

CITY OF COLFAX, CALIFORNIA

Audited Financial Statements and Supplemental Information

June 30, 2019

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CITY OF COLFAX, CALIFORNIA

Audited Financial Statements and Supplemental Information

June 30, 2019

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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, 2019, 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, 2019, 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 combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019 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

December 10, 2019

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, 2019. 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 of the City exceeded liabilities at the close of Fiscal Year 2018-2019 by \$22,681,312 (*Net Position*) which represents an increase of 10.3% or \$2,122,940. These assets are allocated as follows:
 - Net Investment in capital assets - \$16,295,025. Total capital additions for the fiscal year were \$975,632.
 - Restricted net position - \$2,348,704. 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 - \$4,037,583. This is an increase of \$1,039,485 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 \$6,350,924 of which \$864,191 was from capital grants and contributions. Total operating expenditures from all sources were \$4,227,984.

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 liabilities – 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 may be available for future spending. 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 of Colfax, assets exceeded liabilities by \$22,681,312 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, 2019 and 2018 are summarized (Table 1), as follows:

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

	Governmental Activities		Business Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 4,320	\$ 3,168	\$ 2,130	\$ 1,729	\$ 6,450	\$ 4,897
Non-current and Capital assets	6,373	6,036	18,808	18,997	25,181	25,033
Total Assets	10,693	9,204	20,938	20,726	31,631	29,930
Deferred Outflows of Resources						
Pension Contributions made subsequent to measurement date	63	75	72	75	135	150
Liabilities:						
Long-term liabilities	487	505	7,752	7,981	8,239	8,486
Other liabilities	244	404	598	627	842	1,031
Total Liabilities	731	909	8,350	8,608	9,081	9,517
Deferred Inflows of Resources						
Unamortized gains on pension investment	2	2	2	2	4	4
Net Position:						
Net Investment in capital assets	6,294	5,946	10,001	10,132	16,295	16,078
Restricted	1,394	872	954	610	2,348	1,482
Unrestricted	2,335	1,549	1,703	1,449	4,038	2,998
Total Net Position	<u>\$10,023</u>	<u>\$ 8,367</u>	<u>\$12,658</u>	<u>\$12,191</u>	<u>\$22,681</u>	<u>\$20,558</u>

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 28% in fiscal year 2018-2019 as compared to the previous year. The majority of the increase can be attributed to an increase in land development activity. The increased activity resulted in increased building permits and plan reviews, service charges for planning and engineering services and the collection of mitigation fees. The City also had an increase in capital grants and contributions primarily related to the Construction of a Roundabout project. The City's governmental activities net position increased by \$1,655,406 (20%) for the fiscal year. Approximately \$870,000 of this increase is for Restricted Activities or invested in Capital Assets. Sources of revenue and expenditures are noted in Table 2 below.

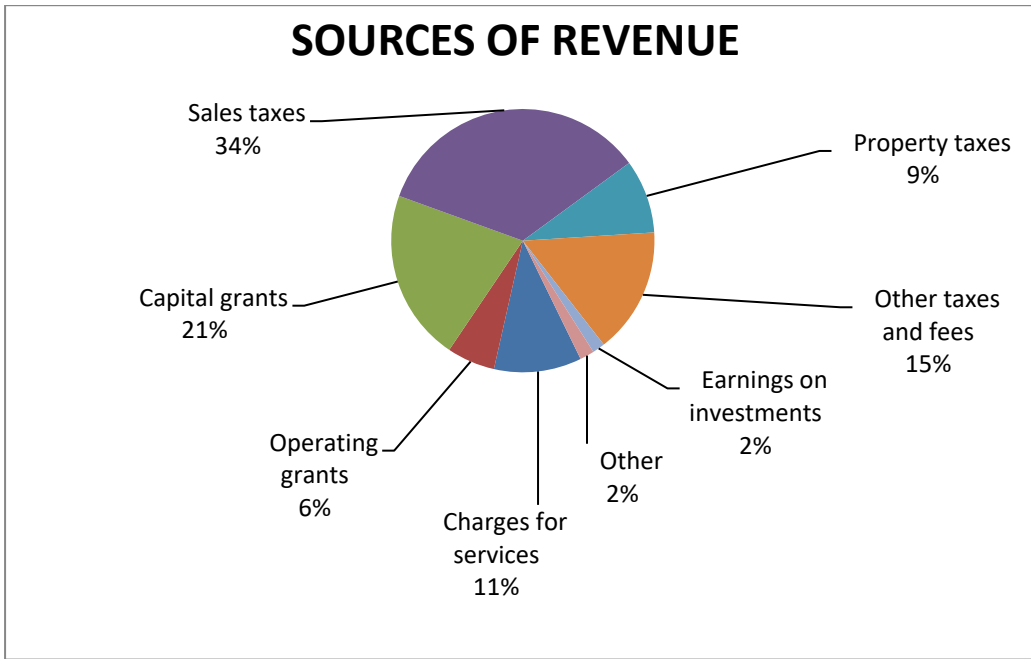
Business-Type Activities

Business-type activities increased the City of Colfax's net position by \$467,534 for the fiscal year. A large portion of this increase (\$292,194) is Insurance Funding and is restricted to repairs at the Waste Water Treatment Plant – Pond 3 Fissure project. Detailed revenues and expenditures are reported in Table 2 below.

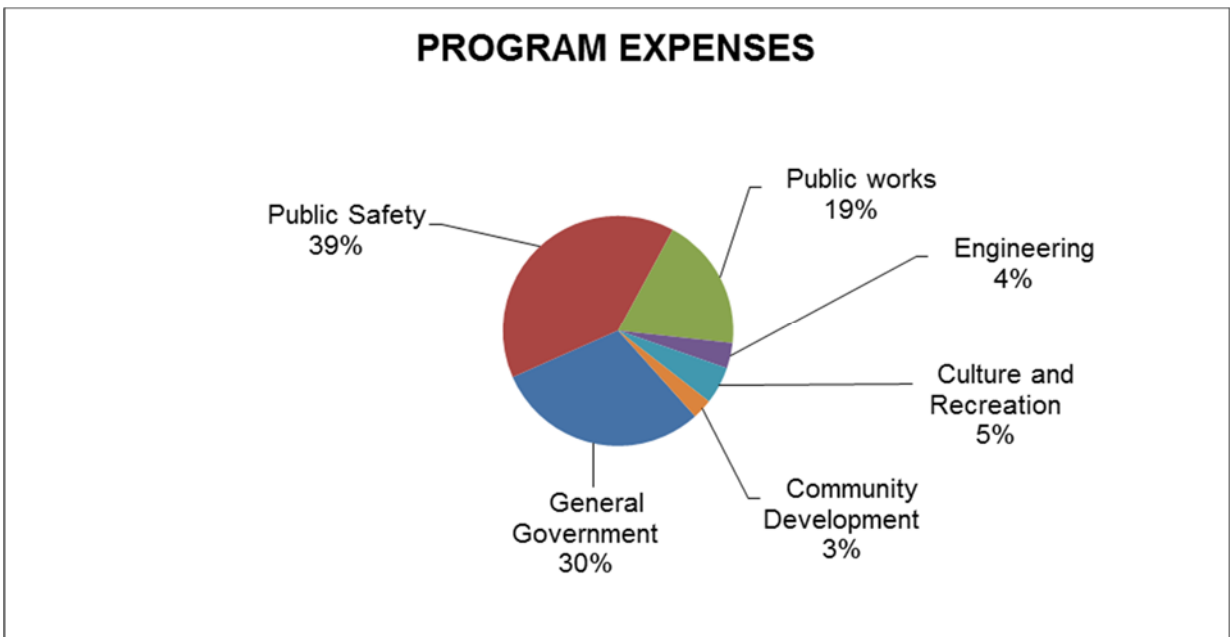
Table 2
City of Colfax, Change in Net Position
(in Thousands)

	Governmental Activities		Business Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 438	\$ 234	\$ 2,213	\$ 1,941	\$ 2,651	\$ 2,175
Operating grants and contributions	241	189	-	-	241	189
Capital grants and contributions	859	509	5	-	864	509
General revenues:						
Sales taxes	1,402	1,371	-	-	1,402	1,371
Property taxes	369	346	-	-	369	346
Other taxes and fees	631	433	-	-	631	433
Earnings on investments	63	32	59	31	122	63
Other	71	76	-	-	71	76
Total revenues	4,074	3,190	2,277	1,972	6,351	5,162
Expenses:						
General government	726	679	-	-	726	679
Public Safety	955	824	-	-	955	824
Public works	456	491	-	-	456	491
Engineering	86	83	-	-	86	83
Culture and recreation	126	128	-	-	126	128
Community development	68	68	-	-	68	68
Interest on long term debt	1	34	80	84	81	118
Sewer	-	-	1,730	1,803	1,730	1,803
Garbage	-	-	-	-	-	-
Total expenses	2,418	2,307	1,810	1,887	4,228	4,194
Change in net position	1,656	883	467	85	2,123	968
Net position, July 1	8,367	7,484	12,191	12,106	20,558	19,590
Net position, June 30	<u>\$ 10,023</u>	<u>\$ 8,367</u>	<u>\$ 12,658</u>	<u>\$ 12,191</u>	<u>\$ 22,681</u>	<u>\$ 20,558</u>

Fiscal Year 2018-2019
Governmental Activities – Sources of Revenue
 (Graphic representation of Table 2 in percentages)



Fiscal Year 2018-2019
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, 2019, net capital assets of the governmental activities totaled \$6,293,927 and the net capital assets of the business-type activities totaled \$18,184,192. 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	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,355	\$ 1,309	\$ 135	\$ 135	\$ 1,490	\$ 1,444
Construction in progress	574	362	75	185	649	547
Building and Improvements	5,676	5,387	24,841	24,343	30,517	29,730
Vehicles	663	663	46	14	709	677
Furniture and Fixtures	19	19	-	-	19	19
Machinery and equipment	461	453	683	683	1,144	1,136
Accumulated depreciation	(2,454)	(2,247)	(7,596)	(6,951)	(10,050)	(9,198)
Total Assets	\$ 6,294	\$ 5,946	\$ 18,184	\$ 18,409	\$ 24,478	\$ 24,355

The City invested \$975,632 in Capital asset improvements and additions during the current fiscal year included the following:

- Purchase of new truck for Waste Water Treatment Plant operations
- Wastewater Treatment Plant Pond Levee and Fissure repair
- Sewer infrastructure in new Development project
- Street Repairs and improvements
- Park improvements
- Land purchase

Long-Term Debt

At the end of fiscal year 2018-2019, the City of Colfax had total long-term debts outstanding of \$8,748,005, as compared to a total of \$8,884,831 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	
	2019	2018	2019	2018	2019	2018
Note Payable	\$ -	\$ -	\$ 262	\$ -	\$ 262	\$ -
Compensated absences	16	13	21	21	37	34
Landfill Closure	436	450	-	-	436	450
State Loans	-	-	7,921	8,278	7,921	8,278
Legal Settlements	-	-	-	26	-	26
Pension Liability	43	48	49	48	92	96
Total Long-term Debt	\$ 495	\$ 511	\$ 8,253	\$ 8,373	\$ 8,748	\$ 8,884

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.
- Paid off Legal settlement

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In considering the City Budget for fiscal year 2019-2020, the City Council and management were cautiously optimistic as to the growth of revenues and expenditures.

Operating revenues and expenses are projected to remain fairly level in fiscal year 2018-2019 with anticipated growth of 3-5%. The budget is balanced, with expenditure amounts in the General Fund and 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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,764,950	\$ 1,971,453	\$ 5,736,403
Accounts receivable, net of allowance for doubtful accounts	173,445	137,732	311,177
Due from other government agencies	362,257	5,255	367,512
Interest receivable	18,938	14,550	33,488
Prepaid expenses		996	996
Total current assets	<u>4,319,590</u>	<u>2,129,986</u>	<u>6,449,576</u>
Noncurrent assets:			
Restricted cash		606,539	606,539
Notes receivable	78,702	17,696	96,398
Capital assets, net of accumulated depreciation			
Non-depreciable	1,929,216	209,831	2,139,047
Depreciable	4,364,711	17,974,361	22,339,072
Total capital assets, net of accumulated depreciation	<u>6,293,927</u>	<u>18,184,192</u>	<u>24,478,119</u>
Total assets	<u>10,692,219</u>	<u>20,938,413</u>	<u>31,630,632</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	<u>63,396</u>	<u>71,777</u>	<u>135,173</u>
LIABILITIES			
Current liabilities:			
Accounts payable	104,113	34,798	138,911
Accrued expenses	6,322	61,412	67,734
Unearned revenue	17,486		17,486
Deposits	108,570		108,570
Current portion of long-term liabilities	7,882	501,141	509,023
Total current liabilities	<u>244,373</u>	<u>597,351</u>	<u>841,724</u>
Long-term liabilities:			
Notes and settlement payable		7,692,550	7,692,550
Postclosure landfill costs	435,572		435,572
Compensated absences	7,882	10,598	18,480
Net pension liability	43,326	49,054	92,380
Total long-term liabilities	<u>486,780</u>	<u>7,752,202</u>	<u>8,238,982</u>
Total liabilities	<u>731,153</u>	<u>8,349,553</u>	<u>9,080,706</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	<u>1,776</u>	<u>2,011</u>	<u>3,787</u>
NET POSITION			
Net investment in capital assets	6,293,927	10,001,098	16,295,025
Restricted net position	1,394,079	954,625	2,348,704
Unrestricted net position	2,334,680	1,702,903	4,037,583
Total net position	<u>\$ 10,022,686</u>	<u>\$ 12,658,626</u>	<u>\$ 22,681,312</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, 2019

	Program Revenues						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 725,812	\$ 348,222			\$ (377,590)		\$ (377,590)
Public safety	955,045	85,000	\$ 176,284	\$ 144,821	(548,940)		(548,940)
Public works	455,824		56,126	714,115	314,417		314,417
Community development	68,260		8,807		(59,453)		(59,453)
Engineering services	85,651				(85,651)		(85,651)
Culture and recreation	126,614	4,853			(121,761)		(121,761)
Interest on long term debt	723				(723)		
Total governmental activities	<u>2,417,929</u>	<u>438,075</u>	<u>241,217</u>	<u>858,936</u>	<u>(879,701)</u>		<u>(878,978)</u>
Business-type activities:							
Sewer	1,729,652	2,213,627		5,255		\$ 489,230	489,230
Interest on long-term debt	80,403					(80,403)	(80,403)
Total business-type activities	<u>1,810,055</u>	<u>2,213,627</u>		<u>5,255</u>		<u>408,827</u>	<u>408,827</u>
 Total government	 <u><u>\$ 4,227,984</u></u>	 <u><u>\$ 2,651,702</u></u>	 <u><u>\$ 241,217</u></u>	 <u><u>\$ 864,191</u></u>	 <u><u>(879,701)</u></u>	 <u><u>408,827</u></u>	 <u><u>(470,151)</u></u>
General revenues							
Taxes:							
Sales and use taxes					1,401,608		1,401,608
Property taxes					369,106		369,106
Transient occupancy tax					14,431		14,431
Franchises					88,004		88,004
Gas taxes					47,532		47,532
Construction fee assessments					16,056		16,056
Mitigation fees					319,869		319,869
Motor vehicle in-lieu					145,368		145,368
Investment income					62,406	58,707	121,113
Rental income					61,155		61,155
Miscellaneous					9,572		9,572
Total general revenues					<u>2,535,107</u>	<u>58,707</u>	<u>2,593,814</u>
Changes in net position					1,655,406	467,534	2,122,940
Net position, beginning of year					<u>8,367,280</u>	<u>12,191,092</u>	<u>20,558,372</u>
Net position, end of year					<u><u>\$ 10,022,686</u></u>	<u><u>\$ 12,658,626</u></u>	<u><u>\$ 22,681,312</u></u>

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

CITY OF COLFAX

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2019

	<u>Major Funds</u>			Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 2,893,095	\$ 184,370	\$ 687,485	\$ 3,764,950
Accounts receivable, net of allowance for doubtful accounts	83,795	89,650		173,445
Due from other governmental agencies	319,964	33,820	8,473	362,257
Interest receivable	16,166	(318)	3,090	18,938
Notes receivable	51,594		27,108	78,702
Due from other funds	439			439
TOTAL ASSETS	<u>\$ 3,365,053</u>	<u>\$ 307,522</u>	<u>\$ 726,156</u>	<u>\$ 4,398,731</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 80,492	\$ 21,275	\$ 2,346	\$ 104,113
Accrued expenses	4,138		2,184	6,322
Unearned revenue	17,486			17,486
Due to other funds		439		439
Deposits	108,570			108,570
TOTAL LIABILITIES	<u>210,686</u>	<u>21,714</u>	<u>4,530</u>	<u>236,930</u>
Fund balances:				
Nonspendable	51,594		27,108	78,702
Committed	645,000			645,000
Restricted	822,217	285,808	694,518	1,802,543
Unassigned	1,635,556			1,635,556
TOTAL FUND BALANCES	<u>3,154,367</u>	<u>285,808</u>	<u>721,626</u>	<u>4,161,801</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 3,365,053</u>	<u>\$ 307,522</u>	<u>\$ 726,156</u>	<u>\$ 4,398,731</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, 2019

Total Governmental Fund Balances	\$ 4,161,801
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.	63,396
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	6,293,927
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	(15,764)
Postclosure landfill liability	(435,572)
Net pension liability	(43,326)
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>(1,776)</u>
Net Position of Governmental Activities	<u><u>\$ 10,022,686</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, 2019

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
REVENUES:				
Taxes	\$ 1,873,149		\$ 89,384	\$ 1,962,533
Licenses, fees and permits	137,240	\$ 16,056	320,433	473,729
Intergovernmental revenues	173,805	219,663	426,245	819,713
Charges for services	296,590			296,590
Reimbursements		483,398		483,398
Fines, forfeitures and penalties	3,345			3,345
Use of money and property	117,509	(4,312)	10,364	123,561
Other revenue	15,295		3,760	19,055
Total revenues	<u>2,616,933</u>	<u>714,805</u>	<u>850,186</u>	<u>4,181,924</u>
EXPENDITURES:				
General government	715,037			715,037
Public safety	690,035		237,694	927,729
Public works	154,179		221,707	375,886
Engineering services	86,641			86,641
Cultural and recreation	111,519			111,519
Debt Service:				
Interest	723			723
Capital outlay	16,811	444,219	94,775	555,805
Total expenditures	<u>1,774,945</u>	<u>444,219</u>	<u>554,176</u>	<u>2,773,340</u>
Excess (deficiency) of revenues over (under) expenditures	<u>841,988</u>	<u>270,586</u>	<u>296,010</u>	<u>1,408,584</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	10,330	55,367	73,215	138,912
Transfers out	(61,788)		(77,124)	(138,912)
Total other financing sources (uses)	<u>(51,458)</u>	<u>55,367</u>	<u>(3,909)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	790,530	325,953	292,101	1,408,584
Fund balance - beginning of year	<u>2,363,837</u>	<u>(40,145)</u>	<u>429,525</u>	<u>2,753,217</u>
Fund balance - end of year	<u>\$ 3,154,367</u>	<u>\$ 285,808</u>	<u>\$ 721,626</u>	<u>\$ 4,161,801</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, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 1,408,584

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

Governmental funds report capital outlays as expenditures. However, in the
government-wide statement of activities and changes in net position, the
cost of those assets is allocated over their estimated useful lives as
depreciation expense. This is the amount of capital assets recorded in the
current period.

Capital outlay	555,805
Depreciation expense	(207,593)

Debt proceeds provide current financial resources to governmental funds, but
issuing debt increases long-term liabilities in the Government-wide Statement of
Net Position. Repayment of principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the statement of net
position. These are the amount by which repayments exceed proceeds.

Postclosure landfill costs	14,301
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Some receivables are deferred in the governmental funds because the amounts
do not represent current financial resources that are recognized under the
accrual basis in the statement of activities.

Deferred revenue recognized	(107,599)
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Some expenses reported in the statement of activities do not require the use
of current financial resources and therefore are not expenditures in the
governmental funds.

Change in compensated absences	(2,524)
Change in deferred outflow/inflow of resources and net pension obligation	<u>(5,568)</u>

Change in Net Position of Governmental Activities	<u><u>\$ 1,655,406</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COLFAX

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

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis) (See Note A)	Final Budget Positive/ (Negative)
Revenues:				
Taxes	\$ 1,660,250	\$ 1,660,250	\$ 1,873,149	\$ 212,899
Licenses, fees and permits	64,750	64,750	137,240	72,490
Intergovernmental	161,500	161,500	173,805	12,305
Charges for services	162,100	162,100	296,590	134,490
Fines and forfeitures	2,500	2,500	3,345	845
Use of money and property	75,200	75,200	117,509	42,309
Other revenue	1,000	1,000	15,295	14,295
Total revenues	<u>2,127,300</u>	<u>2,127,300</u>	<u>2,616,933</u>	<u>489,633</u>
Expenditures:				
Current:				
General government and administration	713,230	713,230	715,037	(1,807)
Public safety	756,652	756,652	690,035	66,617
Public works	206,552	206,552	154,179	52,373
Engineering services	49,400	49,400	86,641	(37,241)
Culture and recreation	144,310	144,310	111,519	32,791
Debt Service:				
Principal	44,400	44,400		44,400
Interest			723	(723)
Capital outlay	<u>138,778</u>	<u>138,778</u>	<u>16,811</u>	<u>121,967</u>
Total expenditures	<u>2,053,322</u>	<u>2,053,322</u>	<u>1,774,945</u>	<u>278,377</u>
Excess (deficiency) of revenues over expenditures	73,978	73,978	841,988	768,010
Other financing sources (uses):				
Transfers in	6,000	6,000	10,330	4,330
Transfers out	<u>(180,429)</u>	<u>(180,429)</u>	<u>(61,788)</u>	<u>118,641</u>
Total other financing uses	<u>(174,429)</u>	<u>(174,429)</u>	<u>(51,458)</u>	<u>122,971</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(100,451)	(100,451)	790,530	890,981
Fund balances - beginning of year	<u>2,363,837</u>	<u>2,363,837</u>	<u>2,363,837</u>	
Fund balances - end of year	<u>\$ 2,263,386</u>	<u>\$ 2,263,386</u>	<u>\$ 3,154,367</u>	<u>\$ 890,981</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, 2019

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 1,971,453
Accounts receivable, net of allowance for doubtful accounts of \$20,000	137,732
Due from other governmental agencies	5,255
Interest receivable	14,550
Prepaid expenses	996
Total current assets	<u>2,129,986</u>

Noncurrent Assets:

Restricted cash	606,539
Notes receivable	17,696
Capital assets:	
Nondepreciable	209,831
Depreciable	17,974,361
Total capital assets, net of accumulated depreciation	<u>18,184,192</u>

Total assets	<u>20,938,413</u>
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DEFERRED OUTFLOWS OF RESOURCES:

Pension contributions subsequent to measurement date	<u>71,777</u>
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LIABILITIES:

Current Liabilities:

Accounts payable	34,798
Accrued expenses	61,412
Current portion of long-term liabilities	501,141
Total current liabilities	<u>597,351</u>

Long-term Liabilities:

Notes payable, long-term portion	7,692,550
Compensated absences	10,598
Net pension liability	49,054
Total long-term liabilities	<u>7,752,202</u>
Total liabilities	<u>8,349,553</u>

DEFERRED INFLOWS OF RESOURCES:

Unamortized gains on pension investments	<u>2,011</u>
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NET POSITION:

Invested in capital assets, net of related debt	10,001,098
Restricted	954,625
Unrestricted	<u>1,702,903</u>
Total net position	<u>\$ 12,658,626</u>

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, 2019

Operating revenues:	
Service charges	\$ 1,928,185
Miscellaneous	285,442
Total operating revenues	<u>2,213,627</u>
Operating expenses:	
Personnel services	517,004
Operation and maintenance	567,658
Depreciation	644,990
Total operating expenses	<u>1,729,652</u>
Income from operations	<u>483,975</u>
Non-operating revenues (expenses):	
Interest income	58,707
Interest expense	<u>(80,403)</u>
Total nonoperating revenues	<u>(21,696)</u>
Capital contributions:	
State grant revenue	<u>5,255</u>
Change in net position	467,534
Net position, beginning of year	<u>12,191,092</u>
Net position, end of year	<u><u>\$ 12,658,626</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, 2019

Cash Flows from Operating Activities:	
Cash received from customers	\$ 2,173,553
Cash paid to suppliers	(704,265)
Cash paid to employees and related benefits	(513,021)
Cash provided by operating activities	<u>956,267</u>
Cash Flows from Noncapital Financing Activities:	
Tax assessments received	<u>8,555</u>
Cash provided by noncapital financing activities	<u>8,555</u>
Cash Flows from Capital and Related Financing Activities:	
Capital expenditures paid	(100,438)
Debt principal paid	(356,196)
Settlements paid	(25,602)
Interest paid	(82,778)
Cash used for capital and related financing activities	<u>(565,014)</u>
Cash Flows from Investing Activities:	
Interest received	53,151
Payments received on issued notes	517
Cash used for investing activities	<u>53,668</u>
Increase in cash and cash equivalents	453,476
Cash and cash equivalents, beginning of year	<u>2,124,516</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,577,992</u></u>
Reconciliation of cash and cash equivalents to the statement of net position:	
Cash and investments	\$ 1,971,453
Restricted cash and investments	<u>606,539</u>
Cash and cash equivalents	<u><u>\$ 2,577,992</u></u>
Reconciliation of operating income from operations to cash provided by operating activities:	
Operating income	\$ 483,975
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	644,990
(Increase) decrease in assets:	
Accounts receivable	17,746
(Decrease) increase in liabilities:	
Accounts payable	(136,607)
Accrued expenses	955
Accrued compensated absences	(160)
Pension liability	495
Deferred inflows (outflows) related to pension	<u>2,693</u>
Cash provided by operating activities	<u><u>\$ 1,014,087</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City applies all GASB pronouncements. In addition the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. 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.

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, 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.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the City reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (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 used for the acquisition or construction of major capital facilities 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). Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost.

Receivables and Payables: Sales, use, and utility user taxes related to the current fiscal year are accrued as revenue and 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 collectible. Unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

An allowance for doubtful accounts of \$20,000 has been provided for the Sewer Fund for accounts that are deemed uncollectible.

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

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

Public domain (infrastructure) capital assets consisting of certain improvements other than buildings, but including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have been capitalized prospectively beginning July 1, 2003.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Compensated Absences: It is the City's policy to permit employees to accumulate earned but unused vacation. Vacation credits must be used during the next succeeding year. Vacation is accrued when incurred 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 after one year of service. The maximum accrual for all employees for vacation is one times the employees' annual vacation leave credits. There is no limit as to the accrual of sick leave. Sick leave is not payable upon termination, but may be converted to service credits under the City's defined benefit pension plan.

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources: In addition to liabilities, the statement of financial position reports a separate section for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (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 68 as described in Note G.

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

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

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

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

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

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Administrator. The Administrator prepares an estimate of revenues and prepares recommendations for the next year’s budget. The preliminary budget may or may not be amended by the City Council 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. Total law enforcement expenditures were not increased but because more State funding was received, more of the expenses were paid from the Supplemental Law Enforcement Fund. Mitigation fund expenditures included the purchase of a lot that was budgeted in the prior fiscal year. Fire Capital fund expenditures were higher than budgeted because of expenditures to send strike teams to fight fires, which were reimbursed by the State.

Fund	Appropriations	Total Expenditures and Transfers Out	Excess Expenditures
Nonmajor Governmental Funds:			
Supplemental Law Enforcement Fund	\$ 100,000	\$ 148,747	\$ 48,747
Mitigation Funds	45,000	116,061	71,061
Fire Capital	5,000	88,947	83,947

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement required the City to disclose terms specified in debt agreements related to significant events of default with finance-related consequences and significant subjective acceleration clauses. The requirements of this Statement were implemented for the year ended June 30, 2019.

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, 2019 are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,764,950	\$ 1,971,453	\$ 5,736,403
Restricted cash		606,539	606,539
	<u>\$ 3,764,950</u>	<u>\$ 2,577,992</u>	<u>\$ 6,342,942</u>

As of June 30, 2019, the City’s cash and investments consisted of the following:

Cash on hand	\$ 300
Deposits in financial institutions	304,309
Investments	
California Local Agency Investment Fund	<u>6,038,333</u>
Total cash and investments	<u>\$ 6,342,942</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE B – CASH AND INVESTMENTS (Continued)

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

	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
Local agency bonds	None	None	10%
Mortgage-back securities	None	20%	None
Bankers acceptances	180 days	40%	30%
High grade commercial paper	270 days	40%	10%
Negotiable certificates of deposit	None	None	None
LAIF	N/A	None	None
Medium term corporate notes	5 years	30%	5%
Repurchase Agreements	365 days	20%	None
Money market fund	None	None	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 173 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, 2019, the carrying amount of the City's deposits was \$304,309 and the balance in financial institutions was \$309,669. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE B – CASH AND INVESTMENTS (Continued)

and \$59,669 was covered by the pledging financial institution with assets held in a common pool for the City and other governmental agencies.

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 \$105,814,483,092 managed by the State Treasurer. Of that amount, 1.77% 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 2019 were as follows:

<u>Due to Other Funds</u>	<u>Due from Other Funds General Fund</u>
Capital Projects Fund	\$ 439

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, 2019 were as follows:

<u>Transfers out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Transportation and Road</u>	
Major Governmental Funds:				
General		\$ 20,903	\$ 40,885	\$ 61,788
Nonmajor Governmental Funds:				
CDBG	\$ 10,330	212		10,542
Gas Tax		11,976	32,330	44,306
Mitigation		22,276		22,276
	<u>\$ 10,330</u>	<u>\$ 55,367</u>	<u>\$ 73,215</u>	<u>\$ 138,912</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, 2019

NOTE D – CAPITAL ASSETS

Governmental capital assets activity for the year ended June 30, 2019 was as follows:

	Balance at June 30, 2018	Additions	Retirements	Transfers	Balance at June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 1,308,766	\$ 46,125			\$ 1,354,891
Construction in progress	362,042	452,810		\$ (240,527)	574,325
Total capital assets, not being depreciated	<u>1,670,808</u>	<u>498,935</u>	<u>-</u>	<u>(240,527)</u>	<u>1,929,216</u>
Capital assets, being depreciated:					
Buildings and improvements	5,386,315	48,650		240,527	5,675,492
Vehicles	662,760				662,760
Machinery and equipment	453,219	8,220			461,439
Furniture and fixtures	19,298				19,298
Total capital assets, being depreciated	<u>6,521,592</u>	<u>56,870</u>	<u>-</u>	<u>240,527</u>	<u>6,818,989</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,459,083)	(150,976)			(1,610,059)
Vehicles	(424,634)	(31,768)			(456,402)
Machinery and equipment	(353,518)	(23,058)			(376,576)
Furniture and fixtures	(9,450)	(1,791)			(11,241)
Total accumulated depreciation	<u>(2,246,685)</u>	<u>(207,593)</u>	<u>-</u>	<u>-</u>	<u>(2,454,278)</u>
Capital assets being depreciated, net	<u>4,274,907</u>	<u>(150,723)</u>	<u>-</u>	<u>240,527</u>	<u>4,364,711</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 5,945,715</u>	<u>\$ 348,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,293,927</u>

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

General governmental	\$ 16,984
Public safety	27,316
Public works	79,938
Culture and recreation	15,095
Community development	68,260
Total governmental activities depreciation expense	<u>\$ 207,593</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE D – CAPITAL ASSETS (Continued)

Business-type capital assets activities for the year ended June 30, 2019 was as follows:

	Balance at June 30, 2018	Additions	Retirements	Transfers	Balance at June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 134,700				\$ 134,700
Construction in progress	185,487	\$ 68,944		\$ (179,300)	75,131
Total capital assets, not being depreciated	<u>320,187</u>	<u>68,944</u>		<u>(179,300)</u>	<u>209,831</u>
Capital assets, being depreciated:					
Buildings and improvements	24,342,595	319,389	\$ (360)	179,300	24,840,924
Vehicles	14,759	31,494			46,253
Machinery and equipment	683,471				683,471
Total capital assets, being depreciated	<u>25,040,825</u>	<u>350,883</u>	<u>(360)</u>	<u>179,300</u>	<u>25,570,648</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,458,500)	(595,153)			(7,053,653)
Vehicles	(5,968)	(2,512)			(8,480)
Machinery and equipment	(486,829)	(47,325)			(534,154)
Total accumulated depreciation	<u>(6,951,297)</u>	<u>(644,990)</u>			<u>(7,596,287)</u>
Capital assets being depreciated, net	<u>18,089,528</u>	<u>(294,107)</u>	<u>(360)</u>	<u>179,300</u>	<u>17,974,361</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 18,409,715</u>	<u>\$ (225,163)</u>	<u>\$ (360)</u>	<u>\$ -</u>	<u>\$ 18,184,192</u>

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

Sewer	<u>\$ 644,990</u>
Total business-type activities depreciation expense	<u>\$ 644,990</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE E – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Payments	Balance June 30, 2019	Due Within One Year
Governmental Activities:					
Postclosure landfill costs	\$ 449,873		\$ (14,301)	\$ 435,572	
Compensated absences	13,240	\$ 2,524		15,764	\$ 7,882
Pension liability	48,481		(5,155)	43,326	
Governmental activities long-term liabilities	<u>\$ 511,594</u>	<u>\$ 2,524</u>	<u>\$ (19,456)</u>	<u>\$ 494,662</u>	<u>\$ 7,882</u>
Business-Type Activities:					
State loan - restructured Note Payable	\$ 8,277,721		\$ (356,196)	\$ 7,921,525	\$ 359,759
Legal settlement 2009	25,602	\$ 319,389	(57,820)	261,569	130,785
Total bonds, loans, settlements payable	<u>8,303,323</u>	<u>319,389</u>	<u>(439,618)</u>	<u>8,183,094</u>	<u>490,544</u>
Compensated absences	21,355		(160)	21,195	10,597
Pension liability	48,559	495		49,054	
Business-type activities long-term liabilities	<u>\$ 8,373,237</u>	<u>\$ 319,884</u>	<u>\$ (439,778)</u>	<u>\$ 8,253,343</u>	<u>\$ 501,141</u>

Long-term debt of the City’s governmental activities consists of the following as of June 30, 2019:

Postclosure landfill cost: 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 change 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, 2019, the remaining closure and postclosure maintenance costs to be recognized over the next 23 years is \$435,572.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE E – LONG-TERM LIABILITIES (Continued)

Long-term debt of the City’s business-type activities consists of the following as of June 30, 2019:

State Loan: 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 proceeds of \$7,761,000, which includes the \$36,000 to refund the City's 1978 USDA Sewer Revenue Bond and \$7,725,000 to restructure the original loan. The State forgave \$3,319,000 of the loan principal during 2013. Additionally, the City received loan disbursements of \$982,088 during the fiscal years 2013 and 2014. Annual principal and interest payments of \$438,974 are due on October 1. The note matures in 2038. The loan is secured by a lien on and pledge of net revenues of the Sewer Fund. 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.

\$ 7,921,525

Notes Payable: 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. In lieu of actual payment, 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.

261,569

During 2009, the City settled a legal claim for \$450,000 related to the operations of its wastewater treatment plant. The City's insurance provider, SCORE, paid the entire \$450,000; however, the City was responsible for reimbursing \$226,601 to SCORE. This note was paid off during the year ended June 30, 2019.

\$ 8,183,094

Principal and interest payments on debt are due as follows:

June 30	State Loan - Restructured		Total
	Principal	Interest	
2020	\$ 359,759	\$ 79,015	\$ 438,774
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
2025-2029	1,928,740	266,129	2,194,869
2030-2034	2,027,125	167,744	2,194,869
2035-2039	2,130,529	64,340	2,194,869
Totals	<u>\$ 7,921,525</u>	<u>\$ 857,752</u>	<u>\$ 8,779,277</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE F – NET POSITION/FUND BALANCE

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

	Governmental Activities	Business-Type Activities
Landfill	\$ 386,645	
Mitigation projects	344,404	
Economic development	229,867	
Street projects	36,560	
Fire Department	88,517	
Recycling	22,278	
Debt service reserve		\$ 438,974
Replacement of short-lived assets		167,565
Pond 3 fissure resource proceeds		292,194
Capital improvements	285,808	55,892
	<u>\$ 1,394,079</u>	<u>\$ 954,625</u>

In addition to these restricted amounts, the City Council had designated \$325,000 from the operating reserve and \$100,000 for capital projects in business-type activities at June 30, 2019.

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	\$ 51,594		\$ 27,108	\$ 78,702
Total Nonspendable	<u>51,594</u>		<u>27,108</u>	<u>78,702</u>
Committed for:				
Operating Reserve	450,000			450,000
Pension Reserve	45,000			45,000
Capital Reserve	150,000			150,000
Total committed	<u>645,000</u>	<u>-</u>	<u>-</u>	<u>645,000</u>
Restricted for:				
Street projects			36,560	36,560
Landfill closure	822,217			822,217
Economic redevelopment			202,759	202,759
Recycling			22,278	22,278
Fire Department			88,517	88,517
Capital projects		\$ 285,808		285,808
Mitigation projects			344,404	344,404
Total Restricted	<u>822,217</u>	<u>285,808</u>	<u>694,518</u>	<u>1,802,543</u>
Unassigned	1,635,556			1,635,556
Total Unassigned	<u>1,635,556</u>	<u>-</u>		<u>1,635,556</u>
TOTAL FUND BALANCES	<u>\$ 3,154,367</u>	<u>\$ 285,808</u>	<u>\$ 721,626</u>	<u>\$ 4,161,801</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE G – PENSION PLANS

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the City’s cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). The City has the following cost-sharing rate plans:

- Miscellaneous Plan
- PEPRAs Miscellaneous 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 pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

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 PEPRAs Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2019, are summarized as follows:

Hire date	Miscellaneous Plan (Prior to January 1, 2013)	Miscellaneous 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%	6.250%
Required employer contribution rates	8.099%	6.842%

In addition to the contribution rates above, the City was also required to make payments of \$4,735 toward its unfunded actuarial liability during the year ended June 30, 2019. The Miscellaneous 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.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE G – PENSION PLANS (Continued)

For the year ended June 30, 2019, the employer contribution made to the Plan was \$52,523 for the year ended June 30, 2019.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:
As of June 30, 2019, the City reported a net pension liability for its proportionate share of the net pension liability of \$92,380.

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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2018 was as follows:

	<u>Miscellaneous Plan</u>
Proportion - June 30, 2018	0.00246%
Proportion - June 30, 2019	0.00245%
Change - Increase (Decrease)	-0.00001%

For the year ended June 30, 2019, the City recognized a pension expense of \$63,930. At June 30, 2019, 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	\$ 52,523	
Change in assumptions	10,531	\$ (2,581)
Net differences between projected and actual earnings on plan investments	457	
Difference between actual and allocated contributions	32,683	
Difference between expected and actual experience	3,544	(1,206)
Adjustment due to differences in proportions	35,435	
Total	<u>\$ 135,173</u>	<u>\$ (3,787)</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE G – PENSION PLANS (Continued)

The \$52,523 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	
2020	\$ 42,840
2021	31,069
2022	5,785
2023	<u>(831)</u>
	<u>\$ 78,863</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, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15% (a)
Inflation	2.50%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 12.2% (b)
Mortality ¹	Derived using CalPERS Membership Data for all Funds

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

(b) Depending on entry age and service

¹ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements usign Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% for the Plan. 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, 2019

NOTE G – PENSION PLANS (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 Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	(0.00)%	(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.

(c) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in short-term investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE G – PENSION PLANS (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 Plans, calculated using the discount rate for the Plans, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 197,712
Current Discount Rate	7.15%
Net Pension Liability	\$ 92,380
1% Increase	8.15%
Net Pension Liability	\$ 5,428

Pension Plan Fiduciary Net Position: Detailed information about each pension 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, 2019

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 at SCORE’s office.

NOTE I – COMMITMENTS AND CONTINGENCIES

The City participates in various federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. The audits by the grantors for the year ended June 30, 2019, have not yet been conducted. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

In May 2019, the City entered into an agreement with a construction company for the South Auburn Street and I-80 Roundabout Project totaling \$2,735,073. No amounts were expended under this contact as of June 30, 2019.

NOTE J – JOINT VENTURE

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 a financial activity related to the Authority during the year ended June 30, 2019.

NOTE K – SUBSEQUENT EVENTS

In August 2019, the City entered into an agreement with a contractor for the Culver Street Pavement Rehabilitation Project totaling \$227,453.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLFAX

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2019

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

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

Notes to Schedule:

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

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

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

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

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 52,523	\$ 44,554	\$ 48,319	\$ 33,408	\$ 30,589
Contributions in relation to the actuarially determined contributions	(52,523)	(44,554)	(48,319)	(33,408)	(30,589)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - fiscal year	\$ 639,107	\$ 615,095	\$ 595,177	\$ 456,524	\$ 367,481
Contributions as a percentage of covered payroll	8.22%	7.24%	8.12%	7.32%	8.32%
Valuation date:	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Amortization cost method					
Amortized method					
Remaining amortization period					
Asset valuation method					
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases					
Payroll growth	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.375%	7.50%	7.50%	7.50%	7.50%

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

COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS

CITY OF COLFAX

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2019

	Special Revenue			
	CDBG	Transportation & Road Fund	Gas Tax	Mitigation Funds
ASSETS:				
Cash and cash equivalents	\$ 201,563	\$ 5,942	\$ 28,151	\$ 343,119
Due from other governmental agencies			7,037	
Interest receivable	1,196	(403)	363	1,285
Notes receivable	27,108			
Total assets	\$ 229,867	\$ 5,539	\$ 35,551	\$ 344,404
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable		\$ 1,059	\$ 1,287	
Accrued expenses		2,184		
Total liabilities		3,243	1,287	
Fund balance:				
Nonspendable	\$ 27,108			
Restricted	202,759	2,296	34,264	\$ 344,404
Total fund balance	229,867	2,296	34,264	344,404
Total liabilities and fund balance	\$ 229,867	\$ 5,539	\$ 35,551	\$ 344,404

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

Special Revenue			Total Nonmajor Governmental Funds
Beverage Recycling	Oil Grant	Fire Capital	
\$ 18,501	\$ 3,648	\$ 86,561	\$ 687,485
		1,436	8,473
108	21	520	3,090
			27,108
<u>\$ 18,609</u>	<u>\$ 3,669</u>	<u>\$ 88,517</u>	<u>\$ 726,156</u>
			\$ 2,346
			2,184
			4,530
			27,108
\$ 18,609	\$ 3,669	\$ 88,517	694,518
<u>18,609</u>	<u>3,669</u>	<u>88,517</u>	<u>721,626</u>
<u>\$ 18,609</u>	<u>\$ 3,669</u>	<u>\$ 88,517</u>	<u>\$ 726,156</u>

CITY OF COLFAX

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

For the Year Ended June 30, 2019

	Special Revenue			
	Supplemental Law Enforcement	CDBG	Transportation & Road Fund	Gas Tax
REVENUES:				
Tax revenues				\$ 89,384
Licenses, fees and permits			\$ 564	
Intergovernmental revenues	\$ 148,747		132,927	
Use of money and property		\$ 5,397	(1,260)	836
Other revenue			2,520	
Total revenues	<u>148,747</u>	<u>5,397</u>	<u>134,751</u>	<u>90,220</u>
EXPENDITURES:				
General government				
Public safety	148,747			
Public works			205,670	16,037
Capital outlay				
Total expenditures	<u>148,747</u>	<u></u>	<u>205,670</u>	<u>16,037</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>5,397</u>	<u>(70,919)</u>	<u>74,183</u>
OTHER FINANCING SOURCES (USES):				
Transfers in			73,215	
Transfers out		(10,542)		(44,306)
Total other financing sources (uses)	<u></u>	<u>(10,542)</u>	<u>73,215</u>	<u>(44,306)</u>
Net change in fund balance	-	(5,145)	2,296	29,877
Fund balances - beginning of year	<u></u>	<u>235,012</u>	<u></u>	<u>4,387</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ 229,867</u>	<u>\$ 2,296</u>	<u>\$ 34,264</u>

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

<u>Special Revenue</u>				Total
<u>Mitigation Funds</u>	<u>Beverage Recycling</u>	<u>Oil Grant</u>	<u>Fire Capital</u>	<u>Nonmajor Governmental Funds</u>
				\$ 89,384
\$ 319,869				320,433
			\$ 144,571	426,245
3,424	\$ 410	\$ 80	1,477	10,364
990			250	3,760
<u>324,283</u>	<u>410</u>	<u>80</u>	<u>146,298</u>	<u>850,186</u>
			88,947	237,694
				221,707
94,775				94,775
<u>94,775</u>			<u>88,947</u>	<u>554,176</u>
229,508	410	80	57,351	296,010
				73,215
(22,276)				(77,124)
(22,276)				(3,909)
207,232	410	80	57,351	292,101
137,172	18,199	3,589	31,166	429,525
<u>\$ 344,404</u>	<u>\$ 18,609</u>	<u>\$ 3,669</u>	<u>\$ 88,517</u>	<u>\$ 721,626</u>

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OTHER REPORTS

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550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2019.

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

December 10, 2019