Loomis, Lincoln, Rocklin, and Roseville ("Cities"), each of which is a municipal corporation; and the Placer County Flood Control and Water Conservation District ("District"), which is a special district; governs the responsibilities of each party in the development, support, and operation of the Placer County Flood Control and Water Conservation District.

Section 1. Purpose

The County, the Cities, and the District enter into this Agreement in order to jointly coordinate in the development, support, and operation of the Placer County Flood Control and Water Conservation District, a special district authorized under the California Water Code, Uncodified Acts, Act 5936 (Stats. 1984, Ch. 689).

The District has been created to provide countywide water conservation; development of water resources; and control and management of drainage, storm, flood, and other waters; and exercise other powers as provided by law. The problems cannot be economically or efficiently solved through individual actions of existing public entities within Placer County.

The County and the Cities have an interest in improving the effectiveness of these individual activities concerning drainage, water conservation, and flood control through cooperative activities, joint actions, and support of the District.

Section 2. Responsibilities

- a. All parties to this Agreement agree to work together in a cooperative effort to solve water conservation, drainage, and flood control problems. The parties further agree to study, evaluate, and implement reasonable and appropriate measures, standards, and activities designed to mitigate the effects of development activities on drainage, flooding, erosion and sedimentation, water quality and water conservation.
- b. The District agrees to prepare and distribute to the parties to this Agreement by March 1 of each year an annual work program and budget, which contains a description of goals and tasks and a timetable of activities.
- c. The County and the Cities agree to provide financial support to the District. The amount of each participant's annual financial support will be described by a formula based on their per capita share of total county population or other criteria, which are acceptable to all parties. The District Engineer will prepare a recommended contribution schedule each year, no later than March 1.

In cooperation with the District Technical Advisory and Policy Committees, the District Engineer will prepare a report on the analysis of alternative criteria for determining the amount of each participant's annual financial support and present the report to the Board of Directors for their consideration no later than December 31, 1997.

- d. The District agrees to seek, through the District Policy Advisory Committee and Technical Advisory Committee, the advice of the County and the Cities in the overall operation of the District, including but not limited to: Proposed engineering services; fixing of rates and charges; issuance of improvement, special assessment or revenue bonds; formation of improvement districts or zones of benefit; formation of zone council; levying of benefit assessments; and selection of projects to be carried out.
- e. The County and Cities agree to share with the District all information and data concerning development approvals that may have an effect on storm water flow, drainage, or water conservation.
- f. The County and the Cities agree to submit to the District for review, the development plans and environmental documentation for each new discretionary development project which would potentially alter the rate or volume of runoff or alter floodplain elevations in major streams. The District shall review each such project and comment on its impacts on regional drainage and flooding and regional floodplains using policies, standards and guidelines established by the District in Board Resolutions, watershed plans, the Stormwater Management Manual and other such documents ad adopted from time to time.

The following projects or project documents need not be reviewed, however:

- 1. Building permits for single family residences,
- 2. Rehabilitation or reconstruction of existing improvements where the alterations do not affect the rate or volume of runoff or alter floodplain elevations,
- 3. Developments in areas, such as Colfax, outside of established watershed planning areas, such as the Dry Creek and Cross Canal watersheds.
- 4. Projects for which previous District review has determined that additional information is not required.

The District shall make every reasonable effort to provide its comments within times established by the County and Cities for their project review and approval processes. Should the District fail to do so, the County and Cities may proceed without the District's comments.

Reasonable costs incurred by the District under this requirement shall be collected directly from the applicants at rates established by the Board of Directors. Alternatively, costs may be collected by the approving agency by arrangement with the District.

- g. In addition, to (f.) above, the County and Cities may obtain the assistance or advice of District staff regarding any other drainage, flood control or stormwater management issues. Reasonable costs incurred by the District shall be reimbursed by the requesting jurisdiction.

- h. The County and Cities agree to support changes to the District's enabling legislation to enable the District to become self-funding, and the District agrees to work with local legislators to effect these changes.
- i. The County and Cities agree to transfer to the District fees and assessments imposed and collected specifically to support the District's watershed programs, including capital improvements and services. The funds will be transferred to the District at least quarterly. The District agrees to:
 1. Maintain these funds in separate, interest bearing accounts pending appropriations for stated purposes in accordance with established priorities.
 2. Establish priorities for appropriations within a year after execution of this agreement.
 3. Provide to the county and Cities annual reports and other such information as the jurisdiction may request to comply with the reporting requirements of Chapter 5 (commencing with section 66000) of Division 1 of Title 7 of the Government Code (also referred to as AB1600), as amended from time to time.
 4. Return to the County and Cities such funds as may have been received from the County or City which are required to be returned by the County or City to the payer due to the successful appeal of the imposition of the fee.
- j. All parties to this Agreement agree that the District Policy Advisory Committee will serve as a forum where matters of significance concerning drainage, flooding, and water conservation will be discussed.
- k. District shall defend, indemnify, save and hold harmless the County or a City, and its officers, employees and agents (an "Indemnified Party") from claims of liability, lawsuits, liability, damages and costs of any kind on account of injuries to or death of any person, including (but not limited to) workers and the public, damage to property, or breach of contract arising out of any flood control improvement or water conservation project undertaken by the District; provide, however, this obligation shall be applicable only if the claim of liability arises solely because of the execution of this Coordination Agreement by the Indemnified Party and not due to any other separate or independent act or omission of the Indemnified Party.

Section 3. Committees

The following committees are formed:

- a. District Policy Advisory Committee (DPAC)

The DPAC shall provide policy guidance and advice to the District Board of Directors and guide implementation of this Agreement.

The DPAC shall consist of seven (7) voting members and be comprised of the City/Town Manager of each City/Town within the District's jurisdiction and the County Executive Officer of Placer County.

In the event of an absence by a member, an alternate from that jurisdiction may attend. An alternate has the same authority as the appointed member.

b. District Technical Advisory Committee (DTAC)

The DTAC shall provide technical advice and guidance to the Board of Directors and the District Policy Advisory Committee.

The DTAC shall consist of fifteen (15) members; one each from Placer County, City of Auburn, City of Colfax, City of Lincoln, Town of Loomis, City of Rocklin, City of Roseville, the Placer County Resource Conservation District, the South Sutter Water District, the Placer County Water Agency, Sacramento County Water Agency, the Nevada County Irrigation District, Sutter County Flood Control and Water Conservation District, Reclamation District 1001 and the Placer County Flood Control and Conservation District (Chair).

The DTAC shall invite representatives from any other interest agency to attend its meetings.

Section 4. Meetings

a. District Policy Advisory Committee (DPAC)

The DPAC shall hold meetings as necessary, the time, and place to be set by the Districts Executive Director. Special meetings of the DPAC may be called by the Chairman of the District Board of Directors, Chairman of the DPAC, or by any two members of the committee. All meetings of the DPAC shall be in accordance with the Ralph M. Brown Act.

b. District Technical Advisory Committee

The DTAC shall hold regular meetings, the time and place to be set by the members. Special meetings may be called by the District Engineer.

c. Quorum

Four (4) members of the District Policy Advisory Committee shall constitute a quorum. No action may be taken by the DPAC except upon the affirmative vote of the majority of the members in attendance.

d. Conduct of Meetings

All meetings of the District Policy Advisory Committee and District Technical Advisory Committee shall be open to the public.

Section 5. Amendments to Agreement

This Agreement may be amended at any time by affirmative vote of all parties to the Agreement. Any member agency may terminate its participation under this Agreement after having given ninety (90) days notice to District and the remaining cooperating agencies.

Section 6. Coordination Agreement Signatures

PLACER COUNTY

Attest: _____
Clerk of the Board

By: _____
Chairman, Board of Supervisors

CITY OF AUBURN

Attest: _____
City Clerk

By: _____
Mayor

CITY OF COLFAX

Attest: _____
City Clerk

By: _____
Mayor

TOWN OF LOOMIS

Attest: _____
Town Clerk

By: _____
Mayor

CITY OF LINCOLN

Attest: _____
City Clerk

By: _____
Mayor

CITY OF ROSEVILLE

Attest: _____
City Clerk

By: _____
Mayor

CITY OF ROCKLIN

Attest: _____
City Clerk

By: _____
Mayor

**PLACER COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT**

Attest: _____
Board Clerk

By: _____
Chairman, Board of Directors

T:\DPW\FCD\Directors Handbook\Revised_Directors Handbook_2003\06_Coordination Agreement_July 22, 1997.doc

**PLACER COUNTY
FLOOD CONTROL AND WATER CONSERVATION DISTRICT**

M E M O R A N D U M

TO: BOARD OF DIRECTORS DATE: NOVEMBER 18, 1996
 FROM: JAN WITTER
 SUBJECT: **COORDINATION AGREEMENT**

ACTION REQUESTED

Approval is requested of a new Coordination Agreement to present to the various governing bodies for their approval.

BACKGROUND

One of our primary missions from early in the year has been to revise the Coordination Agreement with the cities and town to:

- Institute systematic District review of all significant development projects
- Update specific provisions, such as the constitution of the Policy Advisory Committee.

Three additional provisions were proposed for consideration in April:

- Routine transfers of developer fees to District trust funds
- Creation of District benefit assessments for new development
- Increases in annual agency contributions to the District

We have completed our discussions of agreement provision with the Technical Advisory Committee (TAC) and Policy Advisory Committee (PAC). A meeting of the PAC was held on October 28.

A copy of the currently proposed agreement is attached as Exhibit 1. Copies of this draft are circulating for review by the PAC. We will report on their responses at your meeting. We expect that minor changes in the agreement may be necessary during the adoption process to help clarify and add specific details.

DISCUSSION

Development Review Program : The proposed Coordination Agreement has been revised to:

- Better define the projects which will be reviewed
- Indicate the District's commitment to timely review
- Allow recovery of District costs by either direct billing of the applicant or collection by the approving agency (collection by the approving agency is preferable)

We will continue to work with the Technical and Policy Advisory Committees to address specific implementation concerns and ensure that the goals are met as efficiently and effectively as possible.

Board of Directors
 Coordination Agreement
 November 18, 1996
 Page 2

Routine Transfer Of Developer Fees To The District This provision has been revised as follows:

- The District agrees to establish priorities for use of the fees
- The District agrees to return specific fee amounts to the respective agency in the event that a successful appeal of the fees by the developer necessitates a refund
- The transfer shall occur no less frequently than quarterly

The latter provision regarding the frequency of transfer was proposed in lieu of transferring accrued interest.

District Benefit Assessments For New Development Projects This provision has been omitted from the proposed agreement. The PAC was receptive to the provision, but they were concerned that governing bodies would be reluctant to agree to the broad concept proposed. They agreed with our recommendation to defer this issue to a separate agreement or addendum, after a more specific proposal can be formulated. They felt the proposal might be more acceptable if the cities retain some control, such as a veto, over specific assessment programs.

The PAC expressed a strong desire that the District make every effort to become self-funding, as described below and in a related agenda topic. The PAC is especially concerned that the passage of Proposition 218 may further limit their ability to support the District through contributions from their general funds.

Increases In Annual Agency Contributions To The District The response to this proposal was generally favorable, but not sufficient for inclusion in the agreement.

The method of sharing annual contribution among the agencies emerged as an issue, however. Currently, contributions are allocated among the agencies based on their respective populations. The Agencies believe that a more equitable sharing would include consideration of area and land use, both which relate to relative runoff and impact. However, no agreement was reached on a specific method. The PAC requests that we work with them and the Technical Advisory Committee to formulate recommendations within the next year.

The proposed Coordination Agreement has been amended to allow for an alternative method of sharing acceptable to all contributors. Until an agreement is reach, however, population will continue to be the basis for sharing annual contributions.

Other Provisions The PAC felt that the provision regarding support for incorporating project review into the authorizing legislation is unnecessary. Instead, they agreed to support legislative changes enabling the District to fund itself. The Coordination Agreement has been revised accordingly. A related item appears elsewhere on your agenda.

RECOMMENDATION We request that your Board approve the new Coordination Agreement and authorize presentation to the various governing bodies for their approval.

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**PLACER COUNTY
FLOOD CONTROL AND WATER CONSERVATION DISTRICT**

Ken Grehm, Executive Director
Brad Brewer, District Manager
Katie Conkle, Junior Engineer

August 18, 2020

Wes Heathcock
City of Colfax
PO Box 702
Colfax, CA 95713

RE: Member Agency Benefits from District Partnership

Dear Wes:

Our Board of Directors asked me to contact the City about encouraging participation in the Flood Control District. It has been a number of years since the City withdrew from District activities. This letter summarizes and updates the direct benefits the City of Colfax receives through its participation as a member agency with the Placer County Flood Control and Water Conservation District (District). It also provides information regarding the formal agreements between the two agencies and a brief general history of the District.

Following the devastating floods of 1983, the District was formed through state legislation (SB1312, Johnson) along with similar districts in Sutter and Colusa Counties. In the 1986 record 100-year flood event, many residences and structures within Placer County were damaged by floodwaters, primarily along Auburn Ravine. In 1987 a coordination agreement was created among the District and local Cities (including Colfax) creating the District's Technical Advisory Committee (TAC) as well as the Policy Advisory Committee (PAC). In 1989 a local Stream Management Task Force was formed which developed county-wide flood management policies and objectives to be overseen by the District, which included input from the City of Colfax. In 1994, the District Board was re-constituted to include a director from the City of Colfax, as well as a director from five other local cities, townships, and Placer County. In December of 1996, a specific Coordination Agreement between the City and the District was executed intended to "improve the effectiveness of individual activities concerning drainage, water conservation, and flood control through cooperative activities, joint actions and support of the District". A similar agreement was signed by the Cities of Roseville, Rocklin, Lincoln, Auburn, the Town of Loomis, and the County of Placer. These agencies agreed to provide financial support based on a per capita share of the total county population. As part of the coordination agreement, the City submits for District review all development plans and environmental documentation for each new project that might alter the rate or volume of runoff or alter floodplain elevations in major streams. The City of Colfax withdrew from the District and its activities in July 2002.

More specifically, the District has and continues to provide the following list of services and benefits to the City of Colfax:



**PLACER COUNTY
FLOOD CONTROL AND WATER CONSERVATION DISTRICT**

Ken Grehm, Executive Director
Brad Brewer, District Manager
Katie Conkle, Junior Engineer

- Performed a total of 6 reviews for new developments within the City limits since 2016.
- Responds to technical inquiries made by developers, the consulting community, and the public with reference to local hydrology and hydraulic studies including FEMA Floodplain Insurance Studies (FIS) as well as FEMA Floodplain Insurance Rate Maps (FIRM).
- Provides technical support for the District's Stormwater Management Manual. This document provides uniform policy, guidelines, and specific design criteria for the development and management of floodplains, natural resources, drainage facilities, and infrastructure for stormwater management in Placer County.
- The District maintains precipitation and other records related to flooding for general use to developers, the consulting community, and the public.
- During actual and potential flooding events, assists through activation of the Countywide Emergency Operation Center (EOC) and by monitoring weather, rainfall, and stream gages. Provides warnings and recommendations to member agencies (i.e. the City of Colfax) regarding flooding hazards, road closures, and impacts to critical facilities.
- The District has also created, and annually updates the Flood Response Handbook (FRH). The FRH addresses emergency communication procedures, emergency material supplies and equipment availability, technical resources, and data to help predict flooding events, and State level emergency operations manuals. The FRH also contains countywide GIS based Flood Hazard Awareness Mapping including areas of known flooding, locations of critical facilities such as police and fire stations, government centers, schools, nursing homes, and hospitals. Roads subject to flooding closures and preferred evacuation routes are also identified. This mapping is also posted at the County's Emergency Operations Center (EOC) and distributed to our member agencies.
- Coordinated with FEMA in 2012 to produce updated, highly accurate LiDAR type topographic surveys which can be made available to the City upon request. DWR CVFED 2016 LiDAR data is also available.

We hope this information helps summarize the benefits of the District that we still provide to the City. District staff look forward to continuing to assist the City in this manner and to working with you and the Board to continue to provide regional floodplain management to all of Placer County. I would like to discuss with you the City's future participation in the District when you have an opportunity. Thank you.

Sincerely,

Ken Grehm
Executive Director

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Staff Report to City Council

FOR THE FEBRUARY 10, 2021 REGULAR CITY COUNCIL MEETING

From: Wes Heathcock, City Manager
Prepared by: Wes Heathcock, City Manager
 Alfred A. “Mick” Cabral, City Attorney
Subject: City Use Of Facebook And Other Social Media

Budget Impact Overview:

N/A: ✓	Funded:	Un-funded:	Amount:	Fund(s):
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RECOMMENDED ACTION: Discuss and possibly take action to discontinue or modify the City’s use of Facebook and other social media.

Summary/Background

At the January 27, 2021 regular Council meeting, Council directed staff to place an item on this agenda to allow Council to discuss and possibly discontinue the City’s use of Facebook. Staff expanded the topic to allow discussion of the City’s use of all social media.

Mayor Pro Tem Burruss asked the City Attorney to address whether the City can legally cease or modify its use of Facebook. California law does not specifically address the permissibility or the scope of permissible use of social media platforms, but a couple of statutes touch on it.

Government Code Section 54954.2(a)(1) requires regular meeting agendas to be posted at least 72 hours in advance of the meeting. The agenda must be posted in a location that is freely accessible through a prominent, direct link on the City’s website. There are variations on the posting requirements depending upon whether the City also has an integrated agenda management platform. Based on this statute, the City can legally post its agenda on Facebook and other social media so long as there is a direct link to the posted agenda on the City’s website.

Government Code Section 54952.2 allows meetings to be conducted by teleconference. “Teleconference” is defined to include a Council meeting in which Council members are in different locations, connected by electronic means, through either audio or video, or both. This allows any form of meeting attendance so long as it is used for the benefit of the public and the City. The technical requirements of teleconferenced meetings are: (1) all votes must be by roll call; (2) agendas must be posted at all teleconference locations; (3) the rights of the public to attend and participate must be protected; (4) the agenda must identify all teleconference locations; (5) all teleconference locations must be accessible to the public; (6) a quorum of the Council must participate from within City limits. These requirements were relaxed during the COVID pandemic by a series of executive orders, most notably N-29-20.

Whether to use Facebook or other social media platforms, or to cease or modify using some or all of them, is a policy issue for Council discussion and direction. The applicable law addresses more how use of social media, once chosen, can be regulated by the City. For example, once the City decided to use Facebook, the City’s page became a type of public forum, the regulation of which invokes First Amendment, content and public access considerations.

Social media is a formidable and prevalent method for communication that, when used properly, can foster and encourage public engagement. In the words of the preamble to the Brown Act, “The people insist on remaining informed so that they may retain control over the instruments they have created.” Although Council policy can

direct which social media platforms they choose to use, the effect of using or ceasing to use one type of social media platform or the other on the public's ability to communicate with its government should be considered.

Fiscal Impacts

None

Attachments:

None