

CITY OF COLFAX, CALIFORNIA

Audited Financial Statements, Supplemental Information
and Compliance Reports

June 30, 2020

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CITY OF COLFAX, CALIFORNIA

Audited Financial Statements, Supplemental Information and Compliance Reports

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the City Council
Colfax, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Colfax, California as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purposes of additional analysis required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

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

Richardson & Company, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

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

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

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

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

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

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

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

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

Reporting the City's Most Significant Funds

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

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

THE CITY AS A WHOLE

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

By far the largest portion of the City’s net position reflects its investment in capital assets (e.g., land, street, sewer and storm drain systems, buildings and park assets, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debts, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

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

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

Governmental Activities

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

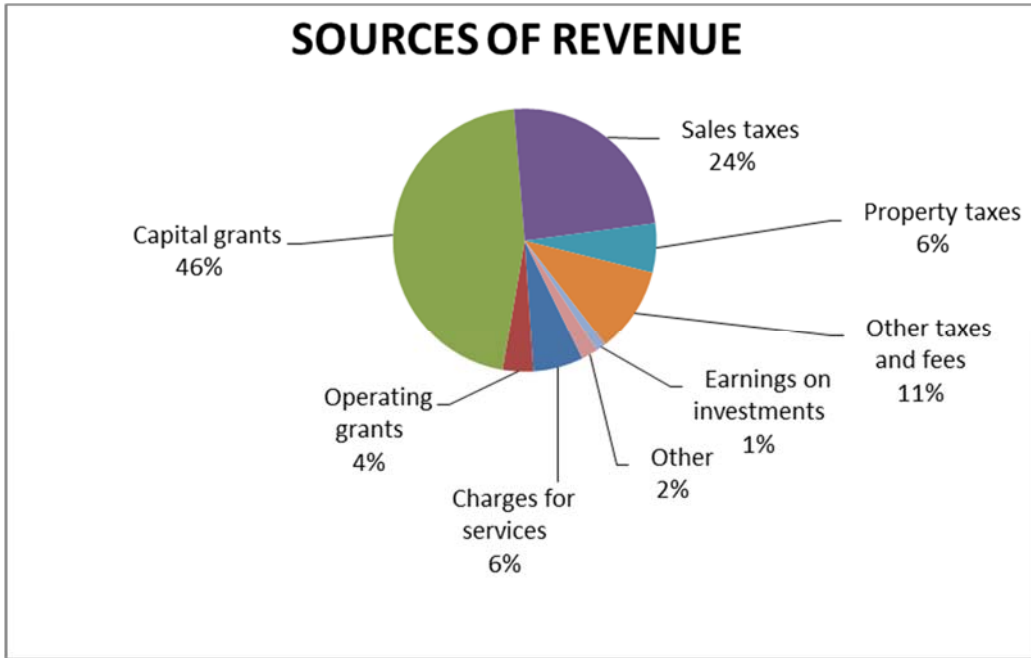
Business-Type Activities

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

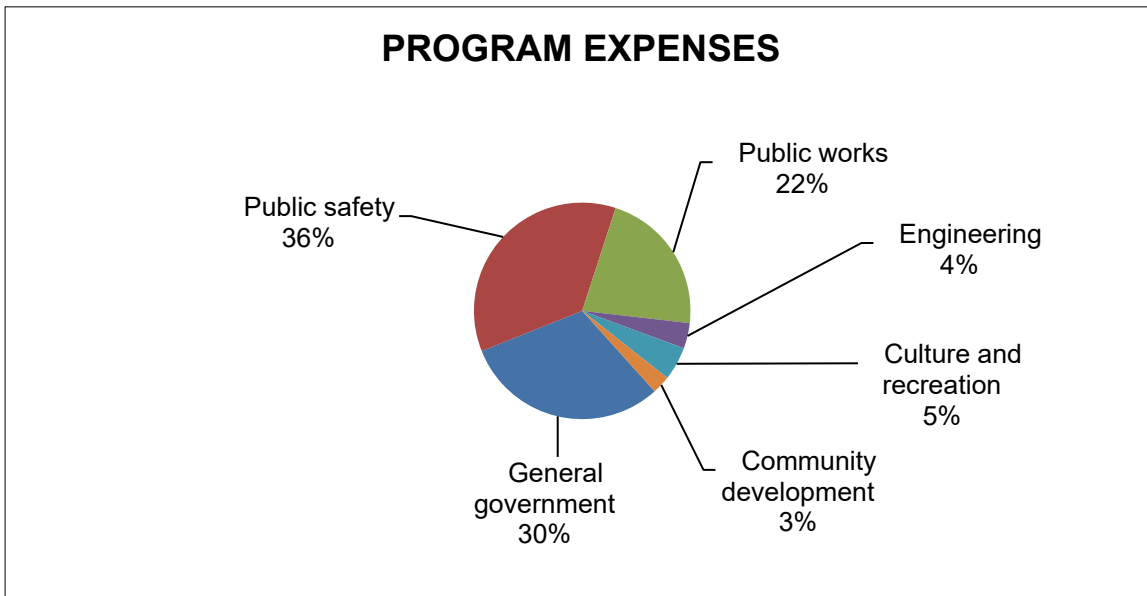
Table 2
City of Colfax, Change in Net Position
(in Thousands)

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

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



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



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

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

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

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

Long-Term Debt

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

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

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

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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CITY OF COLFAX

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2020

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

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

CITY OF COLFAX

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

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

The accompanying notes are an integral part of these financial statements

CITY OF COLFAX

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2020

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

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

CITY OF COLFAX

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

June 30, 2020

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

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

CITY OF COLFAX

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

For the Year Ended June 30, 2020

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

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

CITY OF COLFAX

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

For the Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 118,885
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	
Capital outlay	3,730,239
Depreciation expense	(218,997)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-wide Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceed proceeds.	
Postclosure landfill costs	16,795
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	138,195
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	(4,222)
Change in deferred outflow/inflows of resources and net pension liability	<u>(10,356)</u>
Change in Net Position of Governmental Activities	<u>\$ 3,770,539</u>

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

CITY OF COLFAX

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

For the Year Ended June 30, 2020

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

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

CITY OF COLFAX

STATEMENT OF NET POSITION
 PROPRIETARY FUND - SEWER FUND

June 30, 2020

ASSETS:

Current assets:

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

Noncurrent assets:

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

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

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

Current liabilities:

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

Long-term liabilities:

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

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

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

Net investment in capital assets	10,048,560
Restricted	1,158,015
Unrestricted	2,065,567
	<u>13,272,142</u>

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

CITY OF COLFAX

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

For the Year Ended June 30, 2020

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

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

CITY OF COLFAX

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND - SEWER FUND

For the Year Ended June 30, 2020

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Colfax was incorporated in 1910, under the laws and regulations of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety, highways and streets, sewer, culture-recreation, public improvements, planning and zoning, and general administrative services. The voters of the City of Colfax, California, give authority and responsibility for operations to the City Council. The City Council has the authority to employ administrative and support personnel to carry out its directives. The primary method used to monitor the performance of the City's management is the financial budget, which is adopted annually by the City Council.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity: The City operates as a self-governing local government unit within the state of California. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. Voters elect a city council that passes laws and determines broad policies. The council also oversees the operations of the City and approves all budgets, fund transfers and fund balance reserves. The City's main funding sources include property taxes, sales taxes, other inter-governmental revenue from state and federal sources, user fees, and federal and state financial assistance.

The City participates in a Joint Exercise of Powers Agreement with the County of Placer establishing the Sierra Valley Energy Authority (the Authority). This agreement was amended in February 2017 to include the unincorporated areas of Placer County and five cities in Placer County. The name was changed to Pioneer Community Energy (Pioneer) on July 17, 2017. Pioneer was established to provide assistance with the development, financing and implementation of public and private sector energy and resource development and conservation programs. The City has not had any financial activity related to the Authority during the year ended June 30, 2020.

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include 1) charges to customers or applicants who purchase,

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The accounts of the City are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the last is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements and fiduciary fund statements, with the exception of agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period, with the exception of property taxes. Property taxes are considered to be available if they are collected within 60 days of the current fiscal period. Amounts received after the availability period are reported as unavailable revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

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

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

The City reports the following major governmental funds:

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major enterprise fund:

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

Additionally, the City reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (not including private purpose trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

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

PROPRIETARY FUNDS

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

Net Position: The government-wide financial statements present net position. Net position is categorized as the net investment in capital assets, restricted and unrestricted.

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NOTE B – CASH AND INVESTMENTS

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

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE B – CASH AND INVESTMENTS (Continued)

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

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

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City’s investment in LAIF has an average maturity of 191 days.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City’s only investment is in LAIF, which is not rated.

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE B – CASH AND INVESTMENTS (Continued)

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

NOTE C – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2020 were as follows:

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

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE D – CAPITAL ASSETS

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

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE D – CAPITAL ASSETS (Continued)

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

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

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

Sewer	<u>\$ 653,675</u>
Total business-type activities depreciation expense	<u>\$ 653,675</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE E – LONG-TERM LIABILITIES

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

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

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

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE E – LONG-TERM LIABILITIES (Continued)

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

Principal and interest payments on debt are due as follows:

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

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

NOTE F – NET POSITION/FUND BALANCE

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE F – NET POSITION/FUND BALANCE (Continued)

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

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

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

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

NOTE G – PENSION PLAN

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

- Miscellaneous Rate Plan
- PEPRM Miscellaneous Rate Plan

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE G – PENSION PLAN (Continued)

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

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

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

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE G – PENSION PLAN (Continued)

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE G – PENSION PLAN (Continued)

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

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

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

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

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

(b) Depending on entry age and service

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE G – PENSION PLAN (Continued)

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

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

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

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

- (a) An expected inflation of 2.0% used for this period.
- (b) An expected inflation of 2.92% used for this period.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE G – PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

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

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

NOTE H – INSURANCE

The City is a member of the Small Cities Organized Risk Effort (SCORE) with other northern California cities. SCORE is a joint powers authority organized in accordance with Article 1, Chapter 5, Division 7, Title I of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers’ compensation benefits for their employees and to provide liability insurance. SCORE provides claims processing administrative services, risk management services and actuarial studies. A member from each city governs SCORE. The City of Colfax council members do not have significant oversight responsibility, since they evenly share all factors of responsibility with the other cities. The City does not retain the risk of loss. However, ultimate liability for payment of claims and insurance premiums resides with member cities. SCORE is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If SCORE becomes insolvent, the City is responsible only to the extent of any deficiency in its equity balance. SCORE establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not reported. Because actual claims costs depend on various factors, the claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE H – INSURANCE (Continued)

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

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

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

NOTE I – COMMITMENTS AND CONTINGENCIES

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

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

Grant Contingency: The City participates in various federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. No audits by the grantors have occurred in the current fiscal year. The amount, if any, which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE J – SUBSEQUENT EVENTS (Continued)

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

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLFAX

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2020

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

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

Notes to Schedule:

Change in benefit terms: None

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

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

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

Notes to schedule:

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

Methods and assumptions used to determine contribution rates:

Amortization cost method	Entry age normal cost method					
Amortized method	Level percentage of payroll, closed					
Remaining amortization period	Varies, but not more than 30 years					
Asset valuation method	Market Value					
Inflation	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by Entry Age and Service					
Investment rate of return and discount rate	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%
Retirement age	50-67 years. Probabilities of retirement are based on the most recent CalPERS Experience Study.					
Mortality	Most recent CalPERS Experience Study					

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

COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS

CITY OF COLFAX

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2020

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

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

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

CITY OF COLFAX

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

For the Year Ended June 30, 2020

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

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

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

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COMPLIANCE REPORTS



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

City Council
City of Colfax, California
Colfax, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Colfax, California (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2021.

Internal Control Over Financial Reporting

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

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

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

To the City Council
City of Colfax, California

Compliance and Other Matters

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

Purpose of this Report

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

Richardson & Company, LLP

January 29, 2021

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

City Council
City of Colfax, California
Colfax, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

To the City Council
City of Colfax, California

Report on Internal Control Over Compliance

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

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

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

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

Richardson & Company, LLP

January 29, 2021

CITY OF COLFAX, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

A. SUMMARY OF AUDIT RESULTS

<u>Financial Statements</u>	<u>Summary of Auditor's Results</u>
1. Type of auditor's report issued:	Unmodified opinion
2. Internal controls over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
3. Noncompliance material to financial statements noted?	No

Federal Awards

4. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
5. Type of auditor's report issued on compliance for major programs:	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

7. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	U.S. Department of Transportation, Highway Planning and Construction Cluster Grant

8. Dollar Threshold used to distinguish between Type A and Type B programs?	\$ 750,000
9. Auditee qualified as a low-risk auditee under 2 CFR Section 200.516(a)?	Yes

(Continued)

CITY OF COLFAX, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

B. CURRENT YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

None

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

None

D. PRIOR YEAR FINDINGS

None

CITY OF COLFAX, CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COSTS

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

NOTE D – SUBRECIPIENTS

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

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